Corporate Social Responsibility
in SimCorp 2017


This document – Corporate Social Responsibility in SimCorp 2017 – is an integral part of the management report in the SimCorp Annual Report 2017.
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1. Introduction

To SimCorp, corporate responsibility and sustainable development is a matter of being a responsible citizen, acting with respect for our surroundings: it is an ingrained part of us – something we have always practiced in SimCorp and which is reflected in our corporate value statement: “we are determined, enthusiastic, and perform with integrity – together”. The statement reflects an approach that pervades our entire business.

Our commitment to the sustainable development of SimCorp is based on combining financial performance with socially responsible behavior and environmental awareness.

As a corporation, SimCorp’s role in society is to run a profitable business, but we see no obvious conflict between acting responsibly and caring for the surroundings and producing strong financial results. The main drivers for SimCorp's actions on corporate social responsibility (CSR) are business-related.

We also believe that implementing and preserving sound social responsibility will enhance our attractiveness as an employer – but equally importantly, it will improve the company's efficiency to the benefit of all stakeholders; clients, employees, and shareholders alike.

Overall, we aim to maintain and enhance our professional relations with internal and external stakeholders based on mutual respect – for each other and our surroundings.

SimCorp does not have a separate CSR policy, because elements that may be part of a CSR policy are already integral elements of SimCorp’s business behavior, including the company’s Diversity Action Plan (including our Diversity and Inclusion Policy), Guideline for Good Business Behavior, and Corporate Governance Guidelines as adopted by the Board of Directors - these documents can be found at the company's website: https://www.simcorp.com/en/about/investor/corporate-governance).

This statement is thus a summary of information related to issues regarding corporate social responsibility.

2. Profile

SimCorp is a leading provider of investment management software solutions and services for the global financial industry. Established in 1971, the SimCorp Group is located at 20 offices on four continents. SimCorp's corporate headquarters are in Copenhagen, Denmark, where SimCorp A/S is also listed on Nasdaq Copenhagen.

SimCorp’s core client segments include financial institutions, asset and fund managers, insurance companies, pension funds, mutual funds, banks, and mortgage lenders primarily in Europe, North America, and Asia Pacific.
3. Business model

SimCorp’s business model is highly transparent, builds on recurrent revenue, and is based on three main revenue elements:

- Sales of SimCorp software licenses
- Maintenance income
- Fees from professional services

Due to the limited non-financial risks associated with SimCorp’s business model, we do not have specific policies related to human rights and the environment. However, our due diligence processes and guidelines for good business behavior established for employees and suppliers as well as our procurement processes and contracts include firm value-based principles that address any risks that could occur concerning these matters. As part of our due diligence processes, sustained adherence to the principles, and any updates to these, are ensured through continuous monitoring. Failure to comply with the principles will lead to a cancellation of the contract.

Below follows a description of SimCorp’s principles, activities, and results when it comes to:

- Employees
- Human rights, ethics, and suppliers
- The environment

3.1. Employees

For SimCorp, the development of employee competences and the satisfaction, well-being, and safety of its employees are of outmost importance.

An Employee Engagement Survey has been carried out to measure two parameters: ‘satisfaction & motivation’ (perception) and ‘loyalty’ (behavior). In 2017, the goal was 75 points, on a range from 0-100 points, for satisfaction & motivation and 80 points for loyalty. These goals represent the top-in-class levels for similar international companies surveyed. In 2017, the results were 75 points for satisfaction & motivation (2016: 74 points) and 83 points for loyalty (2016: 81 points) – see chart on next page. This means that SimCorp has now reached its targets for both parameters, and we will continue to ensure that the company stays top-in-class on these parameters. The activities scheduled include employee development plan talks and an open communication by the executive management board.
In all its business, SimCorp relies on its employees’ financial expertise and software skills. Approximately 90% of the company’s employees hold an academic degree, most of them in finance, economics, IT, and/or engineering, and SimCorp has a continuous focus on ongoing training and knowledge sharing.

All new SimCorp employees participate in an introduction course led by senior management and senior employees. Part of the program focuses on the SimCorp code of conduct, our values and beliefs and how we do business. In addition, all SimCorp policies and procedures are available to all employees on the company's intranet.

SimCorp also makes a sustained, targeted effort to continue to attract and retain highly qualified employees. This includes management and measurement of employee performance and development of skills to ensure that competent employees are rewarded and motivated to continuous learning in step with the development of SimCorp’s business. All employees thus participate in an employee performance review (EPR) process each year to identify and follow up on specific, individual targets related to the company’s general targets. This performance review process enables individual employees to see and understand their personal contribution to the company’s overall performance. It also enables SimCorp management to monitor target achievements on an ongoing basis and, if required, adjust efforts.

