cerence®

Responsible Momentum

2021 Environmental, Social and Governance Report

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CEO LETTER

On October 1, 2019, we began our journey as a new, independent company and leader in conversational AI for mobility markets. After nearly two decades of growth and prosperity as a division within Nuance Communications, we spun out on our own, destined to accelerate innovation, create stakeholder value, and deliver AI for a world in motion.

We have a proud heritage of innovation and leadership in automotive voice assistants, creating immersive experiences that make people feel happier, safer, more informed, and entertained in their cars. Bringing together voice, touch, gesture, gaze and emotion, we create deeper connections between drivers, their cars and their digital lives.

Since our formation two years ago, we've moved quickly to serve our customers and grow our business. We've launched a myriad of new products, enhanced our cloud offerings, and expanded our professional services teams globally. And, for our world that is in perpetual motion, we've branched out into new areas of mobility, bringing innovations to global two-wheeler markets and smart buildings and setting our sights on other industries such as public transportation, commercial fleets, cruise lines and more.

With such an expansive and ambitious agenda, we fully appreciate the importance and value of proper oversight. From our onset, we have ensured that corporate policies, mature governance and a diverse board were in place to responsibly guide our actions and our business. We established this solid foundation to seize upon opportunities and build our business for long-term success.

This was quickly put to the test early in 2020 with the emergence of COVID-19 and the widespread effects of a global pandemic. In response, our Board and Executive team responded quickly to the challenge and to ensure business continuity. With proper oversight and prudent measures, we worked diligently to ensure employee health and safety while maintaining business operations, meeting customer commitments, and remaining nimble as circumstances evolved.

Our swift response and upheld commitments reinforced our personal and corporate integrity and hardened the trust of our employees and customers. Amidst all the challenge and adversity, I am proud of how the Cerence team rose to the occasion and delivered on our promises to our customers, our shareholders, and each other.

It is with this spirit of trust and perseverance in mind that, on behalf of Cerence, I am pleased to share this inaugural Environmental, Social and Governance (ESG) report that portrays important decisions and actions in our first two years.

This report has been structured in accordance with the findings from our first materiality assessment, which has provided a clear perspective on which ESG topics matter most to our business.

Today, as we mature and grow as a company, we are prioritizing employee development and diversity and inclusion, with an emphasis on inclusion and gender diversity around the world. This serves as an ideal complement to our identified strengths and serves to only fortify the business.

I appreciate your interest in Cerence. We have achieved tremendous success and delivered great outcomes in a very short time. We are excited to build on our merits and many opportunities and hope you will join us on the exciting road ahead as we advance AI for a world in motion.

Sincerely,
Stefan Ortmanns
CEO, Cerence

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About Cerence

Our Vision

Enable a safer, more enjoyable journey for everyone.

Our Mission

Empower the transportation ecosystem with digital platform solutions for connected and autonomous vehicles.

*We employ over **1,700 people** in **17 countries.***

*Our solutions have been installed in almost **400 million vehicles** in more than **60 countries.***

*Our solutions apply to **all forms of transportation**, including four-wheeled and two-wheeled vehicles, public transit, tractors, cruise ships and even elevators.*

CERENCE IN 2021

950+

*We own more than 950 **patents assets.***

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ABOUT THIS REPORT

All information and data included in this report are as of September 30, 2021, except where otherwise noted.

This report includes disclosures in accordance with the **Sustainability Accounting Standards Board (SASB).** Reporting according to this standard helps our investors make informed decisions around material sustainability metrics and themes.

Responsible Momentum: ESG at Cerence

Our conversational AI products are intended to create better experiences and interactions in vehicles, leaving drivers and passengers safer, more productive and happier behind the wheel. By doing so, we help our customers – the world's leading automakers and mobility OEMs — strengthen their brands and the experiences they offer consumers.

Our approach to environmental, social and governance (ESG) factors reflects this charter. For a world in motion, we forge positive interactions with our employees, our communities and the environment. We design our business strategy and corporate policies with protection and productivity in mind. And we serve consumers through innovations and offerings that create innate value for our customers, end users, employees and shareholders.

Our thoughtful, prudent approach to ESG helps us grow and support our communications, even through the enduring circumstances of the COVID-19 pandemic.

Assessing Our Material ESG Issues

Cerence brings decades of AI experience to the table, but we've only been an independent company since October 2019 when we spun off from Nuance Communications, a leader in conversational AI. In our two years as a standalone entity, we have significantly enhanced our business through innovative new products, expansion into new markets, and the maturation of the Cerence culture and brand. Integral to growth, we have worked hard to best understand the ESG issues most material to our business and to create value with these in mind.

Specifically, we surveyed Cerence executives, benchmarked ourselves against industry peers, and aligned with the SASB reporting framework to understand the material issues. We learned they fall into six categories: 1) innovation, 2) governance and ethics, 3) risk management, privacy and data security, 4) energy and climate change, 5) human capital, and 6) community engagement. These findings have shaped the content and structure of this report.

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Navigating Crisis: Our Response to COVID-19

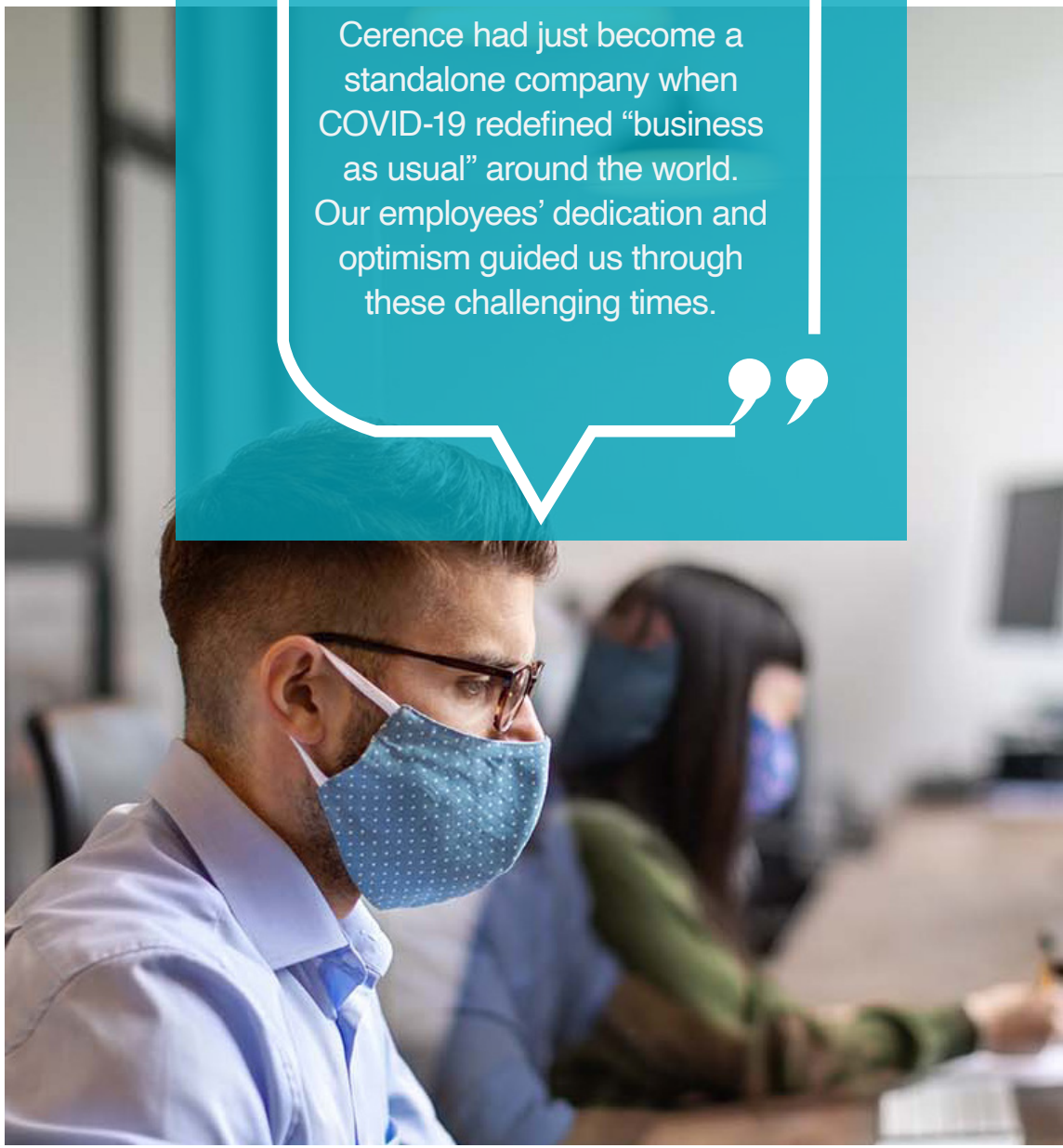
Our employees are located around the globe, spanning offices in 17 countries. From the onset of the pandemic, our team proved that innovation at Cerence is not only shaping the global future of mobility AI; it means living and working creatively every day.

