

2 Non-financial statement*

2.1 General information

This chapter contains the Nemetschek Group's non-financial statement prepared on the basis of the German CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz, CSR-RUG), which went into effect on January 1, 2017. In this statement, the company transparently describes in detail its key, non-financial activities pertaining to the five categories specified under the directive: human rights, anti-corruption, employees, environmental and social responsibility. With these activities, the company is in compliance with the requirements set forth under §§315c et seq in connection with 289c HGB. The Nemetschek Group's business model is outlined under "General information on the Group" (page 46).

As in the previous year, the Nemetschek Group continues to focus on existing structures and therefore has decided against the use of framework specifications in this non-financial statement.

2.2 Corporate social responsibility (CSR) at the Nemetschek Group

The Nemetschek Group places considerable importance on sustainability. The company considers itself a pioneer when it comes to the digitalization of the AEC industry. A main objective of the Nemetschek Group is to improve efficiency and productivity along the building industry's entire added-value chain with its software solutions. In doing so, the Group helps those active in the building process take a more sustainable approach, also in relation to the environment and the community.

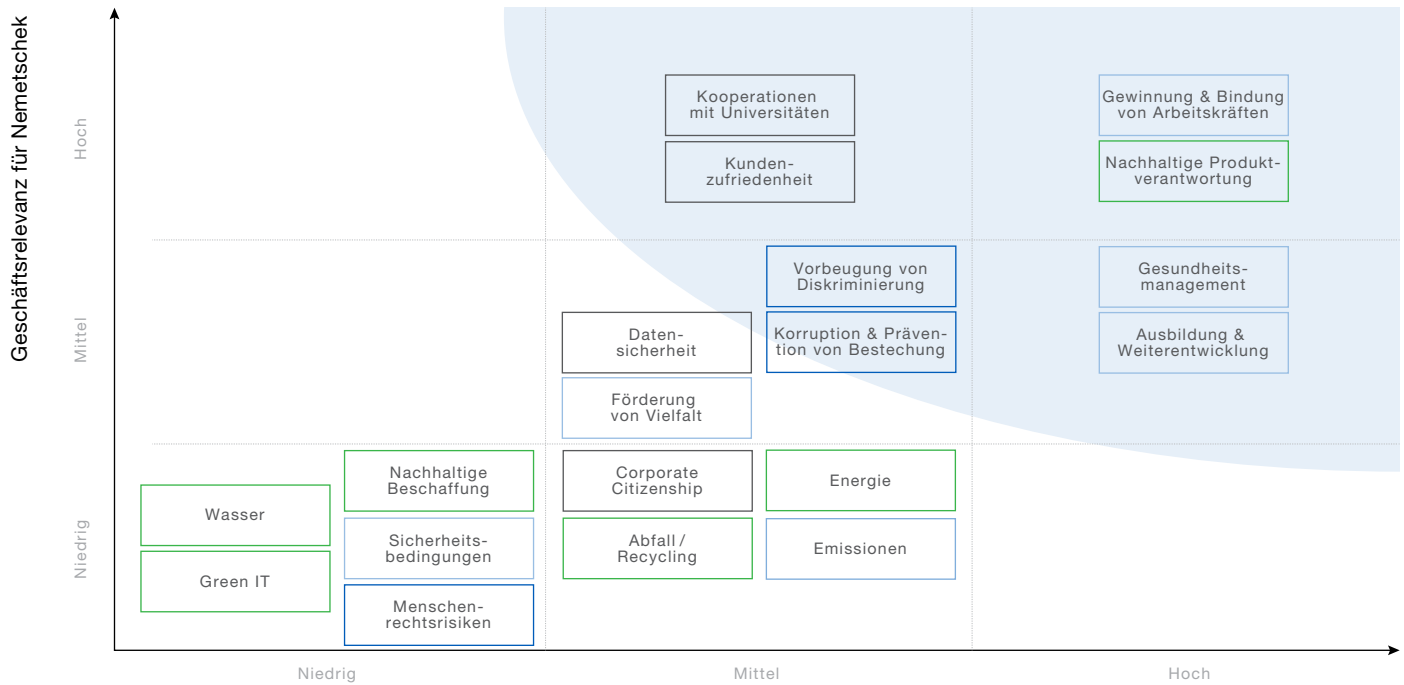
We have summarized these principles of sustainable business conduct in the Nemetschek Group's Code of Conduct. More specifically, these principles can be described as follows: *"Each of us contributes significantly to the public image of the Nemetschek Group through our appearance, conduct and actions. All of us are jointly responsible for ensuring that the Nemetschek Group lives up to its global social responsibilities. Our strategy as well as our day-to-day operations are based on high ethical and legal principles."*

