

Synchronizing Healthcare



CompuGroup Medical
Separate non-financial
group report 2021



CompuGroup
Medical

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Explanation

Separate non-financial group report (hereinafter: Non-Financial Report) of CompuGroup Medical SE & Co. KGaA for the 2021 financial year.

About this report

As an active player in the healthcare field with a worldwide customer base, we consider our responsibility for people's health to be part of our company's DNA. Our business activities focus on health in general and on inter-connecting health-related information in particular. Yet as part of society, the responsibility we take goes beyond the healthcare sector. In times of growing social and environmental challenges, we actively identify with this role in a comprehensive and sustainable way and remain committed to our values in particular to the following: we care and give back!

Our interpretation of Corporate Responsibility (CR) involves recognizing and being accountable for the consequences that our economic activity has on society. This includes each and every course of action taken by the CompuGroup Medical SE & Co. KGaA group (CGM) being designed to maximize the positive effects on society and stakeholders and to mitigate any negative ones.

This report is therefore aimed at all of our stakeholders, including customers, employees, business partners, shareholders and capital market participants, political decision-makers, scientific institutions, colleges and universities, media representatives and, ultimately, any interested reader.

We endeavor to write our reports in a gender-neutral way. However, we would like to point out that, for reasons of better readability, only the generic masculine is used where gender-neutral wording is not employed. All references to persons apply equally to all genders. Figures in the following sections are presented in either millions (mEUR) or thousands of euro (kEUR).

Reporting principles and general report information

Reporting period

The reporting period is the 2021 calendar year. Unless otherwise indicated, this is the same as the reporting period for the Annual Report.

Date of the current report

The Non-Financial Report of the CompuGroup Medical SE & Co. KGaA group (CGM) shall be published on April 07, 2022.

Reporting cycle

The Non-Financial Report was first issued in 2017 and is published annually.

General report information

Unless otherwise indicated, the information in the Non-Financial Report of the CompuGroup Medical SE & Co. KGaA group refers to financial year 2021 and was prepared in accordance with sections 315b and 315c in conjunction with sections 289c to 289e of the German Commercial Code (HGB) and published separately from CGM's Management Report.

The parent company of CompuGroup Medical SE & Co. KGaA is headquartered in Koblenz, Germany. The group's operations are carried out by independent subsidiaries in Germany and abroad. These group companies are managed centrally at the group level. For this reason, the following statements and descriptions of concepts apply equally to CompuGroup Medical SE & Co. KGaA and to the group, unless otherwise indicated. This also applies to the companies acquired and integrated in the reporting year.

In accordance with section 171 (1) sentence 4 of the German Stock Corporation Act (AktG), the Supervisory Board is required to audit the Non-Financial Report. In compliance with this requirement, the Supervisory Board therefore commissioned the audit firm KPMG AG Wirtschaftsprüfungsgesellschaft to conduct an audit to obtain limited assurance in accordance with ISAE 3000 (Revised).

For each of the five non-financial aspects required to be covered by the German Commercial Code (employee-related matters, social matters, respect for human rights, anti-corruption and bribery matters, and environmental matters), the reporting in the present Non-Financial Report is based on the material topics identified in the materiality analysis with the exception of respect for human rights, which was identified as a non-material topic as per the German Commercial Code (HGB). We used the topics of the Global Reporting Initiative (GRI) standards as a basis for preparing the materiality analysis. The Non-Financial Report does not meet the "core" requirements for GRI reporting and applies no other standard framework to produce reporting tailored to the company's needs. References to disclosures made outside of the Combined Management Report/financial statements constitute supplementary information and are not an integral part of the Non-Financial Report.

Applying the net method, CompuGroup Medical SE & Co. KGaA has not identified any reportable risks in accordance with section 315c in conjunction with sections 289c (3) no. 3 and 4 of the German Commercial Code (HGB) associated with the company's business activities, business relationships, products or services that are very likely to have a significantly negative impact on the material aspects now or in the future. The Risk and Opportunity Report is part of the Combined Management Report and located in section 4.

Description of the business model

CGM Group

CGM develops and sells efficiency and quality-enhancing software plus information technology services for the healthcare sector. The company is one of the leading players in the development of global eHealth solutions and is a key provider in Germany, in other key European markets as well as in the US. CGM's software products and related services are designed to assist in all medical and organizational activities in doctors' offices, medical laboratories, pharmacies, hospitals and other healthcare facilities. Its portfolio of products also includes information services for health insurance companies and pharmaceutical producers.

The company has a wide and global reach with offices in 20 countries worldwide. Almost 8.600 employees support customers with innovative solutions for the steadily growing demands of the healthcare system, generating revenues of mEUR 1,025.3 in financial year 2021.

Operating segments

The four operating segments outlined below comprise our full portfolio of products, solutions, and services.

- + Ambulatory Information Systems (AIS): This long-standing operating segment focuses on developing and selling practice management software and electronic medical records for registered physicians, medical care centers and physician networks. For these healthcare providers, products and services are packaged into an end-to-end solution that covers all clinical, administrative and billing-related functions needed to operate a modern healthcare facility. We also offer supplementary internet and intranet solutions to ensure that patient data can be shared between physicians in a secure way.
- + Pharmacy Information Systems (PCS): This operating segment focuses on developing and selling integrated administrative and billing-related software applications for pharmacies. The software solutions and related services provide accurate information and helpful decision-making support to manage every aspect of the supply chain for medication from procuring and shipping the medication, managing and controlling inventory efficiently, through to planning, performing and monitoring retail activities. Medication is dispensed to patients in a safe and cost-efficient way by means of advanced medication safety and control functions, and decision-making support tools for using generic substitution and cost optimization strategies.
- + Hospital Information Systems (HIS): This operating segment focuses on developing and selling clinical and administrative solutions for the inpatient sector, where healthcare services are provided over an extended time period in highly specialized, secondary care facilities. Customers include acute care hospitals, rehabilitation centers, welfare institutions, multi-location hospital networks, regional care organizations and medical laboratories. The software solutions and related services facilitate patient administration, resource and personnel management, medical documentation and invoicing. As a full-service provider, CGM pursues an integrated care approach, providing customized software solutions for virtually every aspect of administration, planning and the provision of care in secondary care facilities.
- + Consumer & Health Management Information Systems (CHS): The products and services in the Consumer & Health Management Information Systems segment target pharmaceutical companies, health insurance companies, other IT companies in the healthcare sector as well as patients and consumers. The portfolio includes IT security services, data-based product offers, software interfaces for the sharing of information, clinical decision-making support, medication and treatment databases for healthcare service providers, as well as digital healthcare applications, consumer portals and mobile apps. In addition, the CHS business unit is also responsible for Telematics Infrastructure and for providing security solutions for service providers.

Our vision

"Nobody should suffer or die because at some point medical information was missing."

Frank Gotthardt – founder and chair of the Administrative Board

CGM effectively provides healthcare professionals and patients with helpful medical information for the benefit of all stakeholders in the healthcare system, anytime, anywhere. To this end, we develop software to optimize the medical and administrative processes of service providers, including electronic communication with the patient.

We enable all people to access relevant medical information and services regardless of location and time, and focus on intuitive user experience, state-of-the-art technologies and uncompromising security for medical data. The health and well-being of the patient is always at the heart of everything we do.

Description of the business model

Our mission

In order to ensure that we, CGM, successfully implement our vision, we have laid it down in three mission statements:

► Forerunners in digitization in medical care

We make medical and administrative data available anytime, anywhere. With our large platforms and our extensive market experience, we are a driving force for closer cooperation between the various healthcare professionals with the aim to provide the best and most efficient care.