Facing the immense challenges and decisions inherent with the pandemic, we demonstrated our commitment as an organization to our people and our customers. Employee safety and wellbeing were top of mind in each decision we made, resulting in a workforce that was steadfast in their commitments and deliverables for customers despite their own time of uncertainty.

During the early days of the pandemic, we quickly implemented our business contingency plans and formed a crisis response team. This included shifting part of our R&D and engineering workforce to help our professional services teams complete important customer milestones and mitigate anticipated revenue declines as customer factories shut down. We closely monitored the evolving situations in each country and city in which we operate to ensure local actions matched employees' needs. Our IT team and investment in cloud-based applications and tools quickly enabled employees across 20 offices in 17 countries to work from home at the onset of the pandemic. We reduced expenses across the organization, including temporary salary reductions for named executive officers and other senior executives, preserving resources and funds to retain employees and ensure customer deliveries.

Beginning in May 2021, as some jurisdictions began lifting COVID-19 restrictions, we started to cautiously reopen offices and gave employees the option to return. We instituted social distancing protocols, increased cleaning and sanitizing, and took other actions to make offices safer for those that chose to return. Many employees chose to continue working remotely as they balanced the needs and commitments in their personal and professional lives.

Whether at home or back in the office, we created new ways to collaborate, embraced flexible work policies, and prioritized jobs, employee appreciation and wellbeing. Overall, despite all the change and upheaval that came with the pandemic, our employees rose to the challenges, adapted their ways, and remarkably maintained, and at times even enhanced, their productivity.



> Cerence had just become a standalone company when COVID-19 redefined "business as usual" around the world. Our employees' dedication and optimism guided us through these challenging times.

Our Strategy for Growth

Our principal offering is our software platform, which our customers use to build virtual assistants tailored to their specific brands and vehicles. We generate revenue primarily by selling software licenses and cloud-connected services, and secondarily from our professional services to OEMs and their suppliers during vehicle design, development and deployment. We also provide maintenance and enhancement projects.

More than **50%** of global auto production today includes Cerence technology.

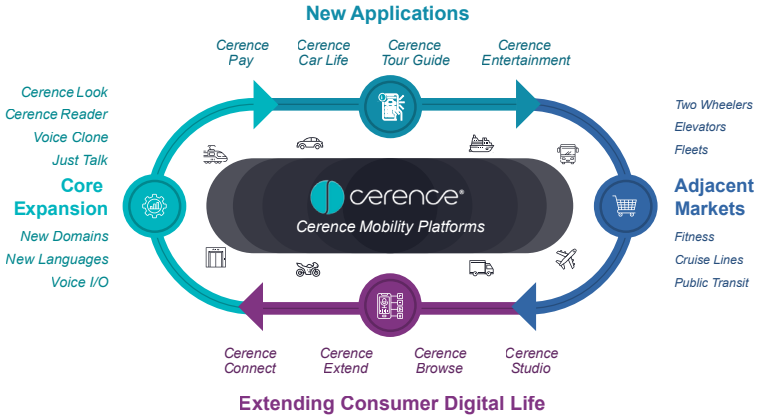
Our growth strategy is built upon four key tenets:

- Expanding our core technologies
- Developing new applications that leverage core strengths
- Entering into new, adjacent mobility markets
- Creating new offerings that extend consumers' digital lives into the car

Our Financial Performance

Our business is driven by the output and sales of the global automotive industry and the use of automobiles by consumers. The shut-downs and slow-downs that affected our customers' production volumes during 2020 affected us as well. Despite challenging economic conditions, we delivered results in Fiscal Year 2020 that met or exceeded pre-COVID-19 full-year guidance. We generated revenue of $331.0 million, an increase of 9.1% compared to the previous fiscal year.

Cerence Strategic Core Expansion



WE PRIORITIZE RELATIONSHIPS

Through our 20-plus years in the automotive industry, we have developed longstanding relationships with all major OEMs and premier Tier 1 suppliers. We've built a deep understanding of their design processes, product roadmaps, and global go-to-market strategies, using these insights to guide our product development. For example, such insights have helped us identify and advance technologies especially relevant for autonomous driving systems and connected vehicles.

