

## ANNUAL CORPORATE GOVERNANCE STATEMENT AND CORPORATE GOVERNANCE REPORT

Beta Systems has always placed great importance on responsible and transparent management. Since the introduction of the German Corporate Governance Code (GCGC), which has established standards for value-oriented and transparent management and monitoring of the company, Beta Systems, has espoused the suggestions and the recommendations of the Code in its current version dated June 18, 2009, apart from a few exceptions. In this Corporate Governance Statement the Management and Supervisory Boards of Beta Systems Software AG report on the corporate governance in accordance with Code Item 3.10 of the GCGC and with Section 289a para. 1 of the German Commercial Code (HGB) in this statement.

### Information on Corporate Governance at Beta Systems

Documents pertaining to Corporate Governance, specifically the Articles of Association of Beta Systems Software AG, the current declaration of conformity and those of the previous years as well as this Corporate Governance Statement respectively this Corporate Governance Report are easily accessible on the website of the Company at [www.betasystems.com](http://www.betasystems.com) under the Investor Relations/Corporate Governance heading.

Furthermore, the shareholders are regularly informed in good time about the dates set for major recurrent events and publications in the financial calendar which is made permanently accessible on the website of the Company under the Investor Relations/Financial Calendar heading and published in the Annual Report.

Beta Systems informs participants in the capital market and the interested public regularly, without delay and promptly about the financial position of the Group and new developments. The annual report, the half-yearly financial report and the quarterly financial reports are published within the framework of the given deadlines. Information about current events and new developments is published in the form of press releases and, whenever appropriate, ad-hoc releases. All information is available promptly in German and English and published on the Internet. In addition, the website under [www.betasystems.com](http://www.betasystems.com) provides extensive information on the Beta Systems Group, its products and solutions and the Beta Systems share.

### Shareholders and Annual General Meeting of Shareholders

The shareholders of Beta Systems Software AG exercise their rights of codetermination and control at the Annual General Meeting of Shareholders which takes place at least once a year. The Meeting takes decisions on all matters defined under the law with binding effect on all shareholders and the Company. In the voting process, each share confers the right to one vote. All shareholders who have registered within the deadline are entitled to participate in the Annual General Meeting. Shareholders who are unable to take part personally in the Meeting have the option of having their voting rights exercised by a bank, an association of shareholders, a proxy appointed by Beta Systems Software AG who is bound to instructions issued or another proxy of their choice.

The reports and documentation required by law for the Annual General Meeting of Shareholders, including the agenda and the Consolidated and Separate Annual Financial Statements were published on the website at [www.betasystems.com](http://www.betasystems.com) under the Investor Relations/Annual General Meeting of Shareholders 2009 heading.

The invitation to the Annual General Meeting of Shareholders and the reports and information necessary for passing resolutions were published in accordance with the provisions set out under the German Stock Corporation Act (AktG) and were also made available on the website of Beta Systems Software AG.

Compliance with the Corporate Governance Standards is monitored by the Compliance Officer:

#### Contact

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### Declaration of Conformity and reporting on Corporate Governance

It is mandatory for German companies to apply the provisions prescribed by law. In respect of the recommendations, Section 161 of the German Stock Corporation Act (AktG) requires listed companies to make an annual declaration on the extent to which each individual company complies with the German Corporate Governance Code and where they diverge from it. This also includes a description of any divergences from the recommendations of the Code.

On December 3, 2009, the Management Board and Supervisory Board of Beta Systems Software AG jointly issued an updated 2009 Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG).

### Declaration of Conformity of Beta Systems Software AG with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of Beta Systems Software AG submitted the last Declaration of Conformity in accordance with Section 161 AktG on December 5, 2008. This Declaration of Conformity was published on the internet and in the 2008 Annual Report.

The Declaration set out below applies to the recommendations of the German Corporate Governance Code («GCGC») in the version dated June 6, 2008, published in the electronic German Federal Gazette on August 8, 2008 («2008 Version») for the period from December 6, 2008 to August 4, 2009. As from August 5, 2009 onwards, the Declaration set out below applies to recommendations of the Code in the version dated June 18, 2009, published in the electronic German Federal Gazette on August 5, 2009 («2009 Version»).

That said, the Management Board and the Supervisory Board of Beta Systems Software AG declare that the recommendations of the German Commission of the German Corporate Governance Code have been complied with since the last Declaration of Conformity dated December 5, 2008, with the deviations cited therein and those set out below.