► Helpers for individual health care management

Everyone should be able to help determine their treatment and enjoy contributing to staying healthy. With our apps and personal electronic health records, everyone can play an active role in their preventive health care and treatment. CGM makes patient-centered care possible – holistically and safely.

► Drivers of interoperability

We connect people, facilities, and processes to enable diagnosis and therapy to have an optimal affect. To this end, we provide interoperable platforms and pioneering technologies. We use artificial intelligence to enable people and machines to communicate and to develop flexible and learning smart network topologies.

Our values

Corporate values serve as a foundation and guiding principle to achieve a vision. Therefore, in 2021 we took a close look at our values and worded and formalized them. The starting point was a survey of employees which took place in June 2021, focusing in particular on aspects of corporate culture. On this basis, CGM's senior management defined the following corporate values in several workshops:

- Act with integrity and respect!
- Deliver great service every day!
- Collaborate and take ownership!
- Take pride in simplicity!
- Stay curious and have fun!
- We care and give back!

The corporate value "We care and give back!" specifically underlines our understanding of corporate responsibility, which we view holistically.

Description of the business model

CGM in figures

in kEUR (IFRS) (*)	2021	2020
Consolidated revenues	1,025,322	837,259
EBITDA	213,390	197,476
EBITDA adjusted	224,310	214,882
Investments	163,976	457,116
Research and development	202,513	152,453
thereof: research and development (own development projects)	78,941	70,696
Income taxes for the period	28,842	37,006
Operational performance	476,169	363,729
thereof: salaries and wages	389,433	298,957
thereof: social charges	57,438	42,858
thereof: pension plan	29,299	21,914
Equity	612,284	638,937
Total assets	1,790,813	1,565,772

Additional information on the company's business activities is provided in the CompuGroup Medical Annual Report, which is available at: https://www.cgm.com/corp_en/company/ir-en. Please refer in particular to the supplementary information in section "1. Foundations of the group" and "2. Economic Report" of the Combined Management Report.

(*) The contents of this table are not part of the separate limited assurance engagement in accordance with ISAE 3000 conducted by KPMG AG Wirtschaftsprüfungsgesellschaft.

Determination of materiality

Understanding of CR and management approach

Our group strategy is focused on innovation and sustainable growth. Our understanding of corporate responsibility follows in particular from our vision, our values and the responsible contribution we make to healthcare.

We have been working on the vision of a digitalized healthcare system since 1987, developing products that help both healthcare professionals and citizens alike to improve their work and their lives.

Yet as part of society, the responsibility CGM takes goes beyond that relating to healthcare: We care and give back!

In times of growing social and environmental challenges, we actively identify with this role in a comprehensive and sustainable way and remain committed to our values. We feel a sense of responsibility towards our customers, employees, business partners, shareholders and capital market participants, political decision-makers, science and academia, as well as media representatives, while conducting our business. Our focus is squarely on complying with statutory requirements and ensuring information security, and we also want to set new standards and continuously strive for improvement.

We will be focusing even more on the issues of employees, environmental and climate protection, and social commitment, with our efforts being underpinned by targets and dedicated measures.

Our interpretation of Corporate Responsibility (CR) involves recognizing and being accountable for the consequences that our economic activity has on society. This includes each and every course of action taken by CGM being designed to maximize the positive effects on society and stakeholders and to mitigate any negative ones.

The name was changed internally from CSR to CR to reflect this more holistic approach. The remuneration agreements of the Managing Directors of CGM contain specific CR objectives.

Our CR management approach aims to integrate material aspects of sustainability into all areas and processes in the company.

Our understanding of CR can be summarized in the following principles:

- In all of our business activities, we never forget the importance of our responsibility to society.
- We value diversity and the dedication of our employees. We do not tolerate discrimination.
- We advocate for our customers and users.
- We treat data as strictly confidential and communicate professionally.

These values are derived in detail from our Code of Ethics and our Declaration on Corporate Governance as well as our privacy policy, which are publicly available on our website. The standards and principles listed there constitute a binding framework for action for all employees of CGM. It goes without saying that this includes the management.

In operational and strategic terms, corporate responsibility and non-financial reporting has been the responsibility of Group Human Resources led by the CEO since September 1, 2021. A dedicated division has been created and staffed in order to centrally manage both strategy and measure development and to monitor their implementation. Until August 31, 2021, non-financial reporting had been managed by Group Risk Management, which is assigned to Legal and Compliance, also under the CEO. Furthermore, the functions responsible for non-financial reporting regularly exchange information on strategic decisions with the managerial staff in relevant departments such as Legal, Purchasing, Marketing, Product and IT.

Another CR-relevant addition to this organizational structure was the creation and hiring of a Group Compliance Officer, who has also formed a broad interface to CR since September 1, 2021.

In the future, both areas will regularly present the progress of the resolved measures to the Managing Directors including risks they have identified and their proposed solutions. An extended CR Committee is planned to be established in 2022.

Determination of materiality

Identification and inclusion of key stakeholders

Relationships with customers and employees are the top priority for CGM. CGM is listed on the Prime Standard of the Frankfurt Stock Exchange and, since September 23, 2013, also on the TecDAX index, which comprises the 30 largest German companies in the technology sector by market capitalization and trading volume. The company was listed on the MDAX on September 23, 2019 and accordingly so in the reporting year. Since March 21, 2022 the shares are listed on the SDAX. The capital market and its players are also key stakeholder groups. Identifying the most important stakeholders and their interests is vital for a successful stakeholder dialog. Stakeholders were categorized and prioritized according to the following criteria:

- + Stakeholder interests.
- + Stakeholder influence.
- + Stakeholder expectations for CGM.
- + Dependence of stakeholders on CGM.
- + Relevance of CGM to engage a dialog with this stakeholder.

Given that stakeholders may change due to new technologies, markets, customers, regulations, and societal developments, the list of key stakeholders and their categorization are reviewed and, if necessary, updated regularly.

The following table outlines the dialog conducted by CGM with its stakeholder groups. In many cases, the exchange with stakeholders listed below as examples took place digitally, virtually or in hybrid formats in 2021.

Stakeholder groups	Form of dialog
	(Virtual) meetings and conferences Quarterly reporting Annual financial statements and Annual report Annual general meeting Capital Markets Day Ad hoc notifications ESG reporting
Capital market	Expert advice CompuGroup After Sales Product requirements Joint development with the customer Trade fairs and conferences
Customers	Evaluation of suppliers Purchasing principles
Suppliers and Business partners	Guided tour of the company Conversations with politicians
Political Decision-Makers	Regular town hall meetings Digital exchange platforms (e.g. Yammer) Intranet Staff meetings Internal publications Satisfaction surveys
Employees	Own program of study "Medical Software Engineering" Research projects Events
Scientific institutions and universities/colleges	Interviews Press releases Expert advise
Media Representatives	

Particularly in its capacity as a group operating internationally, we maintain reciprocal relationships with the various stakeholders based on its research and development activities as well as the sale and servicing of its products. CGM regularly exchanges information through many different types of dialog with key stakeholders: customers, employees, shareholders, suppliers, the government and politicians, the media, scientists, and researchers.

Determination of materiality

The dialog between us and our stakeholders is intended to help the company understand their points of view, build trust-based relationships, and reinforce existing collaborations and partnerships. We want to openly discuss expectations and satisfy the interests held by individual stakeholder groups as far as possible. Regular dialog with stakeholder groups also provides an opportunity for the company to demonstrate the scope for action it sees in social issues and environmental matters, and what prerequisites or conditions are important for this to happen.

