

# Corporate Governance

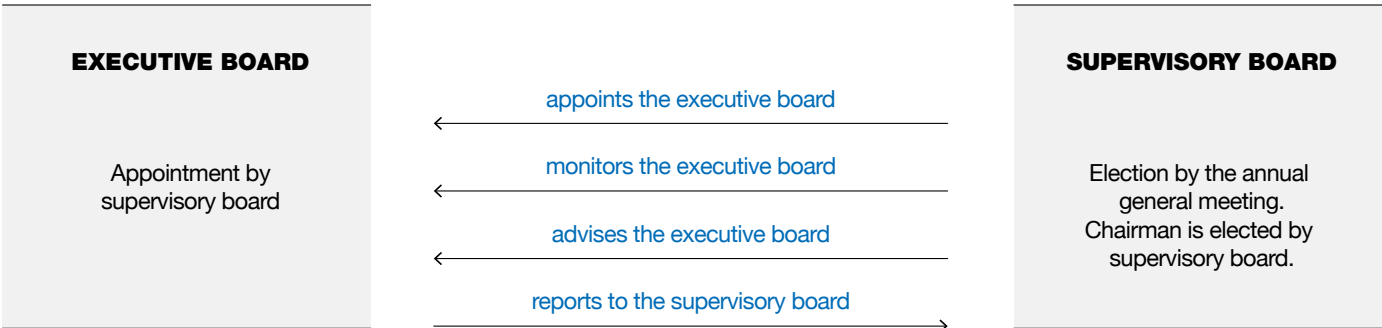
The Nemetschek Group is a globally active corporation with an international shareholder structure. Consequently, the executive and supervisory boards place particular importance on responsible and transparent company leadership and control which is aligned with value creation in the long term. Meaningful and transparent corporate communication, observance of shareholder interests, forward-looking handling of risks and opportunities and efficient and trustful cooperation between the executive board and the supervisory board are the hallmarks of good corporate governance. The latter is conducive to the Nemetschek Group's gaining the trust of shareholders, business partners, employees and the general public. At the same time, these principles are important orientation standards for the management and control of the Group. In the following, the executive board and supervisory

board jointly report on corporate governance at Nemetschek SE as per the German Corporate Governance Code.

### Leadership structure and company structure

The Nemetschek Group comprises Nemetschek SE and its Group companies. Nemetschek SE, as a Societas Europaea, has three bodies: the annual general meeting, the supervisory board and the executive board. As owners of the company, the shareholders exercise their rights at the annual general meeting. After conversion of the form of business from a German "Aktiengesellschaft" (AG) to a European SE in 2016, the company retained the dual management and monitoring structure composed of two bodies: the executive board and the supervisory board.

### DUAL MANAGEMENT SYSTEM OF NEMETSCHEK SE



### Executive board

As in the previous year, the executive board consisted of three members. At the beginning of the 2019 financial year, the supervisory board established a new executive board structure with a stronger focus on the segments. Thus consideration is given to the strategic alignment of the Nemetschek Group, which involves even greater consolidation of the competencies of the brand companies in the four customer-oriented segments: Design, Build, Manage and Media & Entertainment.

After introduction of the new executive board structure, the executive board consisted of the following three members:

- » Viktor Várkonyi, member of the executive board since December 2013, was appointed to the board of the Design segment to go into effect as of February 1, 2019. Consequently, he stepped down from his previous function as CEO of the Graphisoft brand.
- » Jon Elliott, CEO of the Bluebeam brand, was appointed to the board of the Build segment to go into effect as of February 1, 2019; he remained executive board member and CEO of Bluebeam.

- » As before, Patrik Heider, member of the executive board since March 2014, remained Spokesman of the Executive Board and CFOO in 2019. In addition, he was appointed to the board of the Media & Entertainment segment. He left the company of his own accord at the end of the year.

As of January 1, 2020, Dr. Axel Kaufmann was appointed Spokesman of the Executive Board and CFOO of Nemetschek SE by the supervisory board. In addition to these roles, he is responsible for the Media & Entertainment business unit.