In addition, SimCorp operates a comprehensive training program, which aims to translate general knowledge efficiently into specialized skills and ensure that all employees update and develop their qualifications on a regular basis. SimCorp considers it important that its employees are able to translate their theoretical knowledge into practice in order to fully utilize all skills for the benefit of clients and company alike. An important feature of SimCorp’s training program is the SimCorp Dimension Academy certification program, which is mandatory for all new SimCorp Dimension consultants and developers.
Our Working Environment Organization (WEO) is established to manage and bring attention to health and safety in the work environment. The main activities of the WEO involve planning health and safety activities to ensure that our working conditions are adequate and support the well-being of our employees. A yearly workplace assessment is in place to ensure that input from employees is discussed and taken into account. All employees have a WEO representative to whom any working environment issue should be reported.

- At December 31, 2017, SimCorp had 1,547 employees. In 2017, the average length of service was approximately 7.4 years, an increase of 0.5 years compared to 2016, which mainly relates to the acquisition of SimCorp Italiana, adding 120 employees with an average seniority of 10.1 years. The staff turnover rate was 9.4% (2016: 9%), of which voluntary staff turnover was 5.8% (2016: 6.5%), while the average age of SimCorp employees was 40 years (2016: 40 years).

- The total number of lost days (defined as sick days) in 2017 equaled 1.88% of the total number of work days in the Group, compared to 2.45% in 2016. The SimCorp Group has not reported any occupational injuries or occupational diseases in 2017 resulting in any permanent damage.

Charts showing the number of employees by country of employment and gender are shown on the next page. In SimCorp’s opinion, the gender distribution in the company broadly reflects the recruitment base within SimCorp’s markets.
3.2. Human rights and ethics – guidelines for employees and suppliers

SimCorp’s approach to human rights is firmly based on our corporate value statement: “we are determined, enthusiastic, and perform with integrity – together” that is the ethically responsible foundation for how we act as employees and for a sound business relationship with the company’s suppliers. This foundation is outlined in SimCorp’s Guideline for Good Business Behavior, which can be found on the company website https://www.simcorp.com/en/about/investor/corporate-governance.

For employees
SimCorp’s Guideline for Good Business Behavior acts as a framework to guide and support employees to act within SimCorp’s value statement and the core business principles of SimCorp. The Guideline is established as a means of ensuring that SimCorp continuously maintain a high standard in its conduct that is in line with what can reasonably be expected from the company and its employees. The Guideline sets forward the principles which employees must act according to in order to:

- Avoid conflicts of interest
- Maintain high standards when it comes to confidentiality and protection of personal data
- Avoid insider trading
- Avoid bribes and facilitation payments or any kind of corruption

From time to time, SimCorp carries out tests and questionnaires with a view to ensure that all employees and contractors are familiar with the terms of these guidelines. SimCorp will continuously monitor compliance with this Guideline. In 2017, an employee was terminated due to company credit card abuse.

For suppliers
Our value-based and ethically responsible foundation also applies to our procurement process.

Suppliers must comply with SimCorp’s Guideline of Good Business Behavior and SimCorp will on a regular basis inform its suppliers about the provisions of this Guideline together with any
amendments hereto. In addition, suppliers are requested to confirm adherence to the following principles:

- Suppliers must ensure that they and any relevant sub-contractors comply with the UN convention on child labor, article 32.1, and suppliers must recognize children’s rights to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child’s education, or to be harmful to the child’s health or physical, mental, spiritual, moral, or social development.
- Suppliers must respect equal status between the sexes and between persons of different races and religion.

Further, SimCorp does not accept products and services which have directly or indirectly been designed, manufactured, produced, or procured in contravention of local environmental legislation or other legislation, or by means of corruption, bribery, or other fraudulent behavior.

3.3. Environment

As SimCorp is committed to proper and diligent conduct in everything we do, we also aim to run our operations in an environmentally conscious way in order to reduce our environmental impact, which almost entirely relates to energy consumption.

In 2010, we implemented monitoring and measuring of electricity consumption data from all subsidiaries to be able to identify the results of various actions taken to reduce use and spending related to energy consumption. Specific measures aimed at reducing our energy consumption that have already been taken include:

- Replacing all standard computers and servers with low-energy devices
- Installing automatic light and heat adjustment at our corporate headquarters to reduce energy use during off-peak hours
- Establishing video equipment at all SimCorp locations to facilitate virtual meetings and hence reduce the need for travel.