Determination of top CR action areas

CGM based the selection of aspects and issues for this report and the sequence thereof on both the materiality analysis conducted and the impact of its business activities on the CR aspects covered in this report.

The most important sustainability issues for CGM were identified and prioritized in the materiality analysis conducted for the first time in November 2017. In prior years, surveys involving representatives of relevant group functions were carried out to determine any changes to material issues; in 2020, we decided to conduct a new materiality analysis. This was carried out in November 2020 with representatives from Group Human Resources, Finance, Tax, Real Estate Management, Purchasing, Investor Relations, External Communications, IT, and Data Protection. The participants were selected to ensure that the position of each group of stakeholders is represented. This time round, the main economic, environmental, social, and ethical matters were outlined on the basis of the GRI standards and discussed in order to ensure that a complete and unbiased view of the relevant issues was obtained. Each and every aspect was considered and weighted from both an outside-in and an inside-out perspective.

The materiality analysis was also reviewed and further refined in the fourth quarter of financial year 2021. In addition to conducting another survey of the group experts mentioned above, discussions were held with all Managing Directors and representatives of senior management.

The result was that a number of aspects were reevaluated and a total of twelve material sustainability topics identified; these results formed the basis for this report and helped refine our CR strategy.

While patient safety, data protection and information security, economic performance, contribution to local economy, energy efficiency, and employment and personnel development were already core elements of our day-to-day work in the past, these essential topics have now been supplemented by employee satisfaction, diversity and equal opportunities, environment and climate protection, and social engagement. The inclusion of diversity and equal opportunities in particular has also been reevaluated through the integration of eMDs in 2020.

The non-financial topics for sustainability reporting were prioritized, taking into account the legal requirements for the double materiality perspective as per section 315c (2) of the German Commercial Code (HGB).

Our key action areas are assigned to the aspects of employee matters, social concerns, environmental matters, and anti-corruption and bribery matters, and are mentioned accordingly in this report. The aspect of human rights has been identified as not material within the meaning of the German Commercial Code (HGB). We make voluntary disclosures on this in the section on ethical business conduct.

Determination of materiality

Material topics	Aspects (according to HGB)	Contained in sections	Reference
Patient safety	Social concerns	Description of the business model, Supporting the global Sustainable Development Goals	p.6f, p.13
Data protection and information security	Social concerns	Data protection and information security	p.15f
Economic performance and growth		CGM in figures, Supporting the global Sustainable Development Goals	p.8, p.13
Employment and personnel development	Employee matters	Employment, Learning and personnel development	p.17ff
Employee satisfaction	Employee matters	Employees, Employee satisfaction	p.17ff
Ethical business conduct	Anti-corruption and bribery matters, respect for human rights	Ethical business conduct	p.23
Environment and climate protection	Environmental matters	Environment and climate protection	p.25
Diversity and equal opportunities	Employee matters	Diversity and equal opportunities	p.20
Contribution to the local economy		Employees, Supporting the global Sustainable Development Goals	p.17ff, p.13
Energy efficiency	Environmental matters	Environment and climate protection	p.26
Employee occupational health and safety	Employee matters	Employee occupational health and safety	p.21f
Social engagement	Social concerns	Social engagement	p.27

The above description shows the aspects in accordance with the German Commercial Code (HGB) and the material areas of action of the CompuGroup Medical SE & Co. KGaA group that have been identified on the basis of a materiality analysis performed in 2020 and updated in 2021 and assigned to the aspects.

The overarching "Supply chain and procurement" topic is not a material aspect within the meaning of HGB. Instead, a separate section provides voluntary disclosures relating to non-financial topics.

Supporting the global Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) are political objectives set by the United Nations (UN) to ensure sustainable development at the economic, social and environmental levels around the world. They were created in 2015, providing a globally accepted and widely used framework for public and private sustainability goals over a defined period of 15 years (until 2030).

We at CGM also want to support the SDGs as part of our efforts to live up to our responsibility in the global society. We believe that within the scope of our core competencies and with our existing product portfolio, we support the achievement of three core goals. These are “Good health and well-being” (SDG 3), “Decent work and economic growth” (SDG 8), and “Industry, innovation and infrastructure” (SDG 9).

Goal 3: ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES

Our diverse product offering means that we provide healthcare professionals and patients with helpful medical information, while also working tirelessly to optimize medical and administrative processes for healthcare providers. We play an active role in supporting universal healthcare coverage by involving our stakeholders in a patient journey.

Goal 8: PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL

Our strategy is a clear reflection of our growth ambitions; ambitions which enable us to contribute to economic growth while also safeguarding sustainable, productive employment and decent working conditions in our group, all of which dovetailing with our ethical principles. In financial year 2021, we significantly increased capital expenditures for further growth as we invested mEUR 50 more in research and development than the previous year.

Goal 9: BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALIZATION AND FOSTER INNOVATION

Our vision of a digitalized healthcare system runs throughout our entire corporate history, driving us with unwavering commitment to develop new and crucial technologies. Each year, we invest considerable resources in work to develop new innovations as well as playing a key role in the implementation of national infrastructure projects designed to network the healthcare system. This can be seen, for example, in a collaboration to realize the entire digital patient journey.

It is our deep conviction that our work positively influences a large number of these objectives. In the course of 2022, we will carve this out together with our stakeholders.

Risk management

Responsible handling of entrepreneurial risks is one of the principles of good corporate governance. The Managing Directors of CGM have group-wide and company-specific reporting and control systems at their disposal which ensure that these risks are recorded, evaluated, and managed. The systems are continuously refined and adapted to the changing framework conditions. In 2019, the existing Monte Carlo simulation system was replaced by a more efficient application. In order to not only meet the set requirements of the IDW PS 340 audit standard, but to exceed them prospectively, we started to implement a new risk management information system in November 2021. This is expected to replace the existing application and be deployed as early as March 2022.

The Managing Directors regularly inform the Supervisory Board about existing risks and their development. The Audit Committee is primarily concerned with monitoring the accounting process, including reporting, the effectiveness of the internal control system, risk management, compliance, and annual audit.

Details on CGM's risk management are presented in the Combined Management Report under the Risk Report section. In addition, the report on the accounting-related internal control and risk management system required by the German Accounting Law Modernization Act (BilMoG) is included in the Combined Management Report.

COVID-19 pandemic risk

We have tracked the risks from the COVID-19 pandemic in the quarterly reporting of all business units worldwide and have used the existing reporting channel to the Managing Directors for this purpose.

The corona committee continued to centrally coordinate the measures and regulations in the reporting year. In addition to instructions on occupational safety and working from home, these included the procurement of face masks as well as sufficient testing capacities for employees and the implementation of voluntary vaccinations at selected sites.

The most important goal remains the protection of employees, which indirectly also protects customers. This included providing a safe service to physicians and health care institutions, even under pandemic conditions, in order to avoid the operations of CGM or of healthcare facilities being subsequently jeopardized.

In terms of the overall economy, the risk assessment shows COVID-19 risks to be declining. This is thanks to higher vaccination rates and the fact that procedures have been adapted to the situation. Measures and rules are in place to ensure that in-person contacts are made safely or even avoided and replaced by virtual meetings.

Nevertheless, it is not possible to rule out another future lockdown entirely. Although this continues to be considered very unlikely, a lockdown would only be considered as serious risk from a corporate perspective if it were to last for a long period of time and thus jeopardize societal prosperity and security. This would go far beyond mere contact restrictions over a limited period of time.

Acquisitions in the reporting year

In the reporting year 2021, CGM was again able to acquire and integrate several companies, including, for example, KMS Vertrieb und Service AG, the VISUS Group and the Aatlanta Group. In terms of CR and associated risks, interviews were conducted with representatives of all companies using a structured questionnaire.

