

Corporate Governance

Principles of Corporate Governance

SAP already had its own Principles of Corporate Governance ("Principles") in place in October 2001, before the German Corporate Governance Code ("Code") was published the year after. We have kept our Principles continuously under review and amended them where appropriate to keep in step with the amendments 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 the broader ground, made the maintenance of our own Principles redundant. We therefore decided to discontinue our own Principles of Corporate Governance – thereby improving the clarity of our communications for the benefit of our investors, not least those outside of Germany. In the future, when discussing corporate governance standards, we will refer to the Code only. For more information about our implementation of the Code's recommendations and suggestions, see our German Stock Corporation Act, section 161 annual Declaration of Implementation and our Corporate Governance Report.

Recommendations

The Declaration of Implementation issued by our Executive Board and Supervisory Board on October 27, 2007, reports that we do not follow four of the Code's total of 81 recommendations. In our Declaration, we list the instances in which we do not follow Code recommendations:

- We do not impose age limits for members of the Executive Board and Supervisory Board.
- Our Executive Board and Supervisory Board 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 our Supervisory Board or chairperson of a Supervisory Board committee.
- There is no consideration of individual performance in the variable remuneration of our Executive Board members.

Since a pertinent amendment to our Articles of Incorporation was entered in the commercial register in December 2006, we do now follow the recommendation in section 5.4.7 of the Code: We now recognize the additional responsibilities of the chairperson and deputy chairperson of our Supervisory Board and of members of its committees in their compensation packages.

As already noted, new recommendations were added to the Code in 2007. They chiefly concern responsibility for compliance, provisions in executive board rules of procedure governing the allocation of responsibility portfolios, and, in section 5.3.3 of the Code, the establishment of a nomination committee as a committee of the supervisory board. We will follow these new recommendations.

Suggestions

In June, a new suggested severance pay cap was added to the Code in section 4.2.3, proposing that under executive board membership contracts, severance pay on premature termination without just cause should not be more than two times annual compensation including expenses or more than the compensation for the remaining term of the contract. We will partly follow this suggestion. The 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 to such a cap from the outset would be contrary to the spirit of our Executive Board contract, which is normally concluded to cover the full term of the member's appointment 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. As in the past, in cases where an Executive Board member's contract is prematurely terminated by agreement, we would apply the spirit of the suggestion in the Code and ensure that any negotiated severance pay is reasonable.

There are two other Code suggestions to which we do not adhere:

- We do not appoint Supervisory Board members at different times, as suggested by the Code. All shareholder representatives are voted onto the Supervisory Board en bloc 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 is convenient because memberships are elected and work together.
- 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. At SAP, variable remuneration is linked to the dividend and governed by our Articles of Incorporation. We believe that this ensures transparent, appropriate remuneration for Supervisory Board members that does not conflict with their legal responsibilities.

U.S. Regulatory Requirements

Because we are listed on the New York Stock Exchange (NYSE), we are subject to U.S. securities laws and to U.S. Securities and Exchange Commission and NYSE rules. We therefore continue to adhere to relevant U.S. laws and rules relating to corporate governance standards. Notably, 2006 saw the first audit of our internal control structure, as required by the U.S. Sarbanes-Oxley Act, section 404. It was conducted by our auditor, KPMG, which found that on December 31, 2006, our financial reporting control over the U.S. GAAP consolidated financial statements submitted to the SEC was effective. KPMG is also auditing that control structure as on December 31, 2007. The audit had not found any indication by March 19, 2008, that it was not effective on December 31, 2007.

Information Concerning Takeovers Required by the German Commercial Code, Section 315 (4), with Explanatory Material

As a group parent company using an organized market in the meaning of the German Securities Acquisition and Takeover Act, section 2 (7) for voting shares that we have issued, we are required by the German Commercial Code, section 315 (4) (1 to 9), to provide the following details in our *Review of Group Operations*. We also include explanatory material along with the compulsory disclosures:

- SAP AG's capital stock is €1,246,258,408, issued as 1,246,258,408 common no-par bearer shares. Each share has an attributable value of €1. One common share entitles the bearer to one vote. American depositary receipts (ADRs) representing our shares are listed on the NYSE in the United States. One SAP ADR corresponds to one SAP share. ADRs are deposit certificates of non-U.S. shares that are traded on U.S. stock exchanges instead of the underlying shares.
- The SAP shares are not subject to transfer restrictions. We are not aware of any other restrictions affecting voting rights or the transfer of SAP shares. We held 48,064,829 SAP shares at the close of the year. This treasury stock does not entitle us to any rights, and hence to any voting rights.
- Founding shareholder and Supervisory Board chairperson Hasso Plattner had direct SAP AG holdings and indirect holdings in SAP AG through companies and trusts under his control totaling 10.35% of the capital stock on December 31, 2007. For more details on SAP AG's ownership structure, see the *Notes to Consolidated Financial Statements* section, Note 20. Except as reported above, we are not aware of any direct or indirect capital holdings that exceed 10% of the voting rights. Deutsche Bank Trust Company Americas holds approximately 3.67% of the SAP AG capital stock in trust to facilitate ADR trading on the NYSE.
- The SAP AG Articles of Incorporation do not entitle any individual SAP shareholder to appoint members to the Supervisory Board, nor do shareholders have special rights conferring supervisory powers on them in any other respect.