



CSR report 2018

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Corporate Social Responsibility Report from GK Software

Comments on the reporting standard

This report relates to 2018. It deals with the twenty criteria in the German Sustainability Code and the additional non-financial performance indicators established by EFFAS (European Federal of Financial Analysts Societies).

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 requirements for this have been the high degree of continuity in management as well as motivated and very capable employees.

GK Software¹ is one of the most important providers in the international market for store solutions and has more than 297,000 installations in over 58 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: EUROS SOFTWARE 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

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.

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 sexes.

1. Strategic analysis and measures

Disclosing whether a sustainability strategy is being followed and what specific measures are being adopted 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 competitiveness.

In order to safeguard **economic** corporate success and the Company's expansion strategy, gaining and keeping personnel and extensive accompanying measures within the "Active Balance" programme form a particularly important element in the CSR strategy. 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 all the employees feel at home and can identify with the firm. The deliberate process of creating a positive employer brand was therefore launched in 2015, supported by its own "Active Balance" label.

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 strongly depends 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**.

GK Software SE acts according to **the law** at all times and believes that it is obliged to comply with national and international standards. It therefore pays particular attention to ensuring that all its

employees act within the law at all times. The goals of the Company's CSR strategy are closely allied to the firm's overall targets.

2. Materiality

Disclosing which aspects of in-house business activities have a major effect on aspects of sustainability and what major effect the aspects of sustainability have on the business activities. It analyses the positive and negative effects and indicates how this knowledge can be incorporated in in-house processes.

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 constantly expanding relations with universities and schools, support for the South-West Saxony Digital network or, for example, sponsoring athletes, 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 CO₂ 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.

3. Goals

Disclosing which qualitative and/or quantitative and time-defined sustainability goals have been set and put into operation 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 environment-related goals like energy and water consumption, preventing waste or harmful emissions, but also socially responsible actions affect all the company's business divisions and business sites. In the end, it is all about preventing or reducing any 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 surrounding areas for 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 its leading range of solutions
 - It was possible to consolidate this position by means of one acquisition and gaining new customers, particularly in the USA, during 2018.
- Permanently providing further training for employees in line with the requirements of the market
 - The trainee concept was significantly expanded in 2018 and the training courses at the Academy were complemented by online elements.
- Reducing the overall operating costs

Cf. more details related to criterion 15 too.

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

Cf. more details related to criteria 11-13 too.

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 Schönebeck and the surrounding region, which is economically underdeveloped
- Intensifying the long-term, partner-like dealings with customers and partners and other stakeholders

- Having satisfied and motivated employees by further extending the “Active Balance” programme

Cf. more details related to criteria 14-16 too.

4. 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 that is a leading provider of store solutions around the globe. In the case of services that are purchased - normally programming services - or for hardware that is bought (for the Company or for customers) or when constructing or extending its own buildings or rented property, GK Software seeks to ensure that they are provided or built according to the highest standards in each case, if at all possible.

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.

5. 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 the managers at GK Software, who are responsible for ensuring that the self-imposed rules and the legal requirements are followed. The “CSR” project team is the contact partner for the topic of CSR within the company and it has taken on the responsibility for monitoring the company's CSR goals, as defined by the Management Board, under the leadership of the Director of Investor Relations and for preparing this report. The cross-departmental project team consists of employees from the purchasing, accounts, personnel, controlling and corporation communications divisions.

There are plans to revise the CSR process in 2019 in order to involve all the business sites and subsidiaries in the tasks associated with it to an even better degree.

6. Rules and processes

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

A CSR strategy was first put into place by developing different guidelines, starting in the 2017 financial year. The Code of Conduct and the anti-corruption guidelines oblige the employees, partners and suppliers to maintain the standards, to which GK Software feels bound. The appropriate documents are available on the Intranet or are handed to outside stakeholders (primarily partners). Any infringement can have consequences for employees, ranging from a warning to the ending of the working relationship - and the end of any business relationship for partners. This is designed to guarantee that GK Software's business activities take into account human rights, work standards and environmental protection.

During the evaluation phase, which is still continuing, most of the feedback was positive; as a result, there is no need to make any adjustments.

7. Control

Disclosing how and which key performance indicators on sustainability are being used in regular internal planning and checking procedures. Stating how suitable processes safeguard the reliability, comparability and consistency of data for internal management 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. At a project management level, these KPIs are reported every week and are subject to permanent monitoring by the departmental managers. We would refer you to the relevant sections in the financial statement for more information on the Company's position in an international competitive environment.

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 expansion of the "Active Balance" programme 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.

We would refer to criterion 15 for the latest developments. 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 major focus of activities in 2018 was on supporting the South-West Saxony Digital Network as an emerging IT cluster.