2.2.1 Key non-financial topics

In 2017, a core CSR team staffed by representatives from the corporate finance, corporate controlling, corporate audit and compliance, investor relations, corporate communication and human resources departments identified the key non-financial topics for the Nemetschek Group. This team conducted a benchmark investigation of comparable companies, prepared an overview of the Nemetschek Group's sustainability initiatives and evaluated current sustainability topics in the software industry. They also took into consideration the opinions of internal stakeholders, including the major brands. The team defined a total of eight key non-financial topics and prioritized them according to their relevance to the company's business and the impact of business activity on sustainability aspects (pursuant to §289c para. 3 HGB).

* In accordance with §§315b et seq. HGB, this statement is not subject to audit.

NEMETSCHKE GROUP MATERIALITY MATRIX



Auswirkung der Geschäftstätigkeit auf Nachhaltigkeitsaspekte

The graph illustrates the key topics identified for the Nemetschek Group. The topics above the red line have been given high priority in terms of relevance to the business and impact of business activity of the relevant sustainability aspects. In compliance with the criteria specified under the CSR Directive Implementation Act, the purpose of this non-financial statement is to report on these topics. As a provider of software solutions, topics such as energy and water consumption as well as waste and emissions are not considered material to the Group's business activities. It goes without saying that all of our employees practice awareness in their use of limited resources. The key non-financial topics identified for the Nemetschek Group have been organized in accordance with the topics specified under CSR-RUG: human rights, anti-corruption, employees, environment and social responsibility.

The following table illustrates their organizational structure:

Area of activity (category pursuant to CSR-RUG)	Key topics at Nemetschek
Human rights and anti-corruption	<ul style="list-style-type: none"> » Anti-bribery » Prevention of discrimination
Employees	<ul style="list-style-type: none"> » Attracting & retaining employees » Health management » Training & continuing education
Environment	<ul style="list-style-type: none"> » Sustainable product development
Social responsibility	<ul style="list-style-type: none"> » Cooperation with universities » Customer satisfaction

The following sub-chapters address the continuation of the activities launched in 2017 in each CSR area across all brands. The concepts specified in 2017 and advanced in 2018 as well as the targets and results of measures conducted to date are discussed as well.

Controlling of non-financial topics

The Nemetschek Group has more than 2,500 employees worldwide and is organized as a strategic holding company with operating subsidiaries. Challenges arise from cultural differences, access to the market and the different management approaches taken by the brands. Because of the Nemetschek Group's special organizational structure as a strategic holding company with 16 basically independent brands, non-financial key performance indicators (KPIs) are currently only monitored at brand level. Most of the CSR topics identified as key in 2017 are subject to local control by persons or departments responsible for such matters at the relevant brand.

On the basis of a centralization process that was initiated in 2017, the aim is to determine fundamental standards applicable to the key non-financial topics that are valid throughout the Group. The strongest-performing brands with annual revenue of over EUR 20 million will be placed under the obligation to comply with additional standards as well. The objective here is to guarantee the sustainability of our business practices at Group headquarters and at all of the brands.

The centralization process was continued during the reporting period. Focus was initially placed on developing and rolling out the fundamental standards. In 2018, the Nemetschek Group also began creating a standardized product development concept. The development process, which spanned several months, involved a number of workshops at holding and brand level as well as a digital survey of all decision makers at the brands. In 2019 we are planning to use the results generated so far to reassess at what point it makes sense to develop and introduce additional standards for the strongest-performing brands.