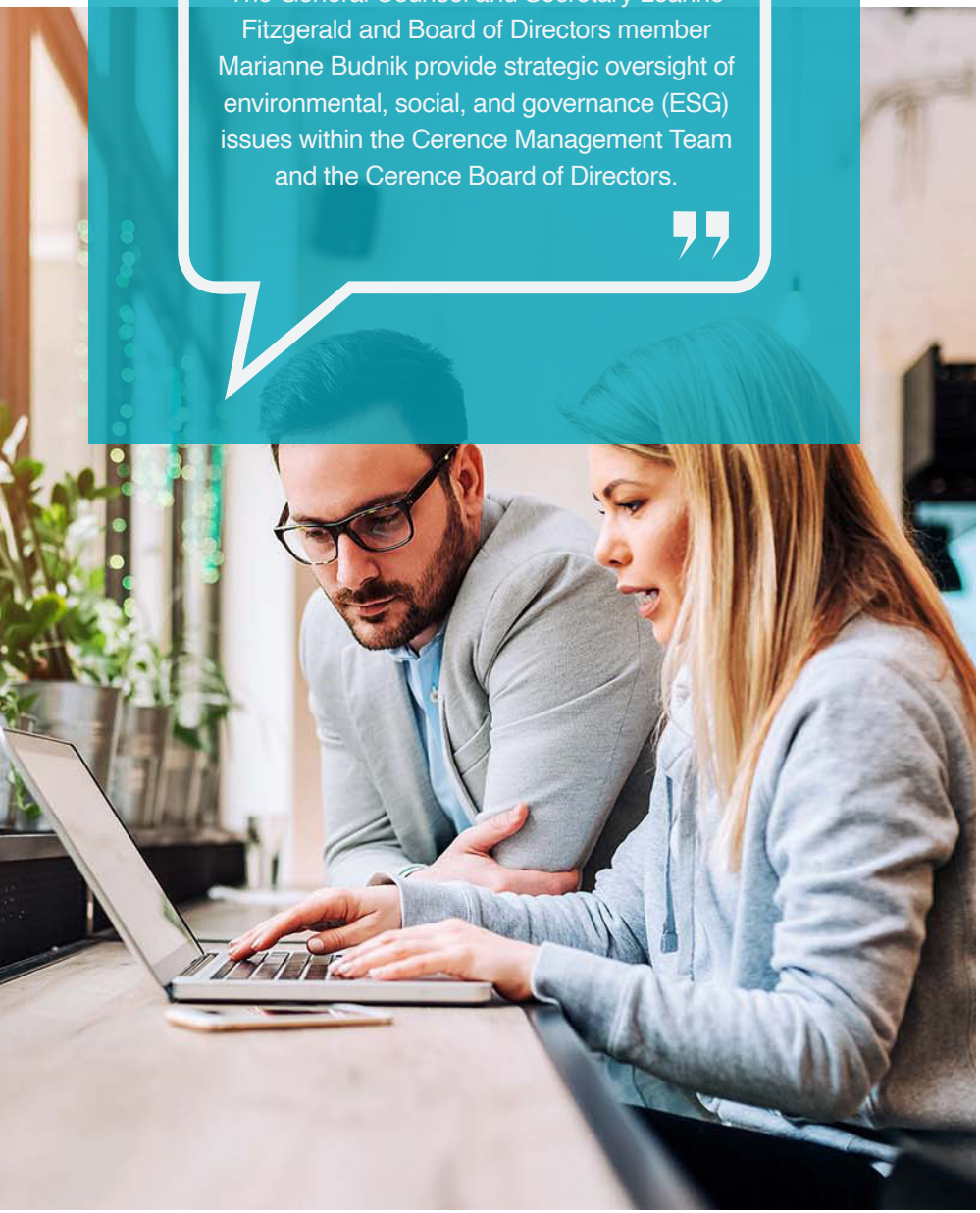
Our Corporate Governance

We prioritized having the right people, policies and procedures in place when we spun off as a standalone company. The **Cerence Management Team** represents diverse careers, cultures, educations and industries. Together, they lead our teams across the world with a unified strategy for growth and a company culture that empowers innovation, trust and integrity.

Our management team works closely with the **Cerence Board of Directors**. Our seven-person board is a diverse, experienced group that has played a significant role in shaping our business strategy and expanding our vision. Two former CEOs and three public company CFOs sit on our board; two board members are women, and three are people of color. The CEO and board chair roles are separate

70%

of our Board is either female or a person of color



> The General Counsel and Secretary Leanne Fitzgerald and Board of Directors member Marianne Budnik provide strategic oversight of environmental, social, and governance (ESG) issues within the Cerence Management Team and the Cerence Board of Directors.

Ethics in Motion

Every day we, as individuals and as a company, conduct ourselves and our business according to the **Cerence Code of Business Conduct** and Ethics, which outlines our expectations for ethical behavior, conflicts of interest, confidentiality, and compliance.

We encourage all employees to report known or suspected violations of the Code or of laws, rules, or regulations. The Code of Conduct formally prohibits any kind of retaliation against an employee who, in good faith, reports a suspected violation. Employees can report violations by contacting the Cerence General Counsel or the Audit Committee of the board of directors by phone or email. Employees can also report violations anonymously through our whistleblower hotline or by filing a report at ethicspoint.com. The General Counsel has primary authority and responsibility for enforcing the Code, with oversight from the Audit Committee.

In addition to our Code of Conduct, we hold all employees at every level of the company to the following policies: Global Anticorruption, Global Trade Compliance, Insider Trading and Related Party Transactions. These policies can be found on the Leadership and Governance page of our website.

We hold annual, formalized training on ethics and compliance. This training includes privacy and data security issues, and rotates through trade compliance, anticorruption, anticompetition and anti-insider trading issues. We continuously assess our training program and are currently adding specialized training concerning Intellectual Property protection and confidentiality.

Products and Innovation

Driven to Innovate

We are problem-solvers dedicated to making the mobility experience safe, comfortable productive, and convenient. To that end, we're constantly exploring new ideas, technologies and partnerships.

In our first years as a standalone company, with our industry-leading conversational AI as our foundation, we marched full-steam ahead toward our mission of creating an unprecedented, intuitive in-car co-pilot for current and future connected vehicles. From the most intelligent natural language understanding and the most natural text-to-speech to rich, multimodal (think gaze, gesture, handwriting, and more) interaction and proactive assistant engagement, we're constantly innovating to keep drivers safe – and keep our OEM customers at the forefront of the shift to more connected, autonomous, and electric cars. And we're not stopping there: we're simultaneously charting our path into other forms of mobility, from motorcycles to elevators.

The Timing is Right

The market for mobile cognitive assistance is rapidly expanding – and with it, consumer adoption. Smartphones and smart speakers have proliferated, and consumers are more likely than ever to rely on a virtual assistant within the vehicle.

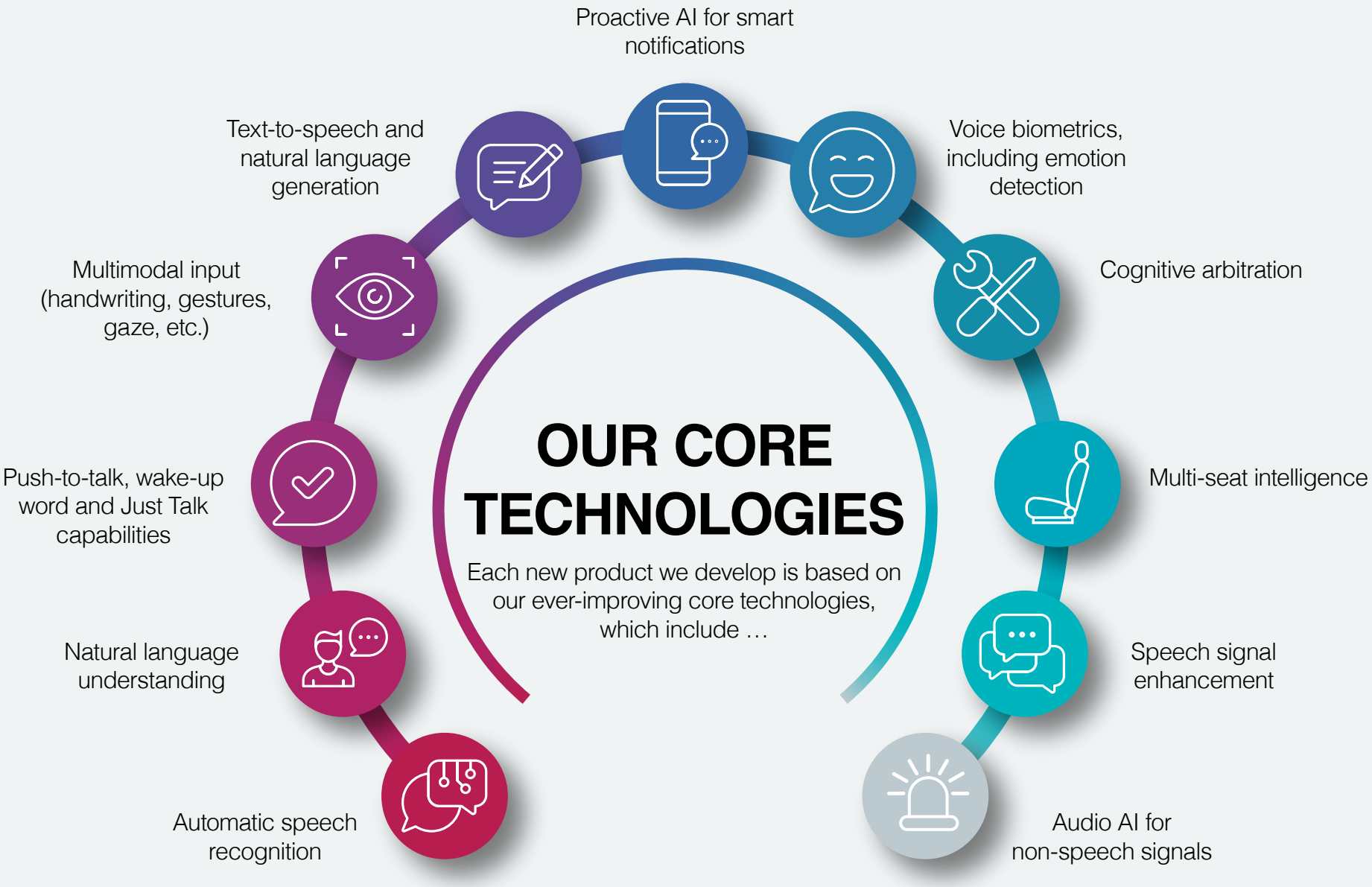
We empower automotive brands to build unique virtual assistants into their vehicles to meet these growing consumer desires. By using our white-labeled software platform, OEMs give their drivers more options for easy, satisfying interactions with their vehicles.