In the **environmental** field of activity, the measured variables primarily concern electricity and fuel consumption and the company's carbon dioxide 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 the firm is seeking to find a way to contribute to a future with lower emissions.

EFFAS 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 took place during 2018 and there are none planned for 2019 either.

8. 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; for more information on the share option programme, we would refer you to the relevant parts of the financial statement. No remuneration component depending on success or participa-

tion 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.

Managers and employees in particular positions have the opportunity of using a company car. A relevant policy defines those eligible to participate in the scheme and the financial arrangements in line with their role within the firm.

Special work is honoured according to the value added that it generates for the firm, for example, in the form of bonuses. As a result, the remuneration system at GK Software is primarily geared towards achieving the CSR goal of market leadership, i.e. long-term corporate success and the prosperity of the firm.

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.

9. 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.

GK Software is therefore focusing on a process of dialogue with all the important stakeholders - i.e. employees, management or shareholders. 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. Corporate communications, including the specialist capital market communications, are centrally managed in an all-round approach in order to ensure that all those involved communicate the same information and messages about the firm.

10. 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 idea behind developing

the new OmniPOS solution. As a result of the new cloud4retail services, which were added in 2018, retailers are now even able to forego a significant part of their own computer resources for securing their daily business, as the solution can operate 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.

By constructing the modern Innovation Centre at the headquarters in Schöneck, the Company has not only created particularly resource-saving workplaces, which are designed to be energy-efficient, but has also demonstrated that it is possible to develop forward-looking IT centres in south-west Saxony, far from the major cities.

Key performance indicators 10 EFFAS

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 they almost always use different kinds of hardware and therefore cannot be compared. The Company normally has no influence on the hardware that is used by the customers and cannot influence their energy efficiency either, particularly as the systems are often in service for a very long time in the retail sector. When developing software solutions and introducing projects, attention is always paid to the fact that energy-saving methods, which are made available by the hardware, are used.

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 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 for the winter sports area at the firm's headquarters, 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 to continue extending the GK Campus in Schöneck with many different types of activities and the firm's own nursery. We would refer you to the relevant chapters in the Company's financial statement with regard to the total costs for the Campus. The Company invested more than EUR 100,000 in the Active Balance programme during 2018.

11. Making use of natural resources

Disclosing to what degree natural resources are being 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 system 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.

A well-conceived waste disposal system makes a significant contribution to relieving pressure on 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. Employees can also have their private waste in this field disposed of by the Company.

12. Resource management

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

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.

Despite the expansion of the business site, it was possible to reduce the need for diesel for the emergency power unit from 1000 l to 760 l in 2018.

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 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.

These efforts are being supported by an in-house-developed travel expenses tool that was introduced at the end of 2018. As travel and costs become more transparent, it is possible to formulate and implement measures in a targeted fashion.

GK Software offers its German employees a cheap method for leasing a bicycle through the Company's "JobRad" project. This not only saves fuel, but also boosts the employees' physical activity and health. Employees are currently leasing 92 "JobRad" bikes.

EFFAS key performance indicators 11-12

EFFAS E04-01 key performance indicator

Total weight of waste.

The total weight of the waste is not currently being logged, so there are no figures available for 2018. There are plans to develop a tracking method together with the disposal companies.

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, always separated (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.

The Company only generates products in digital form. They are therefore not relevant in terms of waste or recycling.

EFFAS E01-01 key performance indicator

Total energy consumption.

The last comprehensive energy audit took place in 2017. Because of the growing number of business sites, employees and the new buildings at the firm's headquarters, these figures can no longer be compared to the current situation. The next audit is due to take place in August. It is

therefore only possible to use data that has been gathered as a substitute regarding energy consumption in 2018.

The total energy consumption for the German business sites in 2018 was 678,043 kWh.

Fuel consumption (petrol/diesel) for the pool vehicles amounted to an estimated figure of 19,911 l during 2018.

The following table shows the CO₂ emissions, which the Company caused. In contrast to the previous year, the table only shows the figures for the German branches in order to prevent any distortion. The figures only include the Company's pool vehicles and no company cars that are suitable for private use too. The comparison with the previous year shows that the total figure has roughly remained at the same level. The equivalent of CO₂ emissions amounted to 552,007 kg/a (without foreign branches and company vehicles eligible for private use too), while the figure in 2017 was 611,700 kg/a. However, please note the expansion of the business site in Schöneck and the renting of larger premises for the branch in Cologne.