Beta Systems Software AG will comply with the recommendations of the German Corporate Governance Code of the German Government Commission in the future as well, with the following deviations:

■ **Code Item 2.3.2 – Relaying of the convening of the General Meeting of Shareholders and convention documents by electronic channels:**

The Code recommends that companies should send notification of the convening of the Annual General Meeting of Shareholders, together with convention documents, to all domestic and foreign financial service providers, shareholders and associations of shareholders by electronic means if the approval requirements are fulfilled. The Company does not comply with this recommendation because the necessary approval requirements (as laid down in the Articles of Association) do not exist. Since owing to the nature of the bearer shares, the Company does not know its domestic and foreign financial service providers, shareholders and the associations of shareholders, and since it is currently not possible to ensure that the majority of these parties can be reached via electronic channels, the Company waives the option of electronic dispatch.

■ **Code Item 3.8 – Deductible in D&O insurance policies:**

Contrary to the former recommendation laid down in the »2008 Version« of the Code that the liability insurance taken out by the Company for its Management Board and Supervisory Board members (so-called Directors' and Officers' (D&O) insurance) should include a reasonable deductible, Beta Systems does not consider that this measure would lead to any significant improvement in the motivation or sense of responsibility of its directors and officers. The insurance policies currently taken out by Beta Systems do not include any deductible. In Item 3.8 of the »2009 Version« of the Code the recommendation of agreeing a deductible is only applicable to the D&O policy for Supervisory Board members whereas the deductible in concluding a D&O policy for Management Board members is now mandatory under the law. For the reasons cited above, Beta Systems will not be including a deductible for Supervisory Board members in future either. In contrast, the existing and current policy pertaining to the Management Board will be changed in good time owing to the amendment of Section 93 German Stock Corporation Act (AktG) in the new version and in accordance with the deadline which expires on June 30, 2010. From this time onwards, it will include a deductible for the Management Board.

■ **Code Item 4.2.3 – Compensation of the Management Board:**

The Management Board of Beta Systems Software AG receives fixed and variable compensation. At present, the General Meeting of Shareholders has not authorized a Management Board compensation program that includes components with long-term incentive effect and risk elements in the form of shares, stock options or comparable instruments. Such instruments were last issued in 2001 as part of programs previously implemented within this area. Rights resulting from these programs were last exercised in 2004 or have expired. The Board member contract of the only member of Beta Systems Software AG's Management Board does not currently provide for a severance payment cap. The reason for this lies in the restriction of the Board member contract to three years. In view of this short term, an additional agreement on avoiding inappropriate severance payment is not necessary. Moreover, agreeing such severance payment caps and, if necessary, any enforcement at a later date, may cause legal problems. The fundamental idea of the recommendation is, however, taken account of as, in the event of premature mutual cancellation of a Board member contract, a severance payment provision has been agreed with the respective Board member which reflects the principle of appropriateness.

■ **Code Item 5.1.2 – Composition of the Management Board:**

The Management Board of Beta Systems Software AG is currently comprised of one member. Accordingly, the new Code recommendation in respect of the composition of the Management Board (diversity) cannot be applied.

■ **Code Item 5.1.2 and 5.4.1 – Age limits for Management Board and Supervisory Board members:**

Beta Systems regards the stipulation of age limits for Supervisory Board members (Code Item 5.4.1) as imposing a limitation on shareholders' rights to elect the Supervisory Board members of their own choice. Accordingly, the Company has not set any age limit. A similar departure from the Code's recommendation is that there is no age limit for Management Board members either (Code Item 5.1.2) as this would restrict the Supervisory Board in its selection of suitable candidates.

■ **Code Item 5.3.2 – Setting up of an Audit Committee:**

In view of the current size and composition of the Supervisory Board (6 persons) as well as the size of Beta Systems itself, the Supervisory Board does not currently intend to set up a separate Audit Committee. Essentially the entire Supervisory Board deals with all issues relating to accounting and auditing, risk management and compliance, the necessary independence required of the external auditor, the issuing of the audit mandate to the auditor, the defining of key audit areas and agreeing the auditor's fee.

■ **Code Item 5.3.3 – Setting up of a Nomination Committee:**

In view of the current size and composition of the Supervisory Board (6 persons) as well as the size of Beta Systems itself, the Supervisory Board does not currently intend to set up a separate Nomination Committee. Essentially the entire Supervisory Board deals with proposals for elections.

■ **Code Item 5.4.6 – Compensation of the Supervisory Board:**

In Item 5.4.6 the Code recommends that Supervisory Board members receive performance-related compensation alongside fixed compensation. The Supervisory Board members of Beta Systems Software AG, by contrast, receive compensation only in the form of fixed remuneration. Beta Systems Software AG has diverged from this recommendation as it does not currently deem it expedient.