The executive board leads the company under its own responsibility. In compliance with corporate interests, the executive board performs its leadership role with the objective of sustainably increasing corporate value. The executive board resolves all matters which are of particular significance and impact for the company or its subsidiaries.

The supervisory board is promptly involved and provided with complete information concerning all decisions which may materially affect the net asset situation, financial situation and earnings situation of the company. The executive board reports to the

supervisory board regularly, quickly and comprehensively in written and verbal form about all relevant topics relating to business development, company planning, strategic alignment, the opportunity and risk situation, risk management and compliance. In the case of acquisition projects, the executive board provides detailed information about project progress and project status at an early stage and coordinates the acquisition and integration processes in close collaboration with the supervisory board.

### Supervisory board

In 2019 the composition of the supervisory board, in terms of personnel, remained unchanged vis-à-vis the previous year.

The supervisory board consisted of the following four members:

- » Kurt Dobitsch, Chairman of the supervisory board
- » Prof. Georg Nemetschek, Deputy Chairman
- » Rüdiger Herzog, member of the supervisory board
- » Bill Krouch, member of the supervisory board

The supervisory board serves the executive board in an advisory capacity, monitors the executive board in its management of the company and verifies all significant business transactions for the executive board by examining the documents in question in terms of the Regulation (EC) No. 2157/2001 of the Council on the statute of the European Company (SE-VO), the German SE Implementation Act (SEAG), the German Stock Corporation Act (AktG), the company's Articles of Incorporation and Articles of Association. The supervisory board is also provided with information on the position of segments, including the individual brands and the Group as well as on major developments, by the executive board outside of the regular supervisory board meetings. In this way, it can accompany operating business with advice and recommendations made on an appropriate base of information.

The supervisory board is elected by the annual general meeting. The election of the supervisory board conforms to the recommendations of the German Corporate Governance Code; all supervisory board members are elected individually. The members of the executive board are appointed by the supervisory board. For Nemetschek SE, the appointment of executive board members, like the filling of executive positions, is invariably subject to the relevant criteria of quality and suitability, and is independent of gender. Based on the principle of qualification-based neutrality, Nemetschek SE is assured to best serve the interests of the company.

The supervisory board defines a catalog of business which requires approval as well as a business allocation plan in the Articles of Association for the executive board. The supervisory board acts on the basis of its own rules of procedure. Moreover, together with the executive board, the supervisory board declares the annual financial statements and approves the consolidated financial statements. The chairman of the supervisory board presents the activities of the supervisory board every year in his report to the annual general meeting as part of the annual report.

In accordance with the recommendations of the German Corporate Governance Code, the supervisory board resolved a competence profile for the committee of the Nemetschek SE supervisory board as a whole. Every member of the supervisory board must accordingly meet the prerequisites required by law and the prerequisites as per the Articles of Association for membership in the supervisory board (cf § 100 (1 to 4) of the German Stock Corporation Act – AktG). Every member of the supervisory board must possess the knowledge and skills necessary for due performance of the tasks required of the member by law and by the Articles of Association. The supervisory board must have at least one member who has expertise in the areas of accounting or auditing. The members of the supervisory board as a whole must be familiar with the sector in which the company is active (cf § 100 [5] AktG). Every member of the supervisory board must have sufficient time available and the willingness to dedicate the necessary time and attention to this office. In addition to these general prerequisites, the board as a whole is to meet the following prerequisites in particular:

- » Every member is to have a general understanding of the business of the Nemetschek Group, especially of the worldwide AEC market environment, the individual business segments, the customer requirements, the regions in which the company conducts business, and the strategic alignment of the enterprise.
- » At least one member is to have expertise in the areas of accounting or auditing.
- » At least two members are to fully meet the criterion of internationality or have acquired operational experience in internationally active enterprises.
- » One or more members are to have expertise in the area of business administration.
- » On the board as a whole, one or more members are to have experience in the area of governance, compliance and risk management.
- » All members are to have operational experience in human resources management.