In-car virtual assistants built on our platform listen, understand, communicate, find information, and take action across an ever-expanding variety of use cases and capabilities. Controlling the air conditioner? Check. Looking for the perfect playlist? Of course. Ordering a latte from your favorite coffee shop on the way to work? Sure thing. Turning off the smart lights in the living room at home? Absolutely. Newer Cerence technologies and apps extend this experience even further to create a true co-pilot. experience, enabling drivers to pay for common on-the-road needs using only their voice, and even serving as a tour guide for drivers as they explore new areas.

"We're positioned to keep OEMs at the forefront of rapidly evolving user experiences. With autonomous vehicles on the horizon, new opportunities for in-vehicle interaction will continue to expand. **We're ready.**"

OUR CORE TECHNOLOGIES

Each new product we develop is based on our ever-improving core technologies, which include …



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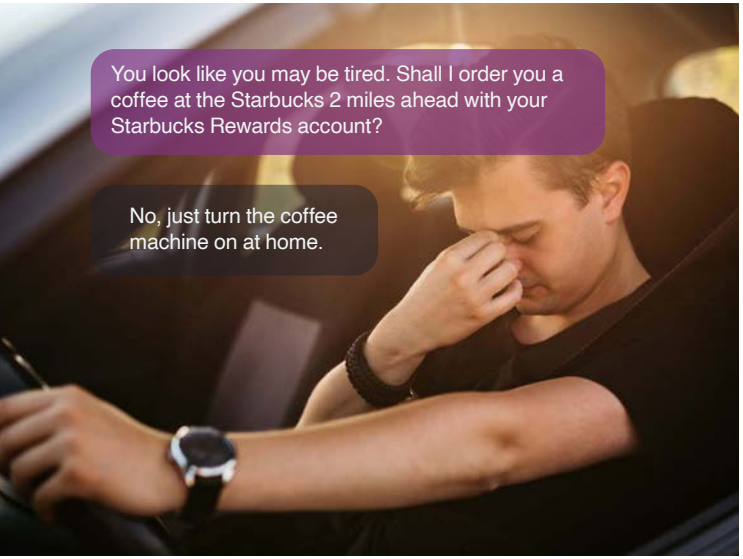

What Makes Our Solutions Unique

We enable a seamless extension of the end user's digital life into the vehicle through state-of-the-art technology.

Our industry-leading conversational AI and multimodal capabilities humanize interactions with a virtual assistant. Talking to the assistant becomes much like talking to a friend – comfortable, intuitive, and natural.

We boost speed, performance, flexibility and data security by using a hybrid system architecture: our platform is part "edge" software embedded inside the vehicle's head unit, and part cloud-based solution.

Our platform is equally compatible with leading third-party virtual assistants that consumers are already using in other realms of their lives, such as Alexa, Siri and Google. Through a technology called cognitive arbitration, our platform connects end users with the right third-party assistant at the right times, without sacrificing our customers' brands.

Our Multidisciplinary Approach

Our customers' complex challenges cannot be solved in silos or vacuums. Around the world, approximately 900 research and development professionals develop our software and provide customers with local engineering and design capabilities.

We take a multidisciplinary approach to our solutions with cross-functional teams that encompass product management, R&D, the Cerence DRIVE (Design, Research, Innovation and In-Vehicle Experience) Lab, Engineering, and Professional Services.

This thoughtful approach to innovation brings together many different Cerence professionals who will view the same product development project through many different lenses.

The team is comprised in part by product designers and professional services who view features, functions and purpose through the eyes of our customers and their end users. Working alongside them are engineers and developers, who determine what is achievable and how to get there with our technology. Managers and senior leaders shepherd the team's ideas through the refinement process until they become products ready for market.

This thorough system of collaboration and constant communication solves more problems in more ways for our customers. The result: **responsible momentum.**

We focus on performance for everything we do — for ourselves and our products. To help us continually improve, we adhere to **ISO 9001:2015** standards for quality management systems.

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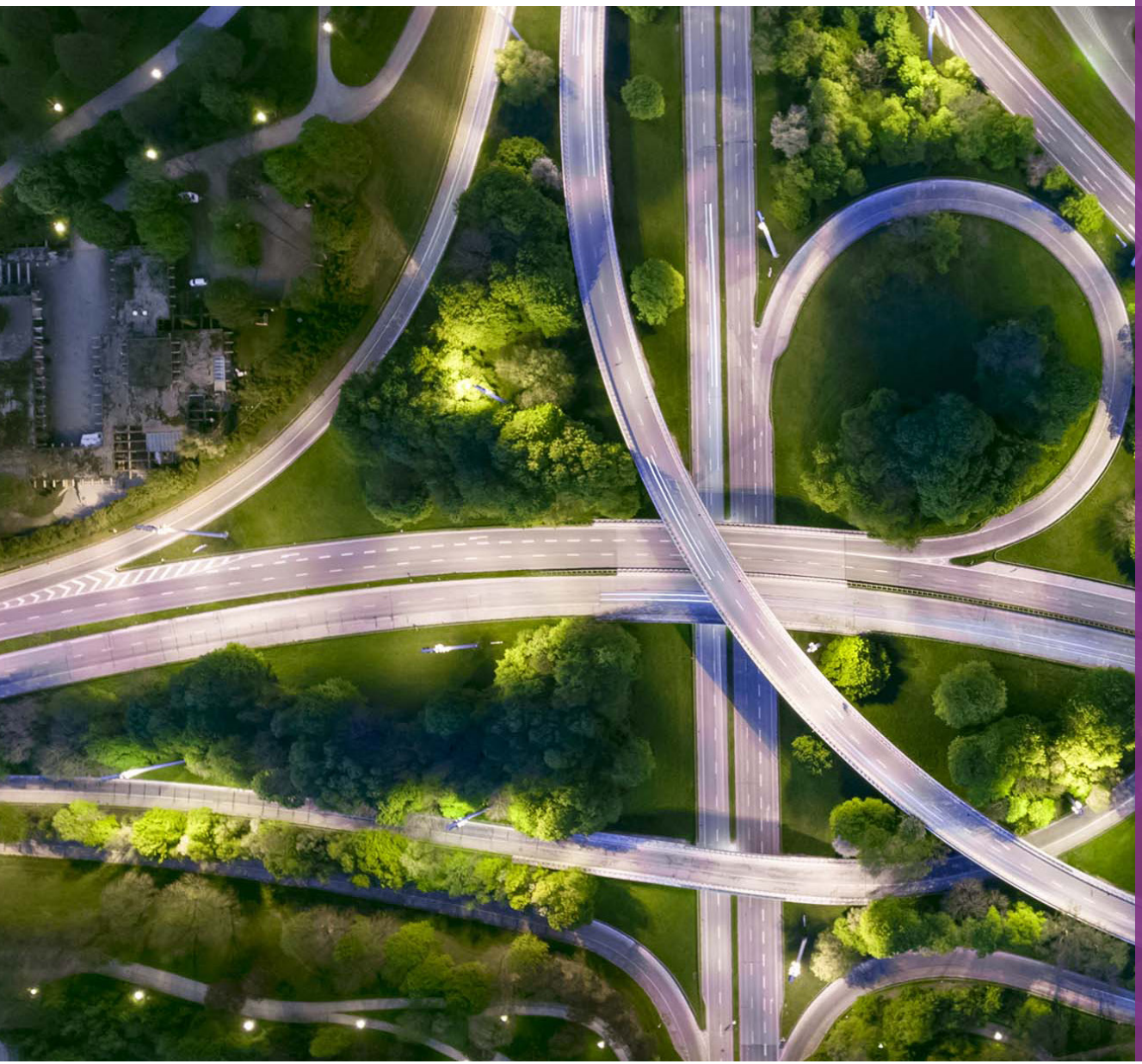