With particular focus placed on employees, all 2021 newly acquired companies were already integrated into the Group Human Resources organization during the year under review and the existing processes and standards were adapted. No reportable risks were identified, also considering new sites. This also applies to the eMDs companies acquired in 2020.

Data protection and information security

Handling personal employee, customer and patient/client data responsibly and taking effective measures to guarantee information security and data protection have been a top priority for CGM for years now. CGM undertakes to protect the privacy rights of every individual whose personal data are processed.

Data protection

Binding guidelines covering all areas of applicable data protection law apply throughout the group to ensure a high and uniform level of protection in all processes and to ensure compliance with data protection law. The provisions under both European and national law are taken into account.

Employees receive regular training on the subject of data protection and are informed regularly about data protection requirements by way of guidelines and instructions and required to strictly follow these. It is mandatory for all employees to participate in a web-based data protection training. This is offered in several languages, and the invitation process as well as the controls have been automated. Another training course specifically addressing managerial staff has been developed and implementation begun in 2020. Data privacy training for managerial staff was rolled out across the board in the first half of 2021. German general managers also took part in a data protection webinar specially tailored to their needs.

All employees are bound to maintain data privacy as per the EU General Data Protection Regulation (GDPR), and employees in certain countries are also required to comply with country-specific laws, such as in Germany to those pertaining to confidentiality as per section 203 of the German Criminal Code (StGB), the German Social Code (SGB) and the German Telecommunications Act (TKG). The process is automated, and new employees are informed about the obligation when they are hired.

The internal reporting channels for data privacy incidents are clearly defined. In any suspicious case, both the data protection officer and the responsible general manager, who can be reached at all times, are notified immediately. In the reporting year, there were no data protection incidents that were attributable to structural deficits. We take all incidents and reports of suspected incidents very seriously and subject all such reports to an extensive internal review. In the 2021 reporting year, we deemed two incidents as reportable and proactively reported another incident as a precaution.

The processes that are already in place are adapted and further substantiated as required. A new core process was elaborated during the reporting year for when new services are launched, requiring a review by the information security and data protection teams. This will be introduced accordingly in 2022. Additional numerous contextual checks and data protection impact assessments were also carried out. In some cases, independent external expert opinions were also requested.

By conducting annual internal data protection audits, we monitor compliance with the regulations adopted. The regular review of processes and measures by means of data protection audits in all business units by the formally appointed data protection officer, who is supported in each organizational unit by a data protection coordinator, is part of the overall concept. The data protection officer reports directly to company management about the audit findings and measures to improve the level of protection.

Information security

In order to guarantee the protection of patient and customer information in our care as well as the company's own information, CGM has implemented an information security management system (ISMS), which it certified to ISO/IEC 27001. A high level of security shall be ensured by consistently monitoring the system, systematically identifying information risks and using targeted measures to deal with them within the scope of the ISMS.

In response to the ever-growing level of threat in cyberspace, we started building a Security Operation Center (SOC) in 2021. The goal of the SOC is to improve how CGM Cloud products and infrastructures are monitored and to evaluate these in the context of the present level of threat every day. The company's organizational focus on security was further consolidated by its efforts to build up human resources.

The group-wide initiative launched in the prior year to optimize the security of all our products was continued in 2021. As part of the #fightcybercrime initiative, we continue to support registered physicians and dentists with a comprehensive range of information and solutions to protect the IT used in surgeries and practices that are individually tailored to everyday needs in a surgery.

The COVID-19 pandemic was countered with established business continuity management measures. The majority of employees at CGM

Data protection and information security

are working from home, and they receive regular advice on how to work securely from home. The established measures were maintained in 2021 to ensure safe and uninterrupted operations.

On December 21, 2021, CGM registered a so-called ransomware attack on its IT systems. The company responded by resolutely protecting its systems, employees and customers, and working with public agencies and external experts to take steps to counter the ransomware attack.

As part of its business continuity plans, CGM continued to conduct its business activities in all material respects. Updates for the products that were required by law were delivered in time for the end of 2021. Based on IT forensic investigations, as of the reporting date, the company has no evidence of illegal extraction or publication of data, nor any evidence that data was downloaded by the attackers.

Employees

The strong motivation, qualifications and innovative strength of our employees are the bedrock of our success, which is why we are committed to creating a safe and healthy work environment where everyone can give their personal best. We want to ensure that our employees are satisfied, that we regularly and actively collect feedback, and that we place a special focus on equal opportunities.

In the course of 2021, we have adapted the organizational structure of Group Human Resources to reflect the growing size of the group and the related challenges.

At the same time, the management emphasized the key role employees are assuming in shaping the company's strengths along with the fact that they are its greatest asset.

To meet the broader range of requirements, Group Human Resources in 2021 focused on its transformation from an internal service provider concentrating on transactional issues and administrative processes to a strategic and forward-looking partner. Group Human Resources grew significantly in the course of this realignment, growth that was navigated with the aid of new external and internal recruits.

Group Human Resources reports directly to the CEO and is now divided into the following core areas.

- + The HR Business Partners are on hand to support managerial staff throughout the entire employment cycle of their employees. They are the first point of contact for managerial staff in the area of leadership, management and organization. By simultaneously translating business requirements into relevant HR activities, they shape and establish leadership, performance management, organizational development, and change and people management.
- + They are supported by local HR experts (HR Areas). HR Areas ensure harmonized processes and working conditions for employees within their region, working to see that processes are carried out efficiently, consistently and with high quality. Their regional expertise, together with the HR Business Partners, ensures internationally standardized HR activities.
- + The requirements laid down by senior management and HR are communicated globally through efficient HR initiatives. The driving force behind this task are specialized HR project managers who occupy cross-functional positions within the organization and are in close contact with the HR leadership team. This ensures that requirements from the business and HR levels are properly met and implemented successfully at the local level.
- + It is essential for HR activities to meet external market and legislative requirements in addition to internal requirements, a task that is assumed by the specially formed Foundations team. This team is instrumental in driving the creation and implementation of key guidelines that ensure harmonized conditions at group level.

A newly acquired HR management system helps Group Human Resources to realign its efforts at the digital level. The system was acquired in 2021 and is now in the implementation phase. The aim is to map all relevant HR core processes of the employee lifecycle on the basis of key figures by the end of 2022 in order to be able to support our employees and our management even better in the future.

Employment

Long-term employment and sustainable human resources development are key matters for CGM. The number of employees around the world rose by 10 % in the reporting year compared to the level at the end of 2020 from 7,814 as at December 31, 2020 to 8,598 employees as at December 31, 2021. This is attributable to our organic growth and the acquisition of companies with a total of 432 employees.

Recruiting

Since our growth ambitions go hand-in-hand with our steady rise in staff numbers, recruitment is of particular importance at CGM.

The shortage of skilled workers combined with our growth ambitions pose special challenges for global recruiting. We want to deliver the right jobs and an optimal candidate experience to applicants and at the same time recommend the best candidates to our business units in an appropriate period of time. That's why recruiting is focused on hiring and receiving applications that really fit the bill. It became apparent in 2021 in the midst of the pandemic that the digital health industry is very attractive around the world. In conjunction with our high quality recruiting approach and employee referrals, we were able to increase the number of new hires. This ties in with CGM's more prominent external profile via our employer brand ALL IN, which we launched in May 2021. The three pillars ALL IN for Health, ALL IN for Success as well as ALL IN for Community are enabling us to enjoy greater success in attracting applications from very suitable candidates.

