

7 Other Disclosures, Remuneration Report

7.1 Report on Corporate Management and Corporate Governance Declaration

Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG)

In accordance with § 161 of the German Stock Corporation Act (AktG), the executive board and supervisory board of Nemetschek SE declare that the recommendations of the “Government Commission of the German Corporate Governance Code,” version dated February 7, 2017, with the resolutions resulting from the plenary session of February 7, 2017, published in the official part of the Federal Gazette on April 24, 2017, (hereinafter “Code”), have been and are being met with the following exceptions:

- » The D&O insurance does not include excess insurance for supervisory board members (Code Item 3.8 Clause 3). Nemetschek SE does not believe that excess insurance would increase the motivation and sense of responsibility of the members of the supervisory board.
- » For the specification of executive board remuneration, the supervisory board made no vertical comparison of remuneration at the level of Nemetschek SE, as recommended by Code Item 4.2.2 Clause 2. As a holding company, Nemetschek SE does not offer any appropriate standards of comparison for either upper management circles or staff as a whole. Nevertheless, the supervisory board – as in the past – used the remunerations of the heads of the most important product organizations as a standard of comparison on which to base its remuneration decisions.
- » The variable short-term incentive plan does stipulate upper limits, which however are not always expressed as a fixed amount but as a percentage of a fixed amount. Ultimately, the executive board employment contracts do not stipulate upper limits in terms of amount for the total remuneration (Code Item 4.2.3 Clause 2). Nemetschek SE is not of the opinion that this is required in the case of the existing remuneration system. If the amount of variable incentive plans is limited, this also applies for the total remuneration to be achieved.
- » Neither an age limit for members of the executive board and the supervisory board nor a defined limit for the duration of the term of office on the supervisory board have been specified explicitly and are not currently planned (Code Items 5.1.2 Clause 2 and 5.4.1 Clause 2). Such an age limit or defined limit for the duration of the term of office on the supervisory board would generally restrict the company in its selection of suitable members of the executive board and the supervisory

board. With regard to the composition of the executive board, supervisory board and further management circles, the individual’s experience, skills and knowledge are of primary importance to the company (Code Items 4.1.5, 5.1.2 Clause 1 and 5.4.1 Clause 2). In contrast, the supervisory board and, with reference to Code Item 4.1.5, the executive board regard diversity criteria as less important, even if these are expressly welcomed.

- » The Code’s recommendation on the creation of qualified committees of the supervisory board is not followed (Code Item 5.3) as the supervisory board only has four members at present. The tasks for which the Code recommends the formation of such committees are all performed by the supervisory board of Nemetschek SE.

The declaration of compliance in accordance with section 161 of the German Stock Corporation Act is published on the website www.nemetschek.com.

Corporate governance practices going beyond the legal requirements

Nemetschek’s aim is to be perceived worldwide as a responsible company with high ethical and legal standards.

The Nemetschek Group’s unique corporate culture forms the basis for its actions. This is reflected in the fair and respectful treatment of employees and third parties and is characterized by motivation, open communication, reliability, trustworthiness and the conservation of natural resources.

These principles are summarized in the Nemetschek Group’s Code of Conduct. The Code of Conduct is binding for all employees, regardless of their function or position in the Group. Only by continually reflecting on these values and integrating them into daily activities can the Group show a clear commitment to its corporate culture and ensure its long-term business success. The Code of Conduct is available on the company website. For further information on this issue, see the non-financial statement in chapter 2.

For information on corporate management and governance, please also refer to Section 1.3 in the combined management report of Nemetschek SE and the Group.

Working practices of the Executive Board and the Supervi- sory Board

The composition of the Executive Board and Supervisory Board can be found on the website. The Executive Board has not formed any committees. The working practices of the Executive Board are regulated in the Rules of Procedure for the Executive Board. The allocation of responsibilities within the Executive Board is set out in a schedule of responsibilities.

The composition of the Supervisory Board is regulated in the Articles of Incorporation, which are published on the website of Nemetschek SE. The Supervisory Board currently consists of four members and has not formed any committees at present. The working practices of the Supervisory Board are regulated in the Rules of Procedure.

With regard to the working practices of the Executive Board and the Supervisory Board, please refer to the corporate governance report in the annual report and to the report of the Supervisory Board.