2.3 Material risks pursuant to §§ 315c in connection with 289c HGB

For the purposes of non-financial reporting, the Nemetschek Group not only monitors the material risks pertaining to its business activities but also those risks that could have a considerable negative impact on the topics defined within the scope of non-financial reporting (§§315c in connection with 289c (3) no. 3 and 4 HGB). The company also regularly evaluates potential non-financial risks. Based on these evaluations, no material risks were identified in 2018 with a high probability of occurrence and high potential for having a serious negative impact on the non-financial topics.

2.4 Key CSR topics at the Nemetschek Group

Human rights and anti-corruption

The Nemetschek Group follows a preventative compliance approach and strives for a corporate culture where awareness is raised among all employees combined with ongoing education. The primary goal is to prevent compliance incidents, which include bribery and discrimination. Violations or suspected violations of applicable legal regulations on compliance, internal rules or ethical standards could have negative financial consequences. They could also potentially damage the reputation of the Nemetschek Group.

Compliance management

Our Corporate Audit and Compliance department monitors all of our compliance activities and reports directly to the Nemetschek Group Chief Financial and Operating Officer. The supervisory and executive boards are informed regularly about compliance-relevant topics based on ad-hoc compliance reports and a quarterly survey of all brands on compliance issues. Local compliance activities are managed independently by each brand.

The most important principles and regulations, ethical standards and standards for interacting with business partners are summarized in the Nemetschek Group Code of Conduct. This code is binding for all employees regardless of their position. The Group also employs a state-of-the-art online training tool that is used to teach employees about all compliance topics at the company. The goal is to raise employee awareness of potentially critical situations so that they are able to respond to them appropriately. All of our employees are required to complete this compliance training. Additional, specific trainings designed to further raise employee awareness of actual threat scenarios and high-risk areas are conducted at the departments to which such trainings are relevant.

The Nemetschek Group encourages employees to report conduct that they feel is in violation of the Code of Conduct. They also have the opportunity to report violations or inappropriate conduct to the responsible human resources manager or directly to the Compliance department via an email account created specifically for that purpose. Violations can also be reported anonymously to an external international law firm commissioned to handle such complaints (via hotline or email).

Anti-bribery and preventing discrimination

One of our objectives as the Nemetschek Group is to maintain our global reputation as a responsible, conscientious company with high ethical and legal standards. This reputation is the basis of our success. That is why the Group expects its employees to treat everyone at and outside the company fairly and with respect.

The corporate culture and the Nemetschek Group thrives and benefits on diversity at the company. Maintaining good relationships with customers and suppliers is very important. Making sure that all transactions are transparent and in compliance with the law builds trust and creates lasting business relationships. The Nemetschek Group does not tolerate any form of corruption, bribery, venality or granting other illegal advantages. Non-compliance on the part of employees is grounds for terminating the employment relationship and prosecution.

The Nemetschek Group is strictly against any form of discrimination. The Code of Conduct states: *"Any type of discrimination or harassment on the basis of origin, gender, disability, religion, age, sexual orientation, political views or involvement in a labor/trade union."* Employees who feel that they are being subjected to any form of discrimination or inappropriate behavior are encouraged to report this via the reporting channels mentioned above.

Anti-discrimination and anti-bribery are addressed by compliance management activities at the Nemetschek Group, which are centrally managed by the Corporate Audit and Compliance departments. The Group's employees learn about the key rules of conduct when it comes to anti-bribery and preventing discrimination through compliance trainings. Most of them have already completed training on the key compliance topics at the Nemetschek Group. The brands are currently responsible for making sure their employees are familiar with compliance topics. The company uses online training to convey this information. We are planning to expand our training activities in the future. We are also planning to establish central e-learning structures over the course of this year in order to improve control and assessment options.

No proven cases of bribery or discrimination worth mentioning were recorded during the reporting period. A review of individually reported events did not indicate a need for action. No legal action was therefore taken.