Momentum from Start to Finish in 2021

While the past two years brought disruptive change around the world, they also forced new thinking and brought forth agile innovation and accelerated business development. Our rapid new product launches marked significant milestones for our stated growth strategy and paved the way for innovation in connected transportation and mobility.

By the end of 2021, we had launched 21 new products based on our core technology and enhancements to our core platform known as Cerence Drive 2.0. From products that bring drivers' digital lives into the car like Cerence Extend, Cerence Connect, and Cerence Browse, to new apps and capabilities like Cerence Car Life, Cerence Pay, and Cerence Tour Guide, to leading-edge AI technologies like Cerence Reader, Cerence Look, and Cerence Emergency Vehicle Detection, we've transformed the traditionally understood role of the automotive assistant and taken one step closer to a true in-car copilot. What's more, we've made it even easier for automakers and OEMs across mobility to custom-build exciting, unique experiences through offerings like customizable wake-up word, Cerence Cognitive Arbitrator, Cerence Studio and our Cerence Mobility Platforms: Automotive, 2-Wheeler, and Elevators.

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CELEBRATING OUR PARTNERSHIPS

Throughout the year, our customers introduced exciting new systems and platforms that will transform the in-car experience — amazing accomplishments during a global pandemic. **We are proud to have played a role.**

Audi's next-generation connected navigation and infotainment system uses our platform's capabilities to create a truly conversational automotive assistant that listens, understands and responds to drivers. It can ask questions, offer options and navigate multi-step commands. It delivers information in a uniquely expressive style for a more personalized in-car experience.

FCA unveiled its all-new Uconnect 5 global platform, which is powered by our voice recognition technology. Uconnect 5 features natural language understanding that enables users to speak in an everyday, conversational style. This virtual assistant can be accessed through a wake-up word that corresponds to the specific FCA brand, such as "Hey, Jeep."

Ford Motor Company partnered with us to create a conversational, safe and productive experience for drivers through Ford SYNC 4. With enhanced AI-powered technologies and connected services, SYNC 4 is faster, easier and simpler than ever to use, and can now understand requests spoken in everyday language, like "Find me the best Thai restaurant."

Hyundai Motor Company selected Cerence Drive to power Dynamic Voice Recognition in the IONIQ 5, the first model in the automaker's new brand of battery electric vehicles (BEV). Easily activated using the push-to-talk button on the steering wheel, the voice-powered assistant in IONIQ 5 enables drivers to control everything related to their comfort and convenience.

Wuling selected Cerence to power the intelligent, interactive experience in the Almaz RS, its first overseas model with Global Silver Logo built for Indonesian drivers. WIND, the advanced Indonesian-language automotive voice control system, marks a significant milestone as Cerence supports Wuling's journey of globalization with optimized recognition of Indonesian language, as well as additional voice-powered features and functionalities.

Mercedes-Benz debuted its second-generation MBUX (Mercedes-Benz User Experience) in new S-Class vehicles. This generation boasts enhanced personalization and security that leverages our voice biometrics. This enables quick, easy access to personalized settings. Our platform also enables deeper integration with smart home technology and features a new smart car manual.

Volkswagen brought Cerence into the development process for its new, fully electric ID.3. The ID.3 in-car assistant delivers voice-powered control for key in-car functions, including media, navigation, climate control, phone calls and messaging. Cerence technologies power the assistant in recognizing speech, responding conversationally, and interacting with passengers through unique lighting cues.

Visteon announced that Cerence's conversational AI will be integrated in Visteon's recent SmartCore™ product award with a leading motorcycle manufacturer. The product will include core Cerence® technologies, including AI-powered voice recognition, natural language understanding, and text-to-speech – all with global language support – alongside Visteon's Android-based SmartCore™ technology platform: the integrated domain controller powering the instrument cluster, infotainment, telematics, and display.

SiriusXM and Cerence entered into an agreement to enhance voice-powered entertainment experiences for automakers and their drivers. Together, the two companies will enhance and enrich the driver experience by offering natural, conversational access to SiriusXM, the popular audio entertainment service in the car that offers hundreds of channels of curated, ad-free music, plus sports, news, entertainment, comedy and more.

Pioneer and Cerence entered a strategic partnership to develop conversational AI infotainment solutions. The intent of the agreement is to combine the leading-edge technologies of Pioneer, which provides in-car equipment and mobility services, and Cerence, which provides conversational AI to mobility OEMs and automakers, to utilize the companies' respective knowledge and technologies to accelerate innovation and develop products and services that enhance mobility experiences for drivers and passengers globally.

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Managing Risk

Managing Risk

Addressing Risk Head-On

Our business operations and the solutions we create for customers are predominantly virtual. The confidentiality and security of our information, and that of our customers and their customers, is critical to our success. The brands we partner with, and their customers, rely on our state-of-the-art technology to provide an experience that is both intelligent and secure. We are deeply aware that any cybersecurity or data privacy incidents could materially impact those experiences and the trust in our business.

That's why we carefully, proactively manage systemic risk from technology disruptions through multiple layers of leadership. Our Chief Information Officer, Chief Information Security Officer, General Counsel, Principal Privacy Manager, and global infrastructure engineering team all play important roles. Across our company, we maintain a broad array of information security and privacy measures, policies and practices, and continuously enhance our tactics to defend against cybercrime, all while maintaining an innovative, intuitive user experience.

Focused on Good Data Stewardship

Our vision to enable safer, more enjoyable experiences includes protecting end users' personal information. We use the personal data processed in our products solely to deliver and improve our technology; we never sell it, which would detract from end users' experience with and trust in our solutions.

At all levels of the company, we are committed to data privacy and security. Our board of directors has visibility into our data security and management and receives regular briefings, while all employees receive regular training.

We follow international best practices for managing personal data, proprietary customer information, and our unique intellectual property.

Our products, solutions and daily practices meet **GDPR standards**. We have experienced no data breaches in this compliance.

We closely consider government regulations on a global basis. In addition to GDPR, we monitor relevant laws and guidelines. For example, China has had its own cybersecurity framework since 2017 and has recently enacted new data security and management laws. Separately, we have a dedicated data hosting team working in collaboration with their colleagues to ensure that we are meeting our customers' needs and complying with all applicable laws and regulations in that market.

Cerence is certified to **ISO 27001 standards** for information security management. We have also been certified to TASC Management's IT governance framework.

PROACTIVELY TACKLING DATA SECURITY

Data privacy will only become more important as vehicles become more closely integrated with other aspects of life — from online payments to home security systems to personal entertainment. A secure, trusted experience is mission critical for mobility AI innovations to be adopted around the globe. At Cerence, we know we cannot be content with our current measures. This is truly an area where we must improve continuously.