Target for the proportion of women, Section 76 (4), Section 111 (5) of the AktG

In accordance with Section 111 (5) of the AktG, the Supervisory Board must regularly set targets for the proportion of women on the Supervisory Board and Executive Board. Pursuant to Section 76 (4) of the AktG, the Executive Board must set a target for the proportion of women at management levels lower than the Executive Board.

By resolution of March 20, 2019, the Supervisory Board set a target figure of at least 0% for the Supervisory Board and Executive Board for the period until December 31, 2021 as the composition of the Supervisory Board and Executive Board of the Company primarily depends on the experience, skills and knowledge of the individual.

Nevertheless, in the event of vacancies on the Supervisory Board or Executive Board, the Supervisory Board will of course also take women into consideration when looking for candidates.

By resolution of March 20, 2019, the Executive Board set a target of at least 25% for the first management level for the period until December 31, 2021.

7.2 Explanatory Report of the Executive Board on Disclosures Pursuant to Sections 289a and 315a of the HGB

(1) Composition of subscribed capital

As of December 31, 2019, the share capital of Nemetschek SE amounts to EUR 115,500,000.00 and is divided into 115,500,000 no-par bearer shares.

(2) Restrictions on voting rights or the transfer of shares

There were no restrictions relating to voting rights or the transfer of shares.

(3) Interests in capital exceeding 10% of the voting rights

The direct and indirect interests in the subscribed capital (shareholder structure), that exceed 10% of the voting rights are shown in the notes to the annual financial statements and the notes to the consolidated financial statements of Nemetschek SE.

(4) Shares with special rights granting control

There were no shares with special rights granting control.

(5) Type of control of voting rights if employees hold an interest in the capital and do not directly exercise their control rights

There were no controls on voting rights for employees holding an interest in the capital.

(6) Statutory provisions and regulations in the Articles of Association on the appointment and dismissal of members of the Executive Board and amendments to the Articles of Association

Sections 84 and 85 of the AktG in conjunction with Section 8 of the Articles of Incorporation of Nemetschek SE regulate the appointment and dismissal of Executive Board members. Under the provisions of these sections, Executive Board members are appointed by the Supervisory Board for a term not exceeding five years. The appointment may be renewed or the term of office may be extended, provided that the term of each such renewal or extension shall not exceed five years.

Section 179 of the AktG in conjunction with Sections 14 and 19 of the Articles of Incorporation of Nemetschek SE applies to amendments to the Articles of Incorporation. According to this provision, amendments to the Articles of Incorporation are generally decided by the Annual General Meeting with a two-thirds majority of the votes. If at least half of the share capital is represented, a simple majority of the votes cast is sufficient. If the law also requires a majority of the share capital represented at the Annual General Meeting to pass resolutions, a simple majority of the share capital represented at the time of the resolution is sufficient, to the extent permitted by law. In accordance with Section 14 of Nemetschek SE's Articles of Incorporation, the Supervisory

Board is authorized to decide on amendments to the Articles of Incorporation that affect only its wording.

(7) Powers of the Executive Board to issue or redeem shares

In accordance with Section 71 (1) No. 8 of the AktG, the Company requires a special authorization from the Annual General Meeting to acquire and use its treasury shares, unless expressly permitted by law. At the Annual General Meeting on May 28, 2019, an authorizing resolution accordingly proposed and approved by the shareholders.

In accordance with the resolution adopted under agenda item 7 by the Annual General Meeting of May 28, 2019, the authorization is valid as follows:

“7.1 The Company is authorized to acquire up to 11,550,000 treasury shares, i.e. 10% of the Company's share capital, in full or in part, on one or more occasions until May 28, 2024 in accordance with the following provisions. At no time may the shares acquired on the basis of this authorization, together with other shares of the Company that the Company has already acquired and still holds or which are attributable to it in accordance with Sections 71a et seq. of the German Stock Corporation Act, exceed 10% of the Company's share capital. The authorization may not be used for the purposes of trading in treasury shares.

This authorization replaces the authorization to acquire treasury shares adopted by the Annual General Meeting of Nemetschek Aktiengesellschaft on May 20, 2015 under agenda item 7, which is hereby canceled to the extent that it was not exercised.