Total energy consumption for the German branches at GK Software SE in 2018

T.01

Final energy proportion	Energy sources	Needs kWhEnd/a	Primary energy factor	Primary energy consumption kWh/a	CO ₂ emissions factor kg/kWhEnd	Equivalent CO ₂ emissions kg/a
Power needs	Electricity	678,043	2.8	1,898,520	0.606	410,894
Heating needs	Natural gas	221,312	1.1	243,443	0.247	54,664
	Oil	1,000	1.1	1,100	0.319	319
	Long-distance heating	564,943	1.3	734,426	0.247	139,541
	Wood	0	1.2	0	0.023	0
Fuel needs	Diesel/petrol	19,911	1.1	21,902	0.319	6,352
Totals		1,485,209		2,899,392		611,770

13. Emissions relevant to climate

Disclosing the greenhouse gas emissions in line with the Greenhouse Gas (GHG) Protocol or standards based on this and indicating the goals set to reduce emissions.

A summary of measures on a formulated climate goal and reducing the CO₂ footprint at GK Software is being prepared. Among other things, these measures include switching to an energy-saving lighting system at old business sites too, 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 here too. They are also available for all employees. Public charging points are being used at the business sites in Berlin.

As several new business sites were moved into or extended during the course of 2018 and there are no comparable figures for the previous years, it is not possible to prepare a target for reducing the consumption of resources in 2019.

EFFAS key performance indicator 13

EFFAS E02-01 key performance indicator

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

GK Software emitted 1,013 t of CO₂ during the calculation period. Data collection for scope 2 and scope 3 is still being prepared. The audit to log and assess the consumption data for 2019 has not yet taken place.

14. Employee rights

Reporting on compliance with nationally and internationally recognised standards for employee rights and how the involvement of employees in the firm's sustainability management is being boosted and which goals are being set, which results have already been achieved and where risks are viewed.

The members of staff in the GK Software Group are employed in the Federal Republic of Germany, the Czech Republic, Switzerland, 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. Each employee at GK Software can contact it via its own section on the Intranet and during consultation times. The eleven members of the works council have been personally introduced at all the business sites in Germany and in the Czech Republic and have developed their way of operating.

Regular meetings take place between management and the works council in line with the agreements with the Management Board. The results of these meetings are communicated to all the employees, who have access to the Intranet, in English.

The goal is for each employee to have personal employee discussions with their manager once a year. They focus on feedback from both sides and discussions for individual career opportunities.

The Company also offers its employees holiday, parental leave or undisturbed leisure time through 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). A complete switch to trust-based working times is currently being implemented. It is also possible for some to work part-time or at a home office in line with their 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 perma-

nently varied salad and dessert buffet. Water, tea and coffee and other facilities like fruit baskets 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 positive, safe and healthy working environment for each employee. The “Active Balance” programme was launched in 2015 for this purpose and has been continually expanded. Employees can make suggestions for new measures as part of the programme to the responsible team; it then examines whether they are feasible or not.

The health prevention measures are important here, in addition to making daily life easier through post or pharmacy services, various types of leisure and sports pursuits that are adapted to the different times of year. The employees also have access to many internal further training opportunities through the GK Academy.

15. 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, employee participation, integrating migrants and people with disabilities, appropriate payment as well as the combination of family and career and how they have been introduced.

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 2018, 20 different countries at the Schöneck business site alone. Global international growth and corporate communications in English and German make it easier to familiarise people with their work. The GK Academy also offers language course and social skills training sessions. The only condition for attending these is to coordinate matters with managers and other team members so that the operational business is not interrupted.

A guest house and flats rented by GK Software are available for employees who are long-distance commuters. International social meetings are organised in a relaxed atmosphere so that people can network outside work.

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 employees of any age can bring with them the necessary and enriching skills and abilities. 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 offering flexible working hours, a process that has been pursued for a long time, a corporate nursery opened its doors at the main business site in Schöneck in 2018 and its opening hours are defined to meet the parent's needs. At other branches, funds are available for employees' children to spend time in child care facilities in the vicinity.

The “Active Balance” team presents an individually compiled welcome package if an employee gives birth to a child.

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.

A structured system for sports courses is now available after the appointment of a fitness trainer at the business site in Schöneck. In addition to the events organised by employees like running or cycling groups and the climbing group and the agreements concluded with external partners for indoor training sessions or massages, ten other sports or relaxation courses are held at 13 regular times during the week. The fitness room is available for individual training sessions with or without guidance.

[This service is not necessary in the large cities of Berlin, Cologne and Hamburg because of the wide range of services available near the offices. However, employees are encouraged to sign contracts in this regard.]

The "MammutClub" was founded at GK Software to honour employees who have given 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.

The Company's "Active Balance" programme has been introduced in the media on several occasions - for example, during the business review programme on n-tv in July 2018.

16. 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 and where risks are perceived.