With ALL IN we were also short-listed for the Trendence Award 2021 in the category of HR Innovation of the Year as well as being nominated for the HR Excellence Award 2021 in the Employer Brand and Analytics & Technology categories.

Work-life balance

CGM strives to balance the business interests of the company with the private and family needs of its employees.

We created a new set of employment contracts in the reporting year to improve the degree of standardization, transparency, and employee flexibility. They were first tested in Germany and will be rolled out internationally in 2022. Implementing the mobile work directive, which is part of the new contracts, in particular is a key milestone in work to enable digital collaboration in a regulated and transparent manner for everyone. By mobile work, we mean working away from the premises of CGM, while fulfilling operational needs and adhering to legal regulations. Established mobile working practices foster future concepts for new ways of working and offer employees safe and modern opportunities for cooperation, while at the same time boosting our level of attractiveness on the labor market given the fact that it addresses a key demand here.

CGM has set up a childcare center at the company's headquarters in Koblenz to make work-life balance easier for young families. A total of 42 children were cared for during the year under review, 64 % of whom had not yet reached the age of three. Children of company employees are given priority. The center is open ten hours a day, which is convenient even for employees on flextime schedules.

Learning and personnel development

Supporting and fostering the development of employees remains critically important to us, even in these persistently challenging times of the COVID-19 pandemic. To ensure our employees can develop greater personal, professional, methodological and, as the company becomes more international, intercultural skills, it is our mission to provide and secure the ideal framework conditions here. What this means during the COVID-19 pandemic is that we offer continuous professional development programs using digital formats wherever possible.

One of our most important measures to promote continuous professional development for individuals is the annual performance and development reviews that must be held for all employees in all companies, as stipulated by internal CGM guidelines. This is a dialog between employees and their managers, which is supported digitally. The goal of the dialog is to identify development potential, define goals, and identify and initiate appropriate training and education.

On average, we invested over EUR 240/employee in personnel development and training in the reporting year. By increasingly shifting to virtual training opportunities, we have been able to expand offerings and still reduce costs. We already rolled out the company-wide online learning platform in 2019; it includes wide-ranging mandatory training courses such as data protection or occupational safety, as well as specially tailored offerings in the areas of product training or market knowledge, etc.

Targeted personnel development programs, such as the "CGMaster Class", provide special support for interested employees at an international level. The program is open to all employees with the potential for and an interest in assuming more challenging tasks. Following the launch of the process in 2020 within the scope of a self-nomination and selection procedure conducted solely on a virtual basis, the measures were implemented in the reporting year. The 51 participants from 10 countries were offered virtual networking meetings, project work and coaching from June to November 2021 to promote cross-functional and cross-hierarchical collaboration.

In addition to this program, we also offer various customized training programs to different target groups. Our range of courses available for managerial staff comprise a whole host of offers from the Team Leader Course and Vice President Excellence to General Manager Excellence, which was also offered online in the reporting year. The challenges posed by the COVID-19 pandemic for managerial staff with regard to their leadership responsibilities also prompted us to reinforce various topics. For example, we offered an international training series focused on remote leadership, which was attended by 87 managers.

In addition to the courses available for managerial staff, we also offer further online education and training opportunities for specialists and project managers. These allow the greatest possible flexibility for employees in terms of the training period and location.

In order to sensitize employees and managerial staff even more to the issues of anti-discrimination and equal opportunities, a mandatory online training course was implemented in Germany for the first time in the second quarter of 2021, referring to provisions of German

Employees

anti-discrimination law. It enables us to ensure that employees know what the law says and enables them to ensure its implementation in their day-to-day working lives. The trainings also aim to help safeguard a working environment and climate that is free from harassment and discrimination. Although a number of other countries already have such a range of training courses on offer, there are plans to roll out a coordinated format at the international level, focusing on the topics of anti-discrimination and equal treatment.

Our established language learning program consisting of international CGM study groups was again on offer in 2021, aimed at facilitating communication between employees as well as with customers and partners. For English and German it continues to be provided by an external service provider, exclusively in remote format. Anyone who needs to brush up on their skills or acquire a more in-depth knowledge of the target language, or for whom such training is helpful for their job participates in English training courses. Employees whose first language is a foreign language are supported in their integration into the company and into their daily life in Germany. That's why we offer in-house German classes for employees, which are very popular.

In view of the steadily growing shortage of IT specialists, it is important for CGM to actively counteract this shortage in addition to external recruiting. Therefore, we are investing sustainably in the training and promotion of junior talent. Moreover, taking into account individual needs and skills, this increases early talent retention and helps strengthen expertise in our industry.

In the area of Junior Talent, 59 new apprentices and dual students were hired, in Germany alone. While this represents a 16 % reduction compared to 2020, it is influenced by the COVID-19 pandemic and the associated necessity to teach virtually. The company thus made the decision to reduce hiring at some sites in order to meet the increased need for (virtual) supervision during this unusual time and thus maintain the quality of training at a very high level.

At the end of financial year 2021, we employ 172 apprentices and dual students in Germany alone.

The fact that we were able to take on 84 % of all apprentices in Germany after their graduation in 2021, the majority of them in IT occupations, is very encouraging. The clear goal here is to significantly increase the proportion of female trainees in IT occupations, which was 12 % as of December 31, 2021.

The high quality of our apprenticeships was also confirmed in the excellent examination results achieved by our apprentices. These excellent results were also recognized by the Chamber of Industry and Commerce, which provided us with the Beste Azubis – Bei uns ausgebildet award in the 2021 reporting year. CGM was also allowed to use the CAPITAL seal for Germany's best training companies (Deutschlands beste Ausbilder) throughout 2021, an honor which had been conferred in November 2020.

The Software Engineering dual course of study was successfully re-accredited in 2020, having been further optimized for the 2021 academic year. Together with the Koblenz University of Applied Sciences, the Healthcare specialization profile was added to the degree program, a step taken in close collaboration with our software development managers. By the same token, an undergraduate degree was supported and approved within this framework, meaning that interested students have been able to enroll in the program on a full-time basis since the winter semester 2020/21. As a result, the degree is becoming increasingly attractive and remains another important component in the training of young IT professionals both for CGM as well as for the entire region.

Since April 2021 we have also been offering our CodeLeader course, a two-year academic trainee program, which is aimed at junior managers in our software development department.

Employee satisfaction

The ALL IN! idea of our employer brand has both an internal and external impact. Internally, it is particularly important for CGM to strengthen the idea of community and to listen to employees from all hierarchies, divisions and across various countries in order to jointly shape the cultural transformation towards new ways of working and cross-functional collaboration in the future.

In this context, a global employee survey with a remarkable participation rate of 80 %, was conducted for the first time in June 2021. The survey asked employees about their satisfaction and their assessment of the corporate culture as it is now and how they would like it to be in the future. The questions regarding employee satisfaction were rated positively overall. In terms of corporate culture, employees indicated that cooperation and team communication would be the most important cultural dimensions in the future.

The results were discussed within the company and incorporated into the strategy as well as manager development program.

Employees

Given the positive feedback and the issue's relevance, the Managing Directors have decided to survey employees about their opinions on a regular basis and to take a closer look at the wide range of factors influencing this. The feedback also included the request to comment on questions qualitatively and to be able to carry out analyzes based on several attributes. To this end, an HR feedback tool was piloted at the end of the year to support managerial staff in further strengthening the constant dialog on job satisfaction and corporate culture at team, business unit and company level and in deriving the corresponding measures. The clear objective is to further improve employee satisfaction in 2022.

