

CORPORATE GOVERNANCE REPORT

RESPONSIBLE GOVERNANCE

The concept of corporate governance draws together all international and national values and principles for good and responsible management applying to a company's executive and supervisory bodies as well as its employees. However, corporate governance should not be seen as a rigid system of rules and regulations; rather it is a process in which values and principles constantly evolve in line with changing requirements. In our work, we, the Supervisory Board and the Executive Board of SAP, attach great importance to good governance practice.

Recognizing the need to practice good corporate governance in our day-to-day business operations, SAP led the way in Germany by publishing its own Principles of Corporate Governance ("Principles") in 2001, even before promulgation of the German Corporate Governance Code ("Code"). Ever since, SAP has worked at optimizing its corporate governance, guided not only by national standards but also by the internationally accepted principles. This is our report for fiscal year 2007, as required by section 3.10 of the Code.

Corporate Governance at SAP

SAP is a German listed company, and our corporate governance is primarily aligned to the mandatory requirements of the law and to the Code, as amended from time to time. Moreover, SAP complies with further provisions that are relevant to it as a German company listed on the New York Stock Exchange (NYSE). These include the Corporate Governance Standards of the NYSE and the U.S. Sarbanes-Oxley Act.

Executive Board

At the time this annual report went to press, the SAP Executive Board had seven members. It is solely responsible for managing the Company. It has a duty to exercise its management powers in the interest of the Company and in pursuit of the sustained growth of corporate value. It discusses and agrees its strategy for the Company with the Supervisory Board, ensures compliance with the requirements of the law throughout the Group, and maintains appropriate risk management structures and risk controls.

Supervisory Board

The SAP Supervisory Board has 16 members who in equal numbers represent the shareholders and the employees. When candidates for election to the Supervisory Board are selected, regard is had to the requirement that they be persons with the necessary knowledge, competencies, and relevant experience. At appropriate intervals, normally every October, the Supervisory Board conducts an investigation into the efficiency of its own work. Since the term of office of the current Supervisory Board membership only started at the end of the General Meeting of

Shareholders on May 10, 2007, the next such investigation was not conducted until February 2008. This was to give the newly elected members a chance to make their efficiency assessment on the basis of an adequate number of meetings of the full Supervisory Board and its committees.

Cooperation Between Executive Board and Supervisory Board

The Executive Board and Supervisory Board cooperate closely to the benefit of the Company. The Executive Board regularly provides to the Supervisory Board full and timely reports on all material matters of business planning and performance, including any deviations of actual business performance from plan, the risk situation, and risk management. The Supervisory Board has reserved to itself the approval of certain defined transactions of fundamental importance. For more information about the Executive and Supervisory Boards' work together, and about the work of the Supervisory Board and its committees, see the section titled Report of the Supervisory Board.

SAP's Principles of Corporate Governance

SAP published its own Principles of Corporate Governance as early as October 2001 and continually amended them, where necessary, in the light of changes made to the Code from time to time. When we last reviewed our Principles in October 2007, we came to the conclusion that the gap between them and the Code had greatly reduced over time and that changes to the legislation and current practice had made provisions in the Principles obsolete. The Code, which had been continuously improved, together with the pertinent legislation, which had gradually covered more of the ground, made the maintenance of our own Principles redundant. We therefore decided to discontinue our own Principles – thereby improving the clarity of our communications for the benefit of our shareholders, not least those outside of Germany. In the future, when discussing corporate governance standards, we will refer to the Code only. SAP will continue to provide its

shareholders with detailed information about its implementation of the Code's recommendations and suggestions by publishing the annual declaration of implementation of the Code and a corporate governance report in the SAP annual report.

Code Recommendations

The new recommendations and additions to existing recommendations adopted in the Code in 2007 chiefly concern the establishment of nomination committees as committees of supervisory boards, and provisions in executive board rules of procedure. They relate to the principle of collective responsibility and to the majorities required for resolutions, and there are also recommendations concerning the manner in which supervisory boards and their audit committees handle compliance matters.