7.2 The Executive Board is free to choose whether to purchase the shares on the stock exchange, by means of a public purchase offer extended to all of the company's shareholders.

a) If purchased on the stock exchange, the purchase price of a Nemetschek share (excluding incidental acquisition costs) may not exceed or fall below the average closing price of the share by more than 10% on an electronic trading system (Xetra – or a functionally comparable successor system replacing the Xetra system) over the last five trading days prior to the obligation to acquire.

b) If a public purchase offer is made, the purchase price of the Nemetschek share (excluding incidental acquisition costs) may not exceed or fall below the average closing price on the Xetra exchange by more than 10% over the five trading days prior to the publication of the purchase offer. If the total number of shares tendered exceeds the volume of the offer, subscription shall be in proportion to the shares offered in each case. Preferential subscription to small numbers of shares may be allowed, up to a maximum of 100 shares in the Company offered for sale per Company shareholder.

7.3 The Executive Board is authorized to use the treasury shares acquired pursuant to this authorization for any legally permitted purpose, in particular also for the following purposes:

a) With authorization by the Supervisory Board, the shares may be offered to third parties as consideration for the acquisition of companies, investments in companies or parts of companies.

b) With authorization by the Supervisory Board, the shares may be redeemed without the redemption or the implementation of the redemption requiring a further resolution of the Annual General Meeting. The redemption leads to a reduction in capital. The Executive Board may alternatively decide that the share capital shall remain unchanged upon redemption and instead the proportion of the remaining shares in the share capital shall be increased by the redemption in accordance with Section 8 (3) AktG. In this case, the Executive Board is authorized to adjust the number of shares stated in the Articles of Incorporation.

7.4 The subscription right of the shareholders' to these treasury shares is excluded to the extent that they are used in accordance with the above mentioned authorization under item 7.3 letter a) of the agenda.

7.5 This resolution is subject to the condition precedent that the entry of the implementation of the capital increase pursuant to item 6 of the agenda be entered in the commercial register of the Company.”

The condition precedent specified in the resolution under item 7.5 was fulfilled on June 5, 2019 and the resolution of the General Meeting of May 28, 2019 on agenda item 7 therefore took effect.

(8) Significant agreements of the Company subject to a change of control following a takeover offer

There were no significant agreements of the Company subject to a change of control following a takeover offer.

(9) Compensation agreements concluded by the Company with members of the Executive Board or employees in the event of a takeover offer

There were no compensation agreements concluded by the Company with members of the Executive Board or employees in the event of a takeover offer.

7.3 Remuneration report

Supervisory Board

The Supervisory Board receives a fixed remuneration. The remuneration for the Supervisory Board is as follows:

REMUNERATION OF THE SUPERVISORY BOARD

2019	Thousands of €	2019	2018
Kurt Dobitsch		250	250
Prof. Georg Nemetschek		225	225
Rüdiger Herzog		200	200
Bill Krouch		200	117
		875	792

Executive Board

The remuneration for the Executive Board comprises a fixed remuneration plus customary fringe benefits such as health and long-term care insurance, use of company cars, and a variable, performance-related remuneration. The variable remuneration has a short-term and a long-term component.

The short-term performance-related (variable) remuneration depends primarily on the achievement of corporate targets (revenues, EBITA and earnings per share), which are agreed between the Supervisory Board and the Executive Board at the beginning of each financial year.

The long-term performance-related (variable) remuneration of the Executive Board – also known as the Long-Term Incentive Plan (LTIP) – depends on the achievement of defined corporate targets for the development of revenue, the operating result (EBITA) and earnings per share as well as predefined strategic project targets. In each case, the period to be considered is three financial years.

The Executive Board's participation in the LTIP is subject to a corresponding nomination by the Supervisory Board at its annual accounts meeting. As of December 31, 2019, Executive Board members Patrik Heider and Viktor Várkonyi were nominated for the LTIPs from 2016 to 2018, 2017 to 2019, and 2018 to 2020. In the 2019 financial year, long-term variable components of EUR 859k (previous year: EUR 1,250k) were paid out. Sean Flaherty, who left the Executive Board on December 31, 2018, was granted a compensation payment of EUR 350k to compensate for the long-term variable remuneration he had previously earned. This payment was made in 2019.