Further, we urge all employees to consider not only their on-the-job energy consumption but also their personal use.

In 2017, electricity consumption decreased by 13% compared to 2016 when measured per full-time employee (FTE).

Looking ahead, we will continually look for ways to further reduce our environmental impact, within the restrictions related to not owning but renting our office space.
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4. Stakeholder engagement

SimCorp wants to maintain an open and ongoing dialogue with stakeholders. We have defined our primary stakeholders as our clients, our shareholders, and our employees. The ongoing dialogue is maintained firstly by keeping an open line of communication at all times, but also through structured means. One of the methods used by SimCorp is the regular client satisfaction survey in which SimCorp gauges clients’ satisfaction with the solutions we provide. Following the survey, ideas for improvement are discussed and implemented – either generally or with specific clients. In 2011, SimCorp initiated the implementation of the gauging methodology “Net Promoter Score” (NPS) that provides SimCorp with a single measure of client satisfaction. SimCorp continually strives to improve client satisfaction in all we do and believes that going forward it will become an even more important part of SimCorp’s company culture. In 2017, we managed to reach an all-time-high score of 39 points, which again brings us above the industry best-in-class score of 25 points.

Internally, SimCorp prides itself on having an open and straightforward dialogue among its employees – regardless of age and rank.

It is part of SimCorp’s communication policy to pursue an open dialogue with investors and analysts about the company’s business and financial performance. In order to ensure that SimCorp stakeholders have equal access to corporate information, news is released to Nasdaq Copenhagen, the media and on SimCorp’s website, where users can also subscribe to SimCorp’s news service.

In addition to this dialogue with the stakeholders, SimCorp A/S maintains membership of various industry associations, including Dansk Industri (The Confederation of Danish Industry), ITB (The
Danish IT Industry Association) and Center for Ledelse (The Danish Centre for Leadership) although SimCorp as a company does not engage in any political activity, nor does it support any political party.

5. Governance

SimCorp’s commitment to sustainable development of our business is based on combining financial performance with socially responsible behavior and environmental awareness. It is firmly based on the Group’s core values and SimCorp’s Corporate Governance Guidelines as adopted by SimCorp’s Board of Directors.

5.1. Board of Directors

As provided by the company’s articles of association, SimCorp’s Board of Directors currently consists of between three and six members elected by the company’s shareholders in addition to members elected by and from among SimCorp A/S employees. The Board currently consists of six members elected by the shareholders and three members elected by employees. All shareholder-elected board members are regarded as independent, whereas the employee-elected members are not regarded as independent due to their employment with SimCorp. Members of SimCorp’s Board of Directors are elected for one year at a time (employee-elected members for three years). SimCorp will at the Annual General Meeting 2018 nominate a new Board member to replace Patricia McDonald, who will not seek re-election, and propose to amend the Articles of Association so that the Board going forward consists of four to eight members, instead of the current three to six members. If this suggestion is accepted; the Board will nominate an additional Board member at an extraordinary general meeting in April. Accordingly, following the Annual General Meeting 2018 and the extraordinary general meeting, the Board will consist of seven members elected by the shareholders and three members elected by employees.

The composition of the Board of Directors ensures its ability to act as an effective, visionary, and result-oriented dialogue partner for SimCorp’s Executive Management Board, independent of any special interests, and reflects diversity in terms of age, gender, and international experience.

5.2. Whistleblower policy

SimCorp has established a whistleblower system to increase its focus on transparency. The whistleblower system allows employees, management, members of the Board of Directors of SimCorp, and external stakeholders who believe they have become aware of independent stakeholders’ actions or omissions that could damage SimCorp whether financially, reputationally, or in some other way to pass on this information to a whistleblower. Reports and questions that are received via the whistleblower system are treated confidentially. The whistleblower system is continually tested by SimCorp’s external auditors and no reports have been received through the
whistleblower system in 2017 (2016: 0). To learn more about our whistleblower policy, please refer to our website: www.simcorp.com/en/about/investor/corporate-governance#whistle.

5.3. The SimCorp organization

SimCorp’s Executive Management Board is responsible for the day-to-day management of the company and currently consists of three members. The Executive Management Board reports to the Board of Directors, which is elected directly by the SimCorp shareholders in Annual General Meeting. Three members of the Board of Directors are elected for a three-year-period by and among all employees in the SimCorp Group.
6. Report profile

This is the Group’s ninth CSR statement and covers the period January 1, 2017 - December 31, 2017. The statement is updated annually. Questions relating to the contents of the report can be directed to info@simcorp.com.

The company’s Board of Directors has assessed this statement and concluded that it is in line with the guidelines.