Diversity and equal opportunities

CGM respects the dignity of each and every individual and actively strives to provide a safe and healthy working environment whose hallmarks are equality and diversity. We oppose all types of discrimination. Discrimination is any kind of unequal treatment, rejection or preference based on gender, age, disability, sexual orientation, religion, political stance, nationality or ethnicity, or any other circumstance that could result in a violation of the principle of equality. These principles have been set out in the Code of Ethics, which is binding for all, and in the Declaration on Corporate Governance, and are freely available online at <https://www.cgm.com/cg>.

A workforce made up of people from various cultures and a balanced age structure are part of the group's corporate culture in practice.

Additions to the CGM group in 2021 are listed separately to provide separate reporting of HR changes in the consolidation group. The following table presents the changes in the number of employees broken down by gender and age group as at the reporting date (December 31, 2021). Additional information on our employees is provided in the Annual Report.

Diversity category (number of employees)	Group, not including additions as at reporting date	Additions in 2021	Total after additions	Share of salaried employees (in %)
Total headcount	8,166	432	8,598	100 %
By gender				
Female	2,950	126	3,076	36 %
Male	5,216	306	5,522	64 %
By age group				
<30 years old	1,792	76	1,868	22 %
30 - 50 years old	4,736	266	5,002	58 %
>50 years old	1,638	90	1,728	20 %

In principle, we hold all employees in the same esteem, and they enjoy the same respect and access to equal opportunities. The company adheres strictly to national statutory guidelines on protecting employee rights. National statutory regulations, in-house agreements, and mandatory statutory notification periods are also binding for CGM when drafting employment contracts. We operate in a rapidly changing economic environment and compete for highly qualified technical and managerial staff in fields such as information technology and business administration. As CGM recruits staff not only regionally, but worldwide, offering equal opportunities to all applicants is a matter of course for us.

Our gender ratio is in line with the benchmark, but we recognize that as a company we also have a responsibility to promote women, notwithstanding our claim to ensure a non-discriminatory working environment. This is particularly true at the management levels, which is why we have made it our goal to increase the share of women at the two management levels below the Managing Directors to 30 % by December 12, 2023 from 20.3 % as of December 31, 2021.

In 2021, CGM had employees from 75 different countries. For us, this diversity represents added value for the company, whether in terms of reinforcing our innovativeness or our competitiveness by, for example, allowing us to better understand our customers' needs or developing solutions from various perspectives.

At CGM, employees are selected on the basis of the job profile as per their professional and personal qualifications as well as their experience. As a general rule, we offer open-ended employment contracts. Exceptions are based on special operational requirements, such as temporary additional needs for project work or replacement arrangements in the case of temporary absence of other employees.

In both cases, after the expiration of the fixed term, it will be reviewed whether another employment option at CGM is feasible. In cases of discrimination that occur despite our clear policy to the contrary, direct supervisors, business area managers and, of course, the HR Business Partners are available to provide a sympathetic ear. Employees can also use the whistleblower system to report incidents, anonymously if they wish.

Employee occupational health and safety

It is the responsibility of CGM, as an employer, to provide its employees with stability and security particularly in times such as these, namely the ongoing COVID-19 pandemic. The top priority here is protecting and supporting employees. The corona committee, which was set up specifically for this purpose and is headed by Group Human Resources, analyzes the current COVID-19 situation in CGM countries at regular intervals, evaluates the resulting consequences for CGM, derives CGM-specific measures that follow the country-specific guidelines, and transparently communicates the status and development to employees around the world.

In view of the specific threat posed by COVID-19, the company's risk management system was adapted in 2020 and expanded to ensure that all essential HR processes can be maintained even under the most difficult conditions.

The introduction of a comprehensive hygiene concept and the possibility for mobile working means the risk of infection at CGM's offices shall be reduced to a minimum and that it is safe for people to work on CGM sites.

In addition to safeguarding health, CGMs coronavirus strategy also includes ensuring the economic security and a stable employment. A phased plan with cross-border applicability ensures that employees do not have to fear a high economic risk due to job loss even during a hard lockdown and that they are supported in the event of having to take care of a child or other family members.

In 2021, in light of the pandemic, we maintained the concept of holding virtual events in order to protect our employees while maintaining a high level of information exchange. Examples include the newly introduced global town halls and onboarding sessions.

Another key part of employee support and care is the company's occupational health management (OHM). This is defined as the design of company structures and everyday work routines to promote health, and it is becoming increasingly important against the backdrop of demographic change and the growing concentration and complexity of work. Only when people within the company are effectively connected and initiatives tailored to promote health are offered can we counteract work missed due to illness and a lack of motivation as well as their consequences. The motto "BE HEALTHY. FEEL GOOD." underscores this stance and showcases our extraordinary commitment to comprehensive health management.

According to the four guidelines of OHM, "BE ACTIVE. FEEL GOOD." includes all typical sporting and exercise activities. Employees at the main site in Koblenz have access to the company's own health center with a modern training and weights area, as well as a course room, where events such as fitness courses and strength/endurance training can be held under professional guidance and with highly qualified staff. Not only has the COVID-19 pandemic abruptly changed the world of work itself, but the shift to mobile work and the resulting changes in working conditions are also reshaping our understanding of the work/life balance. Our digital occupational health management is key in achieving that all employees at every site remain healthy and productive on a long-term basis, which is why the range of sporting and exercise activities launched as a result of the pandemic was once again expanded and extended to encompass a digital component as well. Live broadcasts of classes, digital exercise breaks, and on-demand workouts were made available to all CGM employees around the world. The CGM HEALTH CENTER team also offered to devise individual training plans for those working from home. The online psychological training program "HelloBetter" was also made available to employees again in 2021, the focus of which being on how to deal with stressful situations, depression, alcohol consumption, and sleeping disorders.

The CGM "TAKE CARE. FEEL GOOD." initiative maps all occupational healthcare services for its employees. In addition to mandatory physicals such as the G37 eye exam, first responder training, and annual flu shots, we also offered in-house COVID-19 vaccinations with more than 850 employees at seven sites being vaccinated as quickly as the early summer of 2021 in cooperation with a medical healthcare service provider. Booster vaccinations were offered to employees at the Koblenz site in January 2022, as well as the opportunity to get vaccinated for the first time. Other sites are set to follow. As part of our efforts to ensure our employees have a greater level of protection against COVID-19, we have been offering free rapid testing to all employees around the world since June 2021. We also operated a weekly rapid testing center in cooperation with a local pharmacy at the Koblenz site over a period of ten weeks, which was very well received by employees.

Employees

The annual health day, known as "FEEL GOOD DAY", was again held digitally and this year global content was available in both German and English for the very first time. Over three days the focus was on the issue of health, encapsulated by the slogan "NEW WORK. FEEL GOOD." All sites worldwide were involved in the "FEEL GOOD DAY" project through topics such as remote and healthy leadership, self-reflection, sporting offers, nutrition tips, an activity game and by implementing a joint artistic project under the banner "ONE GROUP. ONE PIC."

The "TAKE PART" theme was rounded off with a specially created health podcast entitled "FEEL GOOD TIME". Furthermore, a DIGITAL HEALTH GUIDE app was made available to CGM employees free of charge in 2021, fostering a healthy and balanced everyday life at any time and regardless of the location.

In the "LEAD GOOD. FEEL GOOD." area, measures specifically tailored to managers such as healthy leadership (including a digital offer) were again made available.

Ethical business conduct

We are against all forms of corruption, bribery and trading in influence, and actively strives to avoid such conduct in the group's business activities.

In our publicly available Code of Ethics applicable to all participants in the supply chain, we prohibit offering, distributing or accepting bribes or kickbacks of any kind along with the use of other ways and channels for granting an unjustified advantage to customers, representatives, contractors, suppliers and their employees, or government officials.