The SAP Executive Board has established various controls to ensure that the Company, its governing bodies, and its employees comply with the law. SAP's Code of Business Conduct, published throughout the Group, contains standards for the day-to-day behavior of employees toward the Company and toward others. Within the Supervisory Board it is the Audit Committee that has particular responsibility for monitoring internal compliance controls. To evidence the Company's implementation of the new recommendation in section 5.3.2 of the Code, compliance was added to the Audit Committee's responsibilities listed in its rules of procedure.

At its regular meeting in October 2007, the Supervisory Board resolved to establish a Nomination Committee in accordance with the recommendation in section 5.3.3 of the Code. As recommended in the Code, the Nomination Committee is composed of shareholder representatives only. It is tasked with creating an appropriate requirements profile for Supervisory Board members in the light of the structure, size, and composition of the SAP Supervisory Board and to monitor the national and international fields for suitable people who are available to stand as candidates for election as shareholder representatives.

There were already provisions in the Executive Board rules of procedure concerning the principle of collective responsibility and responsibility for individually assigned areas of operations, and provisions in the Articles of Incorporation concerning majorities required for resolutions, corresponding to the new recommendation in section 4.2.1 of the Code.

Compliance Declaration Pursuant to the German Stock Corporation Act, Section 161

The SAP Executive and Supervisory Boards submitted their implementation declaration on October 26, 2007. In the declaration, the Executive and Supervisory Boards declared that SAP intends, as in the past, to follow all of the recommendations in the new version of the Code except as follows:

- No age limits for members of the Executive and Supervisory Boards
- Contracts do not provide for a deductible in directors' and officers' liability insurance policies
- A chairperson or member of the Executive Board can become chairperson of the Supervisory Board or chairperson of a Supervisory Board committee
- No consideration of individual performance in the variable remuneration of Executive Board members

We no longer maintain the reservation concerning reward for committee work in the compensation of Supervisory Board members, last recorded in our October 2006 declaration of implementation. The compensation provisions in the SAP Articles of Incorporation were amended by resolution of the Annual General Meeting of Shareholders on May 9, 2006, but because the resolution was challenged in Court, it did not become effective until December 2006, that is, after publication of the implementation declaration in October 2006.

The remaining deviations from the recommendations in the Code are due to the following reasons:

SAP considers the setting of an age limit on Supervisory Board members, as recommended by the Code, an inappropriate restriction of shareholders' rights to elect the members of the Supervisory Board. Therefore, SAP did not consider or set any age limits at the last election of Supervisory Board members. Similarly, despite the recommendation in the Code, SAP does not set any age limits for members of the Executive Board, because this would generally restrict the Supervisory Board in its choice of suitable Executive Board members.

The Code recommends that if a company takes out a liability insurance policy for its executive and supervisory board members (D&O liability insurance), a suitable deductible be agreed in members' contracts. We do not believe that the motivation and responsibility that the members of the SAP Executive and Supervisory Boards have for their duties can be improved by such a deductible element. We do not intend to change the current D&O insurance policies, under which no deductible is payable by Executive and Supervisory Board members.

The Code recommends that, as a rule, the former chairperson of the executive board and members of the executive board do not become the chairperson of the supervisory board or chairperson of a supervisory board committee. SAP cannot rule out the possibility that these kinds of appointments will take place in the future. It is not currently

possible to foresee whether this will be the case as a rule. Moreover, the chairperson of the Supervisory Board and chairpersons of Supervisory Board committees are appointed by the members of the Supervisory Board, who should be guided solely by the actual qualifications of the persons standing for election. Historically, our practice in respect of the appointment of Executive Board members or chairpersons (chief executive officers) to the chair of the Supervisory Board has proved worthwhile. However, we do not intend that such appointments should become automatic.

Executive Board members' remuneration takes into account their individual performance and responsibilities. However, SAP does not currently plan to set individualized targets for the purpose of determining Executive Board members' variable remuneration elements because their areas of responsibility are interrelated in such a way as to prevent or considerably hinder the definition of corporate targets for their individual areas of responsibility. We prefer to encourage the collective responsibility of the Executive Board for the Company, seeing this as a significant factor in its success.