Our commitment to data privacy and security is present at every phase of our work. We talk about data privacy and security with every customer at the start of every new contract. Our Chief Information Security Officer works closely with our R&D teams to identify and address potential data security risks. Our Legal Team, including our Principal Privacy Manager, liaises with R&D as well as sales to ensure data privacy compliance. Together, we ensure that Cerence solutions are fully secure, GDPR compliant, and ready to delight end users.

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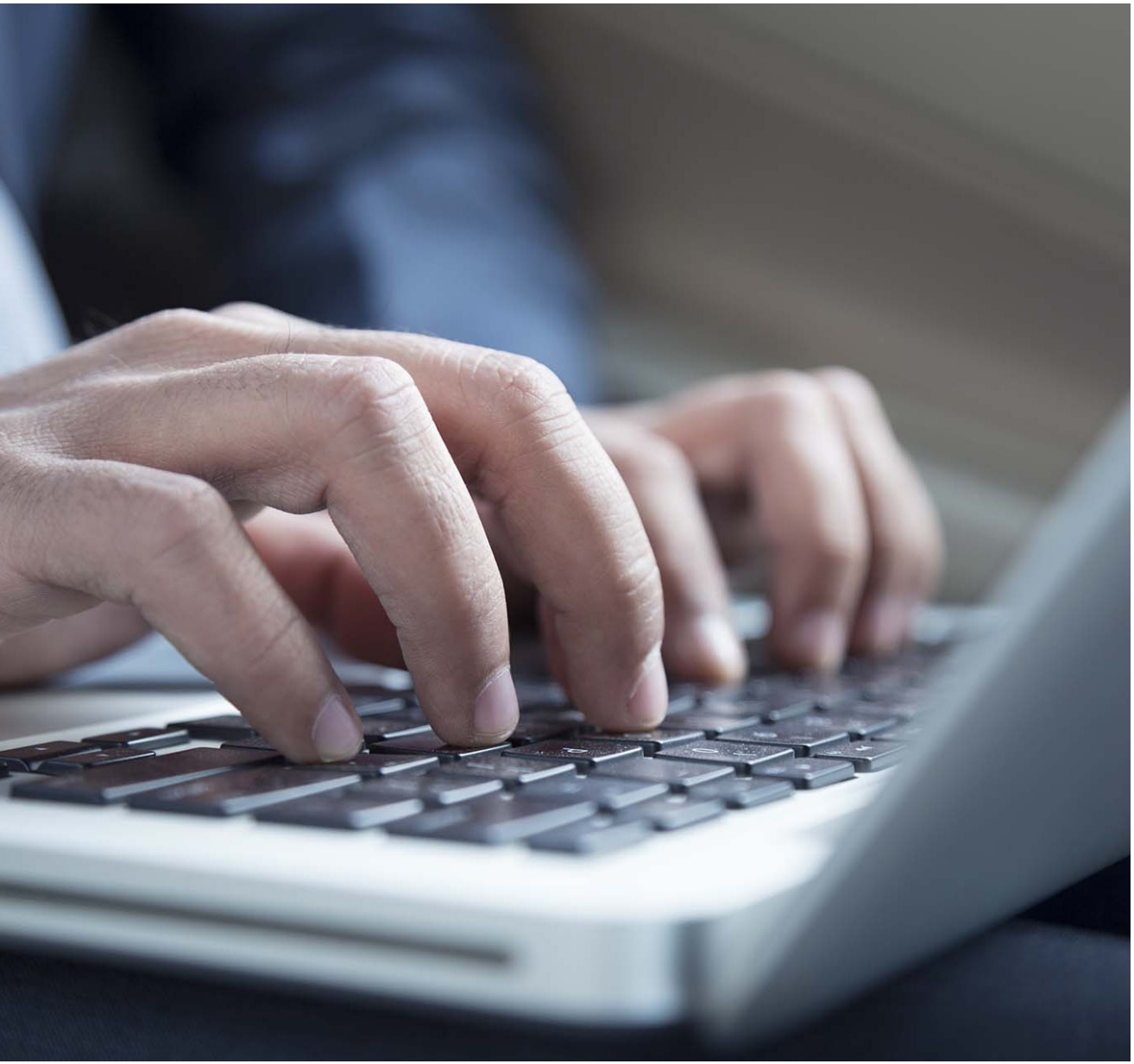

Diversifying our Data Centers

We move fast as a company. Our internal systems and customer-facing solutions rely on uninterrupted service from data hosts. Without steady access, our services to customers would be disrupted, potentially damaging existing relationships and our credibility.

To mitigate the risk of connectivity or hosting disruptions, we use multiple data centers and cloud hosting to provide the compute power for our products. We split the data between onsite server rooms and two third-party data centers located on opposite coasts of the United States. The information our customers use is hosted in third-party public clouds that we directly manage. We use best-in-class third-party cloud providers on a global basis.

This flexible, hybrid and global approach aligns our service and support strategy with customer requirements, both from a local regulatory perspective and for speed of delivery needs. We take advantage of the array of technologies available to position us to succeed. Our product systems are designed to seamlessly shift data and compute resources between the cloud and computer systems that are onboard vehicles, depending on what data is stored locally and what is stored remotely.

Planning ahead, we anticipate that sustainability will be an increasingly important factor in our system architecture. This could include considering the requirements of any given computational workload and siting that compute demand in locations that offer the best economic advantages, use the least resources, and offer networking and connectivity efficiencies.

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Our Team

Connecting Our Employees

Responsible momentum is about more than company growth. We make sure our employees have what they need to grow personally and professionally.

We empower connection — not only for drivers and passengers, but for our employees. We create new ways to connect our hard-working, dedicated team members with opportunities to stretch themselves, express themselves and receive the recognition they are due.

Coming Together, Virtually

As a technology company whose business is predominantly virtual and distributed, we were uniquely prepared to shift to a remote work environment during the COVID-19 pandemic. But being digitally well-connected, we knew, would not take the place of the organic interactions that happen in a physical workspace. We needed to create new ways to bring people together and support them on their personal journeys during an unprecedented year.

Demonstrating Our Appreciation

To show our employees that out of sight did not mean out of mind, we initiated new ways to recognize their many talents and celebrate their hard work. Employees can now earn quarterly recognition from the CEO, and they can publicly give recognition to each other through our internal social media channel.

These new programs culminated with Employee Appreciation Week events and our inaugural CEO Awards in December 2020, where employees worldwide flooded our social media feeds with appreciation for their peers. These awards were created to honor those who truly embody the Cerence guiding principles and go above and beyond in their performance.

Working Toward Wellness, Together

Appropriately, our Global Wellbeing Week occurred near the start of the pandemic with an Olympic theme. It provided a refreshing dose of fun while preparing us to think seriously about how to care for ourselves and encourage each other during a season of isolation.

The success of the Global Wellbeing week inspired us to create a longer, four-week “Step It Up” challenge at the start of 2021. In this evolution of our initial Global Wellbeing Week, employees tracked all their activity, traveling a collective 63,789 miles!

OUR GUIDING PRINCIPLES

Customer & employee focus

Transparency, trust & mutual respect

Innovation / speed / cost & security focus

Measure what matters

Performance & merit driven culture

Blitzscaling

Attracting and Growing Talent

During our fiscal year 2020, we have a voluntary/involuntary turnover rate just above 17%, which was not surprising given market conditions in the wake of COVID-19. We expect to see improvements on turnover as we build our company culture and refine our recruiting, onboarding, and talent management processes.

Training Opportunities

We know professional development is personal, so we provide a variety of paths for employee learning and development.