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 advertising for, providing further qualifications and retaining 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 have been signed or there are close informal links with 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, Plauen University of Cooperative Education and the University of West Bohemia in Plzen. 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 firm offers many other opportunities for young people to launch their careers or gain further training, starting with work experience

for school pupils, to training to become an IT specialist, industrial clerk or chef or even the opportunities for sandwich courses in business IT or international management.

This has been supplemented by a cooperation scheme with Zwickau University of Applied Sciences as part of the computer science sandwich course with integrated training for students to become specialist computer experts for developing applications.

In addition to providing a pleasant working environment, GK Software views creating future prospects 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. Programme and product further training courses guarantee that not only all employees, but also relevant customers and partners are up-to-date at any time.

These training courses can be attended by each individual employee using an online tool in consultation with their manager in line with their preferences and needs. By making available many courses as webinars on the company's Intranet, they are made available to employees in alternative work models and this prevents the need to travel to the course site.

GK Software is a partner in the EU First project. This promotes the process of exchange between firms and universities as part of the Horizon 2020 programme. As a result, it is possible for employees to spend a period of at least 30 days at one of the partner universities in Bournemouth, Groningen, Modena, Rome or Shanghai and reflect on their work in an academic context. In return, employees from the partner universities regularly come to the firm's headquarters in Schöneck in order to work on new issues with the GK Software employees.

Key performance indicators 14 - 16

EFFAS S03-01 key performance indicator

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

GK Software had 1,204 employees around the globe at the end of 2018.

807 people were employees at the Group's German business sites at the end of the year (excluding prudsys AG). This figure includes 710 employees who work full-time. GK Software also employed the following people in 2018: 17 trainees, 14 students, 21 working students; it supervised 12 degree dissertations and enabled 45 people to gain work experience.

The 983 employees in the GK Group were divided into the following age groups in December 2018.

Age structure at the German business sites (excluding prudsys AG) on 31 December 2018

T.02 Age	Proportion
	%
Aged under 21	1.0
Aged 21 - 30	22.0
Aged 31 - 40	40.0
Aged 41 - 50	23.0
Aged 51 - 60	13.0
Aged 61 - 70	2.0

EFFAS S10-01 key performance indicator

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

Of these 807 employees in 2018, 120 of them were women.

The proportion of women in the total number of employees was therefore 15 %.

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.

12 women and 94 men hold management positions with responsibility for personnel from the team leader level upwards within the complete Group.

That represents a female proportion of about 11%.

EFFAS S02-02 key performance indicator

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

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.

On average, EUR 230 was spent on each employee for external training courses during 2018.

The training sessions, seminars and webinars completed for internal employees by the GK Academy are an additional asset item. 220 training courses were held during 2018 with 1,735 people attending them. This gives rise to a further cost item of approx. EUR 361 per employee, 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 591.46 per employee and was therefore very similar to the level in the previous year. However, it should be noted that the absolute training costs have increased because of the growth in the number of employees.

17. Human rights

Disclosing which measures, strategies and targets are being adopted for the company and its supply chain to ensure that human rights are respected and forced labour and child labour and any form of exploitation are prevented. Mention should be made here of the results of the measures and possible risks.

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 at partners and suppliers have come to light.

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.

18. 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 order to promote an interest in IT, GK Software has declared itself a partner in the “Hackspace” Initiative and it makes available company premises on its new Campus 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. The equivalent was held in the summer holidays too because of the excellent response by pupils.

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).

Firms and communities in the region cooperate via the work of the South-West Saxony Digital Network and are made fit to face the challenges and opportunities presented by globalisation. The IT Lounge, which takes place every year, will move to larger premises in future because of its great popularity.

The “School #digital” project starts even earlier. GK Software has set itself the goal, in conjunction with the sports grammar school in Klingenthal, of supporting schools to provide affordable technology for each pupil in the 21st century. A concept has been drawn up and the Saxon Ministry of Education is currently examining it.

Attempts are being made to enthuse more pupils about IT by holding and supporting competitions. Prize money for short films introducing shopping in the future was offered as an award and teams from different schools were prepared to participate in the WRO 2019 Lego Mindstorm competition.

GK Software was rewarded for its commitment, among other things, by being included in the image film on the Vogtland region, the award presented to the CEO, Rainer Gläss, as “Saxony’s Entrepreneur of the Year” in 2018 and the presentation of the Order of Merit of the Federal Republic of Germany to him.

19. 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, broken down into different countries.

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 19

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.

20. Behaviour within the law and in line with directives

Disclosing which measures, standards, systems and processes exist to prevent illicit behaviour and particularly corruption and how they are checked, which results are available and where risks lie. 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 gain any other unfair advantage.

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, using 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. There are currently business relationships with customers or partners in six countries with a TCI below the threshold where turnover is generated. No precise measurement of the relevant turnover has been made so far, but it lies in a range of less than 5 per cent of the Company's entire turnover.

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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.