CGM also prohibits its employees from giving bribes or kickbacks to customers, representatives, contractors, suppliers and their employees, or government officials, or accepting such bribes or kickbacks from these individuals in order to create an advantage for themselves or their families, friends, partners or acquaintances.

The prohibition against bribery and trading in influence applies both to the party that grants or offers an unjustified advantage and to the party that requests, receives or accepts such an advantage. Even simply requesting or offering an unjustified advantage is impermissible in this context.

We understand kickbacks (payments for which the recipient leverages the authority of their official position and in which the consequences of non-payment can be completely disproportionate to the small size of the payment) as a form of bribery that falls under the aforementioned rules.

As part of its control measures, CGM conducts self-assessments of managerial staff. Additional controls are exercised by way of internal and external audits, for example, as part of fraud and management override of control reporting. A group-wide Legal Affairs and Compliance unit has been established, reporting to the CEO, to reinforce our clear position both in-house and to the wider world. CGM is continuously improving its group-wide Compliance Management System, with this area being given an additional boost in terms of personnel in financial year 2021 with the creation of the central function, namely a Group Compliance Officer.

CGM strives for compliance with the company's principles described in the Code of Ethics concerning relationships with external business partners in the contractual agreements, partnerships and collaborations entered into. We achieve this through diligently reviewing the agreements, partnerships and collaborations entered into prior to the signing of contracts and by careful selection of external business partners.

Compliance with the company's principles described in our Code of Ethics by employees and management is ensured in particular by informing employees of these when they begin working at the company. Employees are also obligated to comply with material principles as part of their employment contracts.

The Code of Ethics is signed by the management of CGM (Managing Directors) and is published on the CGM website. The Code of Ethics is reviewed once a year. Changes require approval by the Managing Directors. A new version of the Code of Ethics is planned for 2022.

At CGM, a whistleblower system was implemented which provides employees with the opportunity to report suspicious incidents relating to unethical, illegal, fraudulent or undesirable conduct in activities of the CGM group. The whistleblower system is confidential so that individuals who make a report can do so without fear or intimidation, disadvantage or retribution. Information on the whistleblower system and contacts is available to all employees in the intranet. Valid notifications are reported directly to the Managing Directors and the Supervisory Board.

In the reporting year, no reportable incidents were known or reported by individuals within or outside of the company. The effectiveness and design of the whistleblower system are continuously reviewed and adapted to the new legal requirements. In December 2021, the whistleblower system was converted to a new multilingual, digital system.

Respect for human rights

We consider respect for human rights to be an integral part of its responsibility as a company with worldwide operations. This is why we are committed not only to strictly adhering to all applicable statutory provisions but also to the staunch defense of human rights in our sphere of influence. This is implicitly stated in our Code of Ethics and will be supplemented by a policy statement in 2022.

Given the industry in which we operate, we hire or have hired highly qualified IT employees. Human rights issues are categorized as

Ethical business conduct

immaterial in our materiality analysis, because this constitutes a minimal operational risk.

In order to emphasize this issue, we have made an explicit commitment on responsibility to society in its generally applicable Code of Ethics. Compliance with these standards is required not only of all employees of the group but also of all suppliers, business partners, consultants or third parties working on behalf of CGM.

Environment and climate protection

Our planet is changing, and the challenges we all face are plain to see. We recognize our responsibility and want to do our bit to help slow the climate change process and protect the environment. For 2022, we have set ourselves the goal of developing a concept that sets out our path to climate neutrality. This includes measuring relevant key performance indicators at the global level on the basis of which we intend to transparently present our contribution in the future, as well as dedicated measures to achieve our goals. The relevant developments will also be included in future regular progress reports to the Managing Directors.

We already launched and implemented several initiatives in the reporting year, such as the campaign undertaken by our CGM Turbomed and CGM M1 Pro business units. For customers of both products, we support tree planting projects when the SMART UPDATE online update module is ordered. The conventional update procedure that uses DVD was discontinued on December 31, 2021 by both business units. Our colleagues in Romania also took part in a campaign, planting 5,000 trees.

Another initiative was implemented by our Dental Division in Germany during the financial year. We are co-founders of the quality seal carrying the name "DIE GRÜNE PRAXIS", which is awarded on the basis of transparent criteria, giving recognition to sustainable, environmentally friendly practices. There is also a focus here on the process of digitalizing practices in a way that conserves resources.

In the reporting year, we installed charging stations for electric and hybrid vehicles at several sites, including our head office in Koblenz, which are available for our employees to use free of charge. We will continue expanding the availability of this infrastructure.

Customer communication is also increasingly moving to the digital world; for example, CGM is in the process of converting from paper billing to e-billing. In order to save more paper, a separate project was also initiated in the year under review to digitize all documents. To further reduce the amount of waste produced, we have also converted the takeaway containers in our bistro at the Koblenz site in 2020 to a reusable deposit system and charge a fee on each disposable container since 2021. Care is also taken to use BPA-free and recyclable packaging material.

EU taxonomy

The EU taxonomy is part of the „Action plan for financing sustainable growth“ presented in March 2018 and serves as a uniform and binding classification instrument for disclosing economic activities in the EU in terms of their sustainability. The EU Commission has defined criteria with precise parameters, based on which the business activities are to be evaluated.

In total, the following six environmental objectives have been defined in accordance with Article 9 of the (EU) taxonomy regulation.

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

For the 2021 reporting year, only the first two environmental objectives are examined, as the other screening criteria are not yet available in a delegated legal act. In addition, a distinction must be made between taxonomy-eligible and taxonomy-aligned economic activities. For the 2021 reporting year, simplification regulations will initially apply, which only include an assessment according to taxonomy eligibility. Taxonomy-eligible means that the economic activity is described and defined in the regulation, regardless of whether the specified technical screening criteria are met.

Reporting companies shall disclose the proportion of their turnover, capital expenditure and, where applicable, operating expenditure of economic activities that positively impact at least one of the environmental objectives. The other objectives must not be impaired in the process. Capital expenditures are additions to property, plant and equipment and intangible assets. Operating expenditures, on the other hand, are direct, non-capitalized costs for research and development, building renovation measures, short-term leases, maintenance and repair, and all other direct expenses for the ongoing maintenance of property, plant and equipment.

We have dealt with the EU taxonomy in detail and reviewed all described economic activities with regard to their taxonomy eligibility and relevance for CGM. The key figures are derived from the consolidated financial statements as of December 31, 2021, which are prepared in accordance with IFRS/HGB.

Environment and climate protection

For the turnover key performance indicator (KPI), all revenues under IFRS were examined to determine whether they were generated from taxonomy-eligible economic activities. Accordingly, we were able to identify certain recurring revenues from data processing, hosting, and related activities as taxonomy-eligible. The revenues in the reporting year of mEUR 1,025.3 form the denominator of the turnover KPI and are reflected in the income statement.

Turnover KPI: 1.3 %

The so-called CapEx KPI indicates the proportion of capital expenditures (CapEx) that is either associated with a taxonomy-eligible economic activity or a credible plan to expand or achieve an environmentally sustainable economic activity or relates to the purchase of products and services from a taxonomy-eligible economic activity. We were able to identify taxonomy-eligible capital expenditures related to transport by passenger cars (fleet) and renovation of buildings. Total capital expenditures in the reporting year amount to mEUR 241.2 and form the denominator of the CapEx KPI.