Moreover, Beta Systems Software AG does not at present consider performance-related compensation to be a suitable tool for supporting the Supervisory Board in its tasks as an auditing and control committee. Membership and chairmanship of the Personnel Committee is also not subject to specific compensation.

Berlin, December 3, 2009



Sebastian Leser  
Chairman of the Supervisory Board



Gernot Sagl  
Member of the  
Management Board

### **Working methods of the Management Board and the Supervisory Board**

A fundamental principle under German corporate law is the dual system of management by the executive bodies of the Management Board and the Supervisory Board, each of which is endowed with its own set of competences. The Management Board and the Supervisory Board work closely together on a basis of trust in the supervision and control of the Company and for its benefit. Their common aim is to raise the enterprise value on a sustainable basis.

The Management Board reports regularly, in a timely manner and extensively to the Supervisory Board on all relevant issues relating to corporate planning and strategic development, on the course of business, the Group's situation, including the risk position, and on risk management and compliance. The Supervisory Board advises and oversees the Management Board in its management of the Company. It is involved in strategy and planning as well as in all issues of fundamental significance for the Company. Moreover, the Supervisory Board gives its approval to important transactions requiring approval. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents its concerns externally. An extraordinary meeting of the Supervisory Board may convened, if appropriate, when events of particular relevance occur. The Supervisory Board has laid down bylaws regulating its work.

Up until July 18, 2009, the Management Board was made up of two persons and had a Chairman. Mr. Kaymar Niroumand, former Chairman and Chief Executive Officer, was relieved of his duties for an important reason by way of resolution dated July 18, 2009, passed by the Supervisory Board (see the Report of the Supervisory Board of Beta Systems Software AG for the fiscal year 2009). Since this time, Mr. Gernot Sagl has headed up the company as the only member of the Management Board.

A set of bylaws regulates the work of the Management Board, in particular the assignment of tasks, and comprises special regulations for cooperation between Management Board members when there are more than one. More information on the working methods of the Management Board and the Supervisory Board can be found in the Report of the Supervisory Board of Beta Systems Software AG for the fiscal year 2009.

### **Composition of the Supervisory Board**

In accordance with the Articles of Association, the Supervisory Board of Beta Systems Software AG is made up of six members. Of these members, four are elected by the Annual General Meeting of Shareholders. In accordance with Section 4 para. 1 of the German One-Third Participation Act (DrittelbG), two Supervisory Board members are employees' representatives elected by the workforce. Members are elected for the period until the end of the Annual General Meeting of Shareholders which decides on ratifying the actions of the Supervisory Board for the fourth fiscal year after the start of their term of office, not counting the fiscal year in which the term of office begins. The terms of office of the Supervisory Board members end with the regular Annual General Meeting of Shareholders in 2010. In as much as successors were elected before the expiry of the terms of office of retired members, the respective election was made pursuant to Article 7 para. 2 of the Articles of Association for the remaining period of office of the retired member.

In proposals for the election of members to the Supervisory Board attention is paid to the requisite knowledge, abilities and expert experience required for undertaking the respective tasks, as well as diversity in the composition of the Board. Former Management Board members of Beta Systems Software AG are not represented on the Supervisory Board. A sufficient number of independent members who do not have any business or personal relationship with the Company or with its Management Board belong to the Supervisory Board.

### **Committees of the Supervisory Board**

The Supervisory Board of Beta Systems Software AG has formed a Personnel Committee and a Business Committee which are made up of its own members. As described in the Declaration of Conformity of December 3, 2009, there is currently neither an Audit Committee nor a Nomination Committee owing to the current size and composition of the Supervisory Board (six persons) and the size of Beta Systems itself.

More information on the committees of the Supervisory Board can be found in the Report of the Supervisory Board of Beta Systems Software AG for the fiscal year 2009.

### **Remuneration report**

The total remuneration of the Board members is made up of a series of components. To be specific, remuneration comprises a fixed and a performance-based component (bonus). The remuneration of the Supervisory Board is determined by the Annual General Meeting of Shareholders and is regulated under Article 10 of the Articles of Association. Remuneration is based on the tasks and the responsibilities of the Supervisory Board members as well as on the financial position and the performance of the Company. Detailed information, including an itemization of remuneration, can be found in the Remuneration Report in the Combined Management Report on the Group and on the Parent Company 2009 of Beta Systems Software AG. As per December 31, 2009, there were no option rights and no valid option rights programs so that none of the members of the Supervisory Board or the Management Board currently hold stock option rights or conversion rights to the shares of Beta Systems Software AG.