The following tables show the grants, inflows and pension expenses granted to each individual member of the Nemetschek SE Executive Board in accordance with the recommendations of Section 4.2.5 (3) of the German Corporate Governance Code:

EXECUTIVE BOARD REMUNERATION – VALUE OF THE AMOUNTS GRANTED

		Viktor Várkonyi					Jon Elliott		
	2018	2019	2019	2019		2018	2019	2019	2019
Thousands of €	Initial Value	Initial Value	Minimum	Maximum	Initial Value	Initial Value	Minimum	Maximum	Maximum
Fixed compensation	124	102	102	102	0	92	92	92	92
Fringe benefits	0	0	0	0	0	0	0	0	0
Total	124	102	102	102	0	92	92	92	92
One-year variable compensation	136	303	0	525	0	92	0	92	92
LTIP 2016 – 2018	314	0	0	0	0	0	0	0	0
Multi-year variable compensation LTIP 2017 – 2019	168	209	0	314	0	0	0	0	0
LTIP 2018 – 2020	153	225	0	307	0	0	0	0	0
LTIP 2019 – 2021	0	246	0	353	0	163	0	229	229
Compensation of prior year LTIPs	0	0	0	0	0	0	0	0	0
Total	895	1,085	102	1,601	0	347	92	412	412

		Patrik Heider					Sean Flaherty		
	2018	2019	2019	2019		2018	2019	2019	2019
Thousands of €	Initial Value	Initial Value	Minimum	Maximum	Initial Value	Initial Value	Minimum	Maximum	Maximum
Fixed compensation	250	250	250	250	125	0	0	0	0
Fringe benefits	16	16	16	16	0	0	0	0	0
Total	266	266	266	266	125	0	0	0	0
One-year variable compensation	221	450	0	450	73	0	0	0	0
LTIP 2016 – 2018	25	0	0	0	0	0	0	0	0
Multi-year variable compensation LTIP 2017 – 2019	168	209	0	314	0	0	0	0	0
LTIP 2018 – 2020	144	0	0	0	0	0	0	0	0
LTIP 2019 – 2021	0	0	0	0	0	0	0	0	0
Compensation of prior year LTIPs	0	0	0	0	350	0	0	0	0
Total	824	659	266	764	548	0	0	0	0

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

	Viktor Várkonyi		Jon Elliott	
	2019	2018	2019	2018
	Initial Value	Initial Value	Initial Value	Initial Value
Thousands of €				
Fixed compensation	102	124	92	0
Fringe benefits	0	0	0	0
Total	102	124	92	0
One-year variable compensation	136	136		
Advance payment for one-year variable compensation	0	0	0	0
Multi-year variable compensation LTIP 2015 – 2017	0	416	0	0
LTIP 2016 – 2018	573	0	0	0
LTIP 2017 – 2017	0	0	0	0
Compensation of prior year LTIPs	0	0	0	
Total	811	676	92	0

	Patrik Heider		Sean Flaherty	
	2019	2018	2019	2018
	Initial Value	Initial Value	Initial Value	Initial Value
Thousands of €				
Fixed compensation	250	250	0	125
Fringe benefits	16	16	0	0
Total	266	266	0	125
One-year variable compensation	101	221	447	73
Advance payment for one-year variable compensation	120	0	0	0
Multi-year variable compensation LTIP 2015 – 2017	0	416	0	416
LTIP 2015 – 2017	286	0	0	0
LTIP 2017 – 2019	0	0	0	0
Compensation of prior year LTIPs	0	0	350	0
Total	773	903	797	614

The total remuneration paid by Nemetschek SE for the Executive Board for the 2019 financial year was EUR 2,357,000 (previous year: EUR 2,267,000).

In addition to the remuneration paid by Nemetschek SE, Viktor Várkonyi received a gross fixed salary of EUR 265,000 (previous year: EUR 192,000) and a gross fringe benefit of EUR 14,000 (previous year: EUR 14,000) from Graphisoft SE. In the previous

year, he received a gross amount of EUR 76k as performance-related short-term remuneration. Jon Elliott received a gross fixed salary of EUR 304k, fringe benefits of EUR 50k and performance-related remuneration of EUR 395k gross from Bluebeam, Inc. Furthermore a variable remuneration of EUR 119k was granted for several years.

Munich, March 27, 2020



Dr. Axel Kaufmann



Viktor Várkonyi



Jon Elliott