CapEx KPI: 4.2 %

The OpEx KPI indicates the proportion of operating expenses within the meaning of the EU taxonomy that is associated with taxonomy-eligible economic activities, with a CapEx plan described above, or with the acquisition of products from a taxonomy-eligible economic activity. Again, we were able to determine taxonomy-eligible business expenses by transport by passenger cars (fleet) and renovation of buildings. To determine the denominator, we considered the accounts reflecting direct, non-capitalized costs for research and development expenses, building renovation, short-term leasing, maintenance and repair expenses. The relevant, total operating expenses amount to mEUR 208.3 in the reporting year.

OpEx KPI: 1.7 %

Energy efficiency

Energy, particularly the use of electrical energy, is vital for CGM as a communications and data service provider, and therefore essential for the continued operation of our business. For CGM, having an uninterrupted energy supply at the major sites, particularly the data centers, is a primary goal. As producing energy is a major contributor to climate change, we see it as our duty to further improve our energy efficiency with a view to protecting our living environment for future generations.

In the reporting year all existing electricity contracts in Germany were bundled under a single framework agreement from a provider, enabling us to introduce targeted measures to reduce energy consumption by having electricity consumption transparently presented.

A new energy concept was also introduced for the acquired commercial premises of the adjacent Mittelrhein publishing house at the company's headquarters in Koblenz in 2020, taking advantage of the well located on the premises to provide heating and cooling for the adjacent buildings using efficient heat pumps. The adjacent buildings also include, aside from a number of existing buildings, the planned and approved new bistro building, which will be constructed in line with the KfW 55 energy standard. The conversion and construction work started in the reporting year.

In addition to the data centers and the energy consumption of the buildings, the mobility of our employees is another driver of energy consumption and CO₂ emissions. To increase the corresponding energy efficiency, we will revise our mobility concept in 2022.

Social engagement

As a company, we are committed to our sites and feel a sense of affinity to local communities. Interaction is important to us and, as part of the wider society, we are committed to helping those who need it: We care and give back!

In total, we have been socially engaged and involved in over 30 projects around the world, with the initiatives ranging from monetary and in-kind donations, to mentoring programs for children in Romania, to compiling and delivering food packages in South Africa.

Our social commitment also involves us supporting patient health and safety in particular, in keeping with our underlying corporate philosophy. For example, our business units in Italy donated 18,125 vaccine doses against measles, and in 2021 the group again took part in the VOR-TOUR der Hoffnung, a charity cycling event in Germany, which for many years has collected donations for children with cancer and in need.

CGM has also been a committed player in the fight against COVID-19. After initially making the CLICKDOC video consultation available free of charge in several countries in 2020, we were able during the reporting year to make similar offers, such as a free license fee, to physicians in Germany who use CGM software, in particular an integrated vaccination management solution.

And we also show responsibility when it comes to local crises. The CGM team supported the people affected by the devastating floods in Germany by making a total of kEUR 200 available. A fundraising campaign among employees generated around kEUR 100 in donations, and the company then doubled this amount, all of it went to the account for donations set up by the Ahrweiler district administration. Numerous employees also volunteered for relief work in the affected areas. As a company, we quickly and unbureaucratically offered special leave to all affected as well as employees who wanted to help.

We were supporting medical practices and pharmacies that were damaged by the flood to quickly get back on their feet so they can provide medical care to the population during this difficult time. Here, we were able to make a contribution, also together with service partners, for example by providing software and hardware.

Supply chain

Unlike manufacturing companies, CGM does not have a management focus on the supply chain, but instead on the quality of the services offered and the functionality of the infrastructure required for this. Notwithstanding this, it is of paramount importance to carefully select business partners and suppliers. The group companies each have their own procurement management unit.

In addition to considering economic aspects such as quality, ability to deliver on time, and price, which are reflected in the supplier evaluation, other criteria considered in the procurement process include where the suppliers are based (regionality) and whether they have an environmentally friendly product life cycle.

The supply chain supports software development on the one hand, and enables CGM to guarantee its business processes on the other hand. We consider the following areas to be business processes: sales, support, consulting services, marketing and administrative functions such as accounting, HR, fleet and in-house IT.

The group companies work with business partners, service providers and suppliers to produce products and deliver services. We require them to commit to the standards applicable at CGM, although as a rule, compliance with applicable legal standards and laws take precedence as part of the General Terms and Conditions of Business. We expect business partners, service providers, and suppliers in the supply chain to have established or to establish suitable processes that ensure compliance with the standards applicable at CGM.

The Code of Ethics includes the correct treatment of employees, among other things the observance of human rights, as well as integrity in business transactions, for example the prohibition of corruption and bribery. Violations of these rules by suppliers can result in termination of the business relationship.

Taking the subsidiary CGM IT Solutions und Services GmbH (ITSS) as an example, we demonstrate the fact that we have high standards for what we do in logistics. ITSS is an internal service provider with particular expertise in the areas of logistics, warehousing, purchasing, procurement, and IT hardware product management.

A core task of ITSS is to provide market-driven IT shopping carts for CGM's direct sales lines in the outpatient sector and in the pharmacy sector. It was even possible to manage the difficult supply situation in 2021 without any major problems thanks to forward-looking planning measures and close cooperation within the group.

For our CGM PROFESSIONAL LINE product range, a portfolio of IT client and server systems primarily aimed at medical and dental practices, we were able to establish binding specifications for supply chains, packaging, and equipment design within the scope of a call for tenders. In the future, each device must also meet the requirements for the Blue Angel ecolabel DE-ZU 78 for quiet, safe and ergonomic operation, in addition to the minimum legal requirements for placing on the market and the GS mark. This results in lower energy consumption, better durability, and a recyclable design.

Compliance with the "Energy Star 8.0" specifications was also a mandatory requirement in the call for tenders. The company guarantees that only economical and energy-efficient power supplies will be used in the future for the IT client systems of the CGM PROFESSIONAL LINE product range.

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Standards applied

Selected GRI standards, or parts thereof, were applied during preparation of this Report to report on specific information. The Report does not fulfill the "Core" requirements for GRI reporting.

Independent auditor's report

Limited Assurance Report of the Independent Auditor regarding the separate non-financial group report¹

To the Supervisory Board of CompuGroup Medical SE & Co. KGaA, Koblenz

We have performed an independent limited assurance engagement on the separate non- financial group report (further "separate non-financial group report") of CompuGroup Medical SE & Co. KGaA (further "Company" or "CompuGroup") for the period from January 1 to December 31, 2021.

Management's Responsibility

The legal representatives of the Company are responsible for the preparation of the separate non-financial group report in accordance with §§ 315b, 315c in conjunction with 289c to 289e HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further „EU Taxonomy Regulation ") and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section "EU taxonomy" of the separate non- financial group report.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the separate non-financial group report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the separate non-financial group report that is free of – intended or unintended – material misstatements.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section "EU taxonomy" of the separate non- financial group report. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

Practitioner's Responsibility

It is our responsibility to express a conclusion on the separate non-financial group report based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB. Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the separate non-financial group report of the Company for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section "EU taxonomy" of the separate non-financial group report. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

1) Our engagement applied to the German version of the separate non-financial group report 2021. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

Independent auditor's report

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for CompuGroup
- A risk analysis, including media research, to identify relevant information on CompuGroup's sustainability performance in the reporting period
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and combating corruption and bribery
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Inspection of selected internal and external documents
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- Assessment of the overall presentation of the disclosures
- Evaluation of the process for the identification of taxonomy-eligible economic activities and the corresponding disclosures in the combined separate non-financial report

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the separate non-financial group report of CompuGroup Medical SE & Co. KGaA for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section "EU taxonomy" of the separate non-financial group report.

Independent auditor's report

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of CompuGroup Medical SE & Co. KGaA, Koblenz only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of CompuGroup Medical SE & Co. KGaA, Koblenz, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Frankfurt am Main, April 5, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

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