Code Suggestions

We will partly follow the new suggestion in section 4.2.3 of the Code. The suggestion is that executive board membership contracts should not provide for severance pay on premature termination without just cause of more than two times annual compensation including expenses or more than the compensation for the remaining term of the contract. Our Supervisory Board has always insisted that the compensation contracts of Executive Board members must be reasonable, including, for example, provisions concerning severance pay, and it will continue to do so. Except where the termination arises out of a change of control, however, we do not believe it is practicable in Executive Board member contracts to cap severance pay on premature termination without just cause. To agree such a cap from the outset would be contrary to the spirit of our Executive Board contract, which is normally concluded for a fixed term and does not in principle provide for the possibility of ordinary termination by notice. Moreover,

in practice the Company would find a contractual severance pay cap difficult to enforce against an Executive Board member in the circumstances where it would be relevant. Also, an agreement in this respect that had been concluded in advance might not make adequate provision for the particular facts and surrounding circumstances that later actually give rise to the premature ending of an Executive Board member's work. We will follow the new suggestion where the termination arises out of a change of control, and also insofar as that, in the event of premature termination of an Executive Board member's contract by agreement, we will continue our past practice of negotiating severance pay that is reasonable.

There are also two other suggestions in the Code that we do not follow:

- We do not follow the suggestion in section 5.4.6 of the Code that Supervisory Board members be appointed at different times and for different terms. We hold block votes for all shareholder representatives on the Supervisory Board and they have equal terms of office. If a Supervisory Board seat becomes vacant during the regular period of office, by-elections are held for the remainder of the regular period of office. This ensures an efficient, standardized process for electing Supervisory Board members and enables them to work together effectively.
- We have not agreed to pay Supervisory Board members performance-oriented compensation based on SAP's long-term success as suggested in the Code, section 5.4.7 (2). We doubt whether the long-term success of SAP is the right basis for Supervisory Board compensation or improves the Supervisory Board members' motivation in respect of SAP. Variable remuneration at SAP is therefore linked to the dividend, and can thus be readily determined by applying the Supervisory Board compensation provisions in the Articles of Incorporation. We believe that this thus ensures transparent, appropriate compensation for Supervisory Board members that reflects their legal responsibilities.

Code of Business Conduct

The Code of Business Conduct for employees and the Executive Board expresses the high standards that we require from our employees and Executive Board members and how we deal with customers, business partners, and shareholders. SAP sees its Code of Business Conduct as the standard applicable to all dealings involving customers, business partners, vendors, shareholders, and competitors. By following our Code of Business Conduct, we demonstrate a commitment against all forms of unfair competitive practice, corruption, and misrepresentation.

Compliance

The Executive Board ensures that SAP AG and SAP Group companies comply with the requirements of the law and of our internal policies. We have deployed compliance officers throughout the company to monitor adherence to those requirements. Also, our chief global compliance officer has a dedicated compliance team to harmonize compliance work across the Group. This team is tasked with regularly reviewing and if necessary revising the Group's internal policies, such as our Code of Business Conduct and our Third Party Sales Commission Policy, delivering related training, and maintaining the development of the controls designed to ensure compliance with our internal policies. In addition, the compliance team coordinates the shared work of all compliance officers in the Group.

In 2007, the compliance team started a training program, which will be continued in 2008. The objective of the program is to deliver knowledge of the pertinent requirements of the law and of SAP's policies to all SAP employees who need it, from directors and executives of SAP Group companies, to their vice-presidents, to sales employees

throughout the Group. The Executive Board and members of the compliance team report regularly to the Supervisory Board and the Audit Committee on the compliance control structures set up by the Executive Board and on the work of the compliance team.

Risk Management

In German stock-corporation and commercial law, there are special requirements for internal risk management that apply to SAP. Our global risk management system therefore supports risk planning, identification, analysis, handling, and resolution. We also create standard documentation of all our internal control mechanisms and continually evaluate their effectiveness.

As an issuer on the NYSE, SAP is also required to adhere to requirements under the U.S. Sarbanes-Oxley Act. In 2006, we embarked for the first time on an assessment of our internal control structure for financial reporting in accordance with the complex requirements defined by the Sarbanes-Oxley Act, section 404, and we repeated the exercise in 2007.

The auditor for the SAP Group, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft is auditing the Executive Board's assessment of the effectiveness of the Company's internal control over financial reporting as well as the effectiveness of that control on December 31, 2007. The audit has not found any indication by March 19, 2008, that it was not effective on December 31, 2007.