As a primary resource, we use the tech-focused O'Reilly online learning platform. It puts seminars, classes, program demonstrations, and myriad technical content at our employees' fingertips.

We provide learning and development opportunities for all our employees with an emphasis on developing managers. Using a combination of live sessions and self-paced eLearning courses, employees are trained on topics from business processes to leadership and soft skills.

In addition to professional development training, all employees receive mandatory, annual training on ethics and compliance issues, including privacy and data security.

In 2020, we encouraged informal, virtual mentoring partnerships. Established employees paired up with new team members to help them adjust quickly and feel included from the start.

IN 2021

THE FOLLOWING CONTENT WAS OFFERED AND CURATED BY OUR TALENT AND ORGANIZATIONAL DEVELOPMENT TEAM.

Manager Only

- Reality-based Leadership
- Inclusive Leadership
- Coaching for Performance & Development
- Performance Conversations
- Completing Compensation Recommendations
- Manager's Guide to Compensation eLearning
- Monthly Manager Townhalls

All Employees

- Meeting Facilitation Skills
- Building Your Personal Brand
- Rules of the Workplace
- Understanding Objectives & Key Results
- Safe Zone Training
- Completing Your Performance Review
- Intellectual Property eLearning
- Compensation eLearning
- Information Security Week
- Development Team Onboarding Training

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Honing performance

We are a performance- and metrics-driven company. We reflect this through quarterly check-ins between employees and their managers to discuss their goals and performance. Managers, in turn, check in with their superiors. All non-executive management employees receive annual reviews.

For succession planning, we use tools such as the nine-box grid to identify high-performing, high-potential employees. By focusing on director-level employees and above, we provide the right development opportunities for employees across our organization and cultivate the next wave of Cerence leaders.

MEASURING EMPLOYEE ENGAGEMENT AND SATISFACTION

In 2021, we completed our first company-wide engagement survey. Based on the results, we developed, communicated and implemented action plans to improve overall employee satisfaction (ESAT) scores.

We intend to conduct this survey on an annual basis to track our progress and make further adjustments.

Progressing in Diversity

Cerence is truly a global company, with just 10% of our employees based in the United States and the remainder in epicenters in Europe, Japan, China, India and Canada. While diversity looks different in each of the 17 countries in which we operate, we are driven by the same belief: the greater the variety of perspectives in our company, the greater our ability to innovate and serve customers. When employees feel included, appreciated and necessary, our entire company is stronger.

With this in mind, we formally include diversity and inclusion in our Quarterly Business Reviews and board meetings. We used 2020 to examine our diversity and inclusion policies and outreach globally, with a focus on gender diversity.

We face an issue common to many tech companies: how do we attract and retain more women? We began by targeting high-potential employee candidates, testing out new ways of describing the company and job roles to appeal to different genders. Internally, we put a greater spotlight on our female leaders, sponsoring presentations in which they spoke about their paths to leadership positions and encouraged female professionals in their own journeys.

Voices in AI

We are making connected mobility more inclusive and accessible, investing in meeting the needs of our diverse, unique global community. Our products and systems understand 70 languages – and even accented languages. Plus we've developed hundreds of both female and male voices to speak these languages.

As of 2020, we also offer a feature that allows application developers and end users to control the timbre of the AI voice. When set in the middle, the voice sounds between female and male, or uniquely "genderless." The feature enables our customers to consider alternatives to the traditional choices of male and female voices for their virtual assistants.

Coming Together in Affinity Groups

In 2020, we also established three employee-led affinity groups that engage and support our people around specific topics. Each group has an executive sponsor.

The **Women in Tech** group, sponsored by Chief Information Officer Bridget Collins, is creating space for women in our organization to network, share insights and help our company as a whole better understand their experiences. The **Diversity & Inclusion** affinity group, sponsored by General Counsel Leanne Fitzgerald, welcomes employees with a passion for building diversity at Cerence; the group hosts educational and celebratory events around issues like gender, sexual orientation and race/ethnicity. In the **Parents at Work** group, sponsored by Chief Marketing and Communications Officer Richard Mack, employees support each other and share resources for particular challenges they face — including remote schooling for many parents in 2020.

Understanding Allyship with the LGBTQ+ Community

In addition to focusing on women in technology, we are intentionally creating a company culture where people of all genders and sexual orientations can safely, freely express themselves. We provide Safe Zone training for our employees; through this, employees become more familiar with inclusive practices and more aware of common assumptions. The trainings help us come together in meaningful ways to affirm our LGBTQ+ community members.

During Pride Month, Cerence offered a storyteller event where an individual from the LGBTQ+ community shared their story about growing up gay. Also, during the month, various blog posts were shared about the queer experience.

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VISUALIZING OUR TEAM

Category	# of Employees
General & Administrative	170
Hosted Operations	40
Marketing & Sales	120
Professional Services	551
R&D	901
Grand Total	**1,782**

Global gender diversity in 2021	
Company Level	% Women
Executive Management	15.38%
Non-Executive Management	17.6%
Professionals	28.06%
Overall	26.36%
U.S. diversity in 2021	
Executive Management	30.77%
Non-Executive Management	25.71%
Professionals	34.62%
Overall	32.24%

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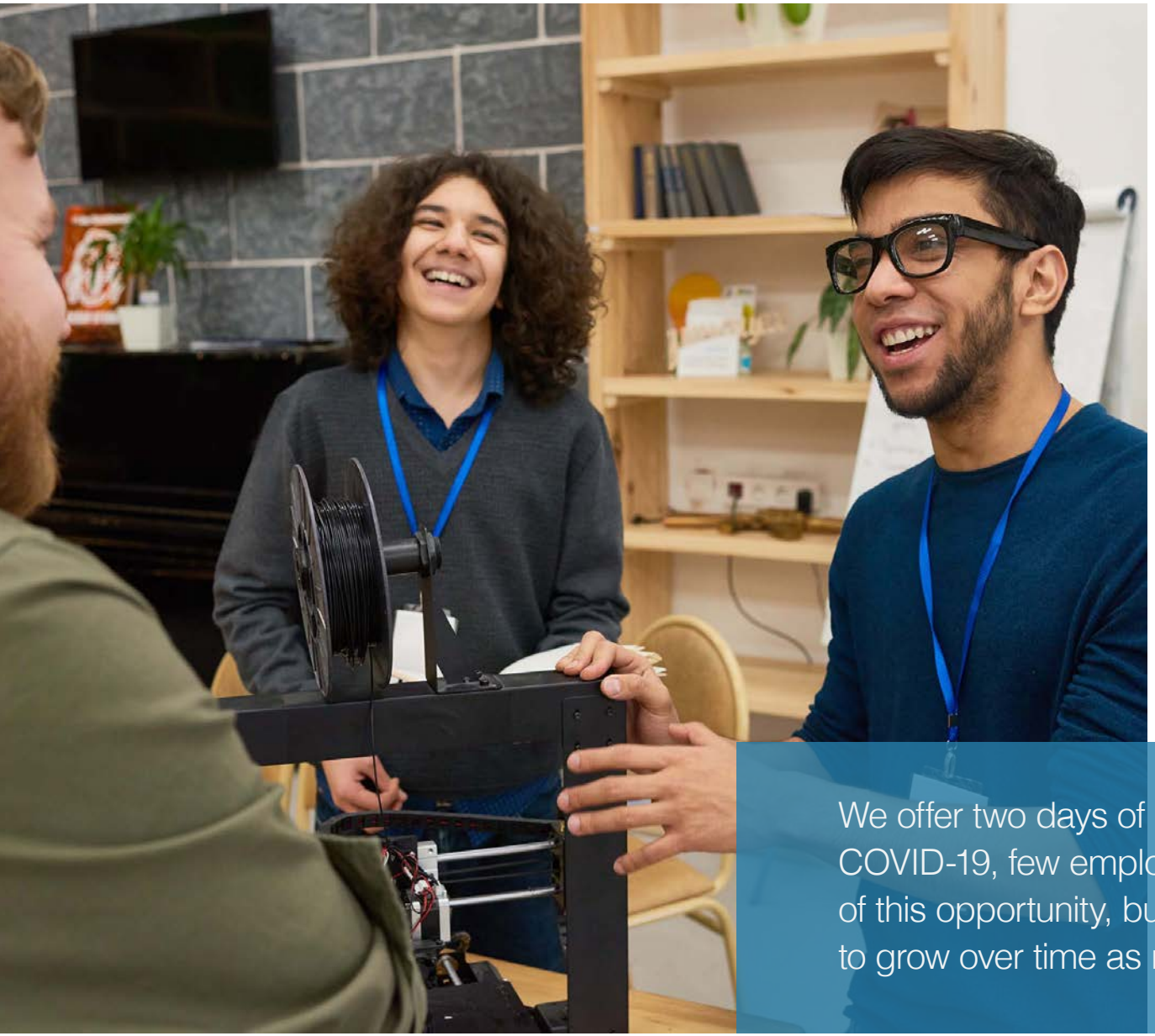
Community Engagement