Employees

The Nemetschek Group considers its employees to be the company's most valuable capital. We strive to maintain long-term working relationships with top talents to enable us to provide our customers with innovative solutions and continue to improve shareholder value. These activities revolve around three key factors: attracting and retaining employees, health management and employee training and continuing education.

The corporate cultures at the Nemetschek Group vary considerably. This individuality is a significant driver behind the company's innovative strength. The majority of human resources matters are handled locally by the brands. The holding company acts as a partner and coach that the brands can turn to with human resources issues at any time.

The plan going forward is to have the brands more actively handle activities pertaining to attracting and retaining employees, training and continuing education and health management. For this purpose, the Nemetschek Group developed a Group-wide HR policy in 2018, which outlines the fundamental standards and minimum requirements regarding the Group's key employee topics, including tools for attracting personnel, annual meetings and offers to promote health. The plan is to work with selected brands in 2019 to test this policy and then roll it out throughout the Group. The brands will still have the freedom to dictate their own, brand-specific standards and create their own HR policies.

The HR tool selected in 2017 for recording personnel data was introduced in several pilot countries. However, because many of our subsidiaries already have their own procedures in place, the Nemetschek Group is planning in the future to introduce this tool at all new subsidiaries that are not yet using their own process.

Attracting and retaining employees

The search for experts and talented employees continues to pose a major challenge to the company. Software developers and IT experts are particularly rare in some key markets such as Germany and the US. Added to that is the fact that the Nemetschek Group is a medium-sized company surrounded by heavy-hitting competitors from the software industry such as Microsoft, Apple and Google. By offering attractive working conditions and an upbeat working environment, we hope to attract top talent and gain their loyalty. The Nemetschek Group currently gauges the success of its measures based on number of employees how this number is rising. We are currently working on defining a KPI that will more effectively reflect performance in this area in relation to our targets.

The Nemetschek Group has been offering a Group-wide job portal since 2018 to attract new employees. The portal is available to all of the brands. More than half of the brands regularly publish job offers on the portal. The portal was initially limited to the company's Intranet to promote Group-internal exchange of experts with the idea of sharing know-how. With the relaunch, a career page was added to the Group's website with links to the subsidiaries' job portals. The idea is to make it easier for professionals to find the brand that would be the best fit for them. In 2019 we are planning to evaluate whether an extensive, shared job portal would be effective and efficient for the Group.

The brands also use the Nemetschek Group's social media platforms such as XING and LinkedIn as another way to attract employees. They also participate in job fairs and use their contact network and recommendations made by their current employees.

The Nemetschek Group continues to work to improve its attractiveness as an employer in order to keep employees loyal to the company long-term. This includes the option to work part-time, encouraging parental leave and offering flexible working hours. How these are structured depends on the business model of the relevant brand and well as local regulations. Other measures that serve to make us a more attractive employer include offering individual continuing education offers and promoting people with talent. We also offer sports programs, team events and employee discounts.

The number of employees at the Nemetschek Group, including acquisitions, increased year by year by 445, or around 21%, in 2018. Organically, the Group's staff grew by 258 employees (+12%). As at December 31, 2018, the Group employs 2,587 people.

Health management

The Nemetschek Group is convinced that sustainable health management support for staff can only be successful if all health-related measures and initiatives are aligned to the changing requirements of the constantly evolving work world.

The HR policy created in 2018 defines the minimum requirements on health management for all Nemetschek brands. These measures are currently controlled locally. We are planning to introduce at least one mandatory health-related measure per year. We have not yet set a Group-wide target. We are, however, planning to introduce a Group-wide health management system that will help all of our employees stay healthy.

During the reporting period, 14 of our 16 brands provided health-related offers to their employees. These include wellness programs, sports and fitness activities at the company and financial support for programs offered by external providers. When it comes to medical check-ups, employees have access to telemedicine, specific examinations, i.e. eye exams, and company-funded insurance policies. Special office equipment, e.g. ergonomic furniture, is also provided as needed.