The management of SAP's subsidiaries uses our internal certification system to confirm, among other things, the accuracy of its financial reporting. In particular, it confirms that, in all key areas, the financial data appropriately reflects the assets, finances, income, and cash flows of the units in the reports. SAP must also confirm that the management of each unit has verified its own disclosure controls and procedures and found that they were working at the end of the reporting period in question. This confirmation – in addition to the confirmation of adequate procedures from Executive Board members and regional management – forms the basis for the certifications that, according to the Sarbanes-Oxley Act, the CEO and CFO must sign and submit to the U.S. Securities and Exchange Commission (SEC) along with the Form 20-F annual report. In the certifications, SAP's CEO and CFO confirm that the details in Form 20-F are correct and that SAP's financial statements appropriately reflect SAP's assets, finances, and income in all key areas. They also confirm that the functioning of the disclosure controls and procedures was evaluated and that Form 20-F reports on the outcome of this evaluation and on any significant changes to it. These processes are supported by a software product that SAP developed for that purpose, the management of internal controls (MIC) tool. Another control mechanism deployed at SAP besides the processes described above is standardized reporting across the Group. The internal audit service, the Disclosure Committee, and the Supervisory Board are also closely involved in risk management.

The Disclosure Committee comprises the CEO, the CFO, and six more members. It met nine times in 2007. It has a duty to support the internal control procedures for financial reporting and in particular to deliberate on disclosure requirements and disclosures relating to the occurrence of material events of significance for the financial markets. In addition, the Disclosure Committee discusses the content and scope of the Company's ad-hoc disclosures (current reports) required by law, press statements, and regular reports. These include the annual report, the annual report on Form 20-F, and the quarterly press statements and reports.

Applying International Corporate Governance Standards

As an NYSE-listed company, SAP is subject to U.S. financial legislation and to the rules of the SEC and NYSE.

Besides implementing the requirements of the Sarbanes-Oxley Act, section 404, set out above, and other Sarbanes-Oxley Act requirements, we fulfill the rules for foreign private issuers set out in the NYSE Listed Company Manual, section 303A.06. These rules govern the establishment and membership of an audit committee and SAP's related duties to report to the NYSE.

In accordance with the NYSE Corporate Governance Rules, SAP has – as in the past two years – stated the extent to which the German corporate governance rules deviate from the rules that apply to U.S. companies listed on the NYSE. The report on the main deviations from the NYSE Corporate Governance Rules is available on SAP's Web site at www.sap.com/corpgovernance.

Transparency, Communication, and Service for Shareholders

Our shareholders can obtain full and timely information about SAP on our Web site and access current and historical company data. Among other information, SAP posts all of its financial reports, all relevant news about the Company's governing bodies, corporate governance documentation, news in frequently-asked-question format on current business measures, information requiring ad-hoc (current) disclosure, press releases, and news of directors' dealings notifiable pursuant to the German Securities Trading Act, section 15a.

Shareholders are also able to participate in the Annual General Meeting of Shareholders over the Internet. They can vote according to their shares at the meeting by instructing a proxy of their choice or one of the proxies provided for that purpose by SAP. All of the documentation related to the Annual General Meeting of Shareholders is posted in good time on SAP's Web site at www.sap.com/AGM.

Financial Statements

The May 2007 Annual General Shareholders' Meeting elected KPMG as the auditor. We prepare financial statements for SAP AG alone in accordance with the German Commercial Code, and our statutory financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). We also voluntarily prepare financial statements in accordance with U.S. GAAP. The Executive Board is responsible for the SAP AG financial statements and the consolidated financial statements. The Supervisory Board approves the SAP AG financial statements and the statutory consolidated financial statements.

Executive Board and Supervisory Board Compensation Information Pursuant to Section 3.10 of the Code

The Code recommends that certain details of Executive and Supervisory Board member compensation and share ownership, stock options, and similar incentives be included in the corporate governance report or rather in the compensation report as part of the corporate governance report. These details as well as the legally required information about Executive and Supervisory Board members' compensation are all available in the compensation report. The compensation report is part of the audited Review of SAP Group Operations as well as forming part of this corporate governance report. The Supervisory Board has approved the Review of SAP Group Operations, including the compensation report, and adopted the compensation report's content for the purpose of corporate governance and compensation reporting as required by the Code.