Connecting With Our Communities

Responsible momentum brings us closer to our communities, and as a global company operating in 17 countries, we have many. Our engagement looks different in each one, but in every location, we share a focus on equipping the next generation of mobility industry professionals — and helping remove obstacles that stand in the way of a more diverse workforce.

Advancing STEM Learning, Equitably

The **SAE Foundation** advances STEM (science, technology, engineering and math) education in ways that break down widespread barriers including gender, ethnicity and socioeconomic status.

It is more important than ever to support all students through hands-on, project-based STEM learning. STEM education provides a wealth of possibilities for students' professional and financial futures. Building a strong, diverse STEM workforce today is also vital to our own future as a company. We are proud to support the SAE Foundation through annual charitable gifts and by providing our employees with opportunities to mentor students participating in SAE programs.

We offer two days of paid volunteer time off per year. Due to COVID-19, few employees around the world took advantage of this opportunity, but we expect the adoption of this benefit to grow over time as restrictions ease.

Our Footprint

Growth Without Compromise

As a software company, we do not produce the impacts associated with manufacturing hardware. But we don't stop with this environmental benefit of how our company operates: we utilize strategies that minimize our environmental impact and maximize our ability to solve the complex challenges of today's mobility industry.

Data Storage Decisions

As an example, we balance many factors when we choose data servers, including environmental performance. At our inception as an independent company, we took energy use and sources into consideration when deciding which physical data centers would host our information.

We expect environmental sustainability to become increasingly important in our system architecture. This could include choosing data center locations that use the least resources and creating a management framework to ensure we use the most efficient technology and the optimum, right-sized infrastructure.

As part of our risk management strategy, we continue to use two third-party data centers and onsite server rooms. However, we choose to use the cloud as much as possible in order to greatly improve the energy efficiency and greenhouse gas emissions related to our operations. This contributes to more sustainable solutions within customers' supply chains.

Research studies over the last decade have charted the environmental benefits of shifting onsite data servers to cloud computing since cloud computing scales infrastructure, operational and equipment efficiency. When cloud hosts like Microsoft, Amazon or Google are using renewable energy, this decreases associated greenhouse gas emissions even further.

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TECHNOLOGY HAS POTENTIAL

Transportation causes a significant portion of the world's greenhouse gas emissions, and as such, the automotive industry plays a critical role in the global fight against climate change. Automotive companies are rapidly transitioning from internal combustion engines (ICE) to hybrid and battery electric vehicles (EVs). We are fully dedicated to directly supporting this transition by creating intuitive and safe experiences for drivers and supporting OEMs' mission of creating enjoyable EV experiences.

Avoiding Material Waste

Within our facilities, we recycle our IT assets to further reduce waste. We contract e-waste vendors to responsibly dispose of computer equipment that we no longer use.

We also donate IT assets to be reused; for instance, two of our locations recently re-homed computer equipment in local schools, while two other locations donated assets to local charities.

When we create new applications for our core technologies, neither OEMs nor end users need to buy new physical equipment. They can receive updates and new applications on existing vehicle hardware.

Mapping Our Impact

In 2020, we consumed approximately 5,600 megawatt-hours (MWh) of energy and produced approximately 1,200 metric tons of carbon dioxide equivalent (MTCO2e*) of corresponding greenhouse gas emissions.

*Note: Company-wide energy consumption and total Scope 1 and 2 emissions have been estimated using energy use intensity and carbon emissions intensity benchmark data for office spaces globally.

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SASB Index

Topic	Accounting Metric	Information/Location in Report
Environmental Footprint of Hardware Infrastructure	TC-SI-130a.1: (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable TC-SI-130a.2: (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress TC-SI-130a.3: Discussion of the integration of environmental considerations into strategic planning for data center needs	Total energy consumed: approximately 5,600 MWh
Data Privacy & Freedom of Expression	TC-SI-220a.1: Description of policies and practices relating to behavioral advertising and user privacy	At every level of the company, we are committed to data privacy and security. Our board of directors has visibility into our data management and receives regular briefings, while all employees receive training in data security. We follow international best practices for managing personal data, proprietary information entrusted to us by our customers, and our unique intellectual property.
	TC-SI-220a.2: Number of users whose information is used for secondary purposes	Cerence uses personal data solely to improve our technology; we never sell it or use it for secondary purposes.
	TC-SI-220a.3: Total amount of monetary losses as a result of legal proceedings associated with user privacy	In 2020, there were no instances of legal proceedings associated with user privacy.
	TC-SI-220a.4: (1) Number of law enforcement requests for user information, (2) number of users whose information was requested, (3) percentage resulting in disclosure	In 2020, there were no law enforcement requests for user information.
	TC-SI-220a.5: List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring	

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Topic	Accounting Metric	Information/Location in Report
Data Security	TC-SI-230a.1: (1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected	There were no instances of data breaches in 2020.
	TC-SI-230a.2: Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	Across our company, we maintain a broad array of information security and privacy measures, policies and practices, and continuously enhance our tactics to defend against cybercrime. Cerence is certified to ISO 27001 standards for information security management. Our data privacy and security policies meet GDPR standards.
Recruiting & Managing a Global, Diverse & Skilled Workforce	TC-SI-330a.1: Percentage of employees that are (1) foreign nationals and (2) located offshore	Cerence has approximately 79 employees defined as foreign nationals who have work visas in the country which he/she is employed.
	TC-SI-330a.2: Employee engagement as a percentage	In 2020, we undertook our first company-wide engagement survey. Based on the results, we have developed, communicated and rolled out action plans to improve our employee satisfaction (ESAT) scores. Going forward, we will roll out this survey on an annual basis to track our progress and will consider disclosing aspects of this progress in future reports.
	TC-SI-330a.3: Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	See table “Visualizing Our Team” page 23.

Topic	Accounting Metric	Information/Location in Report
Intellectual Property Protection & Competitive Behavior	TC-SI-520a.1: Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	In 2020, there were no instances of legal proceedings associated with anticompetitive behavior regulations.
Managing Systemic Risks from Technology Disruptions	TC-SI-550a.2: Description of business continuity risks related to disruptions of operations	We track performance issues and service disruptions, which we collectively refer to as “incidents,” and assign each incident a level of severity.

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Learn more about our responsible momentum at cerence.com

Worldwide Headquarters: 1 Burlington Woods, Suite 301A,
Burlington MA 01803 USA

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