### **Responsible risk management**

Good corporate governance also entails a responsible management by the Company of risks. The Management Board of Beta Systems Software AG and the management of the Beta Systems Group have extensive, groupwide and company-specific reporting and control systems at their disposal which enable the recording, assessment and control of these risks. Systematic risk management ensures that any risks are detected at an early stage and assessed. The risk management system of Beta Systems is developed on an ongoing basis and is adjusted to changes in business conditions. The early warning system for risks will be audited by the independent auditor. The Management Board reports regularly to the Supervisory Board on the risks and their development. The Supervisory Board concerns itself in particular with monitoring the accounting process, including reporting, the effectiveness of the internal control system, of risk management and of the internal audit system, of compliance as well as of the annual financial statements audit.

Detailed information on risk management can be found in the Risk and Opportunities Report of the Combined Management Report on the Group and on the Parent Company 2009 of Beta Systems Software AG. This section also comprises the report on the accounting-related internal control and risk management system required under the German Accounting Law Modernization Act (BilMoG).

The monitoring and observance of compliance guidelines was also an integral part of risk management in the fiscal year 2009. Part of this was to keep employees informed of the legal basis and the relevant requirements placed on internal and external communication. All relevant individuals who work for the Company and have access to inside information within the scope of their employment are registered in an Insider List and informed of the obligations arising from such insider rights.

### Share transactions and shareholdings of the Management Board and the Supervisory Board

Pursuant to Section 15a of the German Securities Trading Act (WpHG), members of the Management and Supervisory Boards are required by law to disclose the purchase or sale of the shares of Beta Systems Software AG if the value of any transaction(s) conducted by the respective member or parties related to them reaches or exceeds an amount of € 5,000 in a calendar year. In accordance with the Insider Trading Policy of Beta Systems Software AG, members of the executive bodies are obliged to report all transactions with shares of the Company. No transactions were reported to Beta Systems Software AG in the fiscal year 2009 (Beta Systems share; financial instrument: ISIN DE0005224406).

As soon as they are carried out, all transactions are disclosed on the website of the Company at [www.betasystems.com](http://www.betasystems.com) under the Investor Relations/Corporate Governance/Directors' Dealings section. Directors' shareholdings as per December 31, 2009, are as follows:

| As per Dezember 31, 2009        | Number of shares |
|---------------------------------|------------------|
| <b>Management Board</b>         |                  |
| Kamyar Niroumand <sup>1</sup>   | 134,377          |
| Niroumand family <sup>1</sup>   | 200,000          |
| Gernot Sagl                     | -                |
| <b>Supervisory Board</b>        |                  |
| Sebastian Leser                 | -                |
| Dr. Arun Nagwaney               | -                |
| Jürgen Dickemann                | -                |
| Volker Wöhrle                   | -                |
| Stefan Hillenbach               | 6,432            |
| Wilhelm Terhaag                 | -                |
| <b>Beta Systems Software AG</b> |                  |
| Treasury shares                 | 120,610          |

<sup>1</sup> On 18 July 2009, the Supervisory Board of Beta Systems Software AG relieved Mr. Kamyar Niroumand of his duties as Chief Executive Officer of the Company. For this reason, information on the Director's Holdings of Mr. Niroumand pertain to this date.

### Accounting and audit of the Annual Financial Statements

Beta Systems Software AG draws up its consolidated financial statements and its interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as applicable within the European Union. The annual financial statements of Beta Systems Software AG are drawn up in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared by the Management Board and examined by the external auditor and the Supervisory Board. The quarterly financial reports and the half-yearly financial report are discussed by the Supervisory Board with the Management Board prior to being released.

The consolidated annual financial statements and the separate annual financial statement of Beta Systems Software AG are audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, the external auditor appointed by the Annual General Meeting of Shareholders in 2009. The audit is carried out in accordance with German auditing regulations and in observance of the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. The audit scope included also the early warning system for risks in accordance with Section 91 para. 2 of the German Stock Corporation Act (AktG) and compliance with the reporting duties on Corporate Governance under Section 161 German Stock Corporation Act (AktG).

Moreover, a contractual agreement was made with the external auditor that the Supervisory Board would be informed without delay about any grounds for bias or disqualification as well as about major findings and occurrences which may come to light during the audit. There was no occasion for this in the context of the audit carried out for the fiscal year 2009.