At present, the company's supervisory board considers that the specified targets for the composition of the supervisory board are met.

According to the supervisory board and taking the owner structure of Nemetschek SE into account, all of the members of the supervisory board are independent according to the terms of the German Corporate Governance Code, i.e. none of the members of the supervisory board has a personal or business relationship with Nemetschek SE or with its Group companies, the bodies of Nemetschek SE or a shareholder with controlling interest of Nemetschek SE, which would constitute a major conflict of interest which is not merely temporary.

For the purpose of self-assessment, the supervisory board regularly conducts efficiency evaluations. Additional information on the executive board and the supervisory board, in particular with regard to their working methods and further mandates performed by the members, can be found in the supervisory board's report, in the notes to the consolidated financial statements and in the management report under "Report on enterprise controlling and declaration on corporate management."

#### **Remuneration of executive board and supervisory board**

In accordance with the recommendations of the German Corporate Governance Code, Nemetschek SE has been reporting the remuneration of each member of the executive board and supervisory board for some time now. The remuneration of the members of the executive board consists of fixed compensation and the usual additional components such as health and long-term care insurance as well as a company car, and a variable, performance-based compensation. The variable compensation has a current and noncurrent component. The current, performance-based (variable) compensation mainly depends on corporate targets achieved (revenue, EBITA and earnings per share) which are agreed between the supervisory board and executive board at the beginning of each financial year. With a view to corporate management in the long term and in accordance with applicable provisions, the executive board remuneration system also contains a long-term variable component, also referred to as the Long-Term Incentive Plan (LTIP). The amount and payment of this depends on the achievement of specified targets for revenue, operating result and earnings per share as well as previously defined strategic project targets. The period which is relevant for this is always three financial years.

In accordance with the recommendations of the German Corporate Governance Code, the members of the supervisory board receive fixed remuneration. The remuneration report is part of the certified consolidated financial statements. It contains detailed descriptions of the principles of the remuneration systems for the executive board and for the supervisory board as well as an individual declaration of the remuneration.

#### **Compliance and the management of opportunities and risks**

Weighing opportunities and risks continuously and responsibly is one of the principles of responsible company leadership. The objective of opportunity and risk management is to develop a strategy and define targets which generate a balanced equilibrium between growth targets and profit targets on the one hand and the risks inherent to such on the other. Please refer to the management report for details on the opportunity and risk management system of the Nemetschek Group.

#### **Compliance**

Alignment of the business activities with all relevant laws and standards as well as with the company-internal principles is a basic prerequisite for successful economic activity in the long term. The success of the Nemetschek Group is therefore based not only on a good corporate policy but also on integrity in terms of business ethics, trust and open and fair dealings with employees, customers, business partners, shareholders and other stakeholders.

#### **Compliance culture and targets**

Compliance has always been an important component of risk prevention at the Nemetschek Group and is embedded in the company culture. The objective is to act in compliance with all relevant laws, norms, international standards and internal guidelines at all times.

In this context, the Nemetschek Group pursues an approach of preventive compliance and aims for a corporate culture that sensitizes and educates the staff so that potential violations of the rules are avoided from the start. The executive board and executives bear special responsibility in this regard. They are role models and as such are required to ensure adherence to compliance provisions within their area of responsibility, to clearly communicate this expectation to every employee and to consistently set an example for ethical behavior according to the rules within the context of compliance.

#### **Compliance organization**

Compliance activities are closely linked to risk management and the internal control system. The business unit Corporate Legal & Compliance controls compliance activities Group-wide. The focus is on creating suitable structures and processes as well as providing support for the efficient implementation of compliance measures. In addition, the business unit Corporate Legal & Compliance is available as a contact partner in the case of individual questions arising from the organization. There is a direct line of reporting to the CFO of the Nemetschek Group.

#### **Compliance program and communication**

The compliance structures and measures for ensuring adherence to laws, guidelines and ethical principles are closely aligned with the risk situation of the Nemetschek Group and continuously further developed. The point of departure for compliance activities is the Code of Conduct of the Nemetschek Group, which is binding for all employees. Besides the company website, employees can access the Code of Conduct as well as other company guidelines via the company-internal intranet platform "Nemetschek ONE." Moreover, the Nemetschek Group uses a modern compliance training tool for efficiently and sustainably imparting this subject Group-wide.

### Compliance reporting channels, reviews and further development

Reliable reporting channels and the protection of internal information providers against sanctions are major elements in identifying compliance risks.

In addition to directly contacting their supervisor, Nemetschek Group employees can provide information on possible violations of laws or guidelines directly to the Compliance business unit using a specially created separate e-mail account. Furthermore, employees can also report compliance violations to a commissioned international law firm without disclosing their identity. All reported information and violations will be promptly investigated and evaluated; appropriate measures and sanctions will be undertaken as required.

Adherence to internal guidelines and applicable provisions is subject to regular internal audits by the business unit Corporate Audit. The executive and supervisory boards are regularly informed about compliance-relevant issues and the extension of compliance structures as well as planned compliance-related action.

### Financial reporting and year-end audit

Nemetschek SE prepares its consolidated financial statements as well as the consolidated interim reports as per the International Financial Reporting Standards (IFRS). The annual financial statements of Nemetschek SE (individual financial statements) are prepared in accordance with the provisions of the German Commercial Code (HGB). The consolidated financial statements are prepared by the executive board, examined by the auditor and approved by the supervisory board. The annual general meeting selected auditing firm Ernst & Young GmbH, Munich, as auditors and Group auditors for the 2019 financial year. The supervisory board commissions the audit and specifies the topics of focus for the audit. It also sets the remuneration for the audit and verifies the independence of the auditor.

### Shareholders and the annual general meeting

Shareholders can assert their rights and exercise their voting rights at the annual general meeting. One vote is granted for each Nemetschek SE share. The chairman of the supervisory board chairs the meeting. The executive board presents the consolidated financial statements and annual financial statements, explains the prospects of the company and, together with the supervisory board, answers the shareholders' questions. The invitation to the annual general meeting and the corresponding documents and information are made available on the Nemetschek Group website the day the meeting is called in accordance with stock corporation laws or are made available for viewing in the offices of the company. Nemetschek supports its shareholders in the assertion of their voting rights by appointing voting representatives, who vote according to the instructions of the shareholders.

### Transparency and communication

The Nemetschek Group makes open and trustful communication with the shareholders and other stakeholders a priority and maintains a prompt and reliable dialog with them. All capital market-relevant information is published simultaneously in German and English and made accessible on the company's website. This includes annual and quarterly reports, press releases, ad-hoc notifications, information on the annual general meeting and company presentations. The financial calendar with the relevant publication and event dates can also be found there.

### Directors' dealings, voting rights and stock option scheme

Nemetschek SE provides information on the trading of company shares by executive board and supervisory board members (directors' dealings) as per Art. 19 of the Market Abuse Regulation (MAR) as well as on reported changes in the shareholdings if the voting thresholds defined in the German Securities Trading Act (WpHG) are reached, surpassed or fallen below. Information on the shares held by the executive board and supervisory board is included in the notes. Nemetschek SE does not have a stock option scheme at the present time.

### Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG) dated December 2019

In December 2019, the supervisory board and executive board submitted an updated Declaration of Conformity as per § 161 of the German Stock Corporation Act (AktG). This is provided in its entirety as a part of the Declaration on Corporate Governance on page 64 of the Consolidated Management Report in addition to being published on the website [www.nemetschek.com](http://www.nemetschek.com).

Munich, March 27, 2020

For the Executive Board

For the Supervisory Board



Dr. Axel Kaufmann  
Spokesman of the  
Executive Board



Kurt Dobitsch  
Chairman of the  
Supervisory Board