Training and continuing education

The Nemetschek Group is convinced of the effectiveness of ongoing training and continuing education. The company also expects these to have a favorable impact on employee performance, results and motivation. The objective here is to pursue ongoing employee development and encourage and promote our employees as effectively as possible so that we are consistently able to provide our customers with top-of-the-line services and solutions. The company determines the training requirements for each individual employee during an annual employee review. The HR policy, which is currently in the drafting phase, will specify minimum training requirements.

The percent of employees that had an annual review during the reporting period is used as an indicator for training and continuing education. During the reporting period, annual reviews were conducted with all employees at all of the Group's brands.

Environment

Sustainable product development

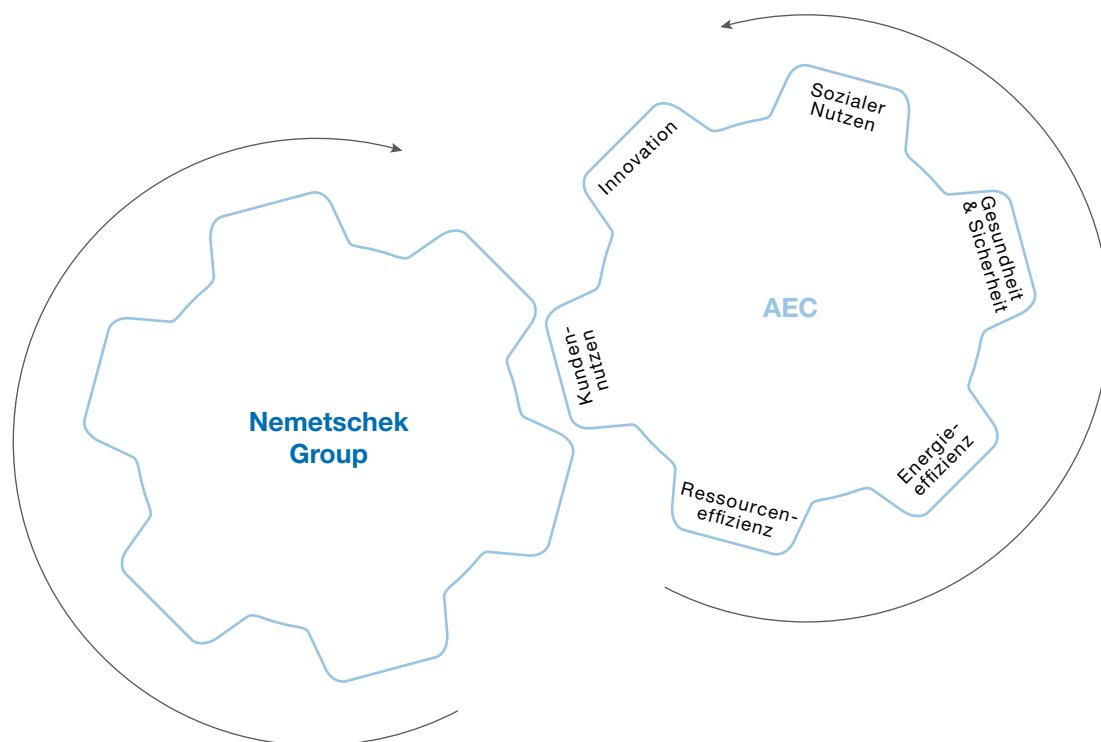
In 2017, the Nemetschek Group identified the topic of sustainable product development as material. The responsible use of natural resources is already anchored at the Group under our Code of Conduct. We select our materials, suppliers and external service providers in compliance with environmental, ethical and socially responsible criteria.

The Nemetschek Group's mission is to make the AEC industry more sustainable. With the technologies offered by its brands, the Group helps its customers create more sustainable, safe, secure and comfortable buildings and infrastructure. In doing so, the Group is making a significant contribution to improving quality of life by helping to create a better living and working environment combined with commuter-friendly road networks and transportation systems.

Sustainable product development activities are currently controlled locally by the brands. However, in 2017, the Nemetschek Group's executive board decided to introduce a Group-wide concept regarding sustainable product development, which will take into account environmental, economic and social aspects along the entire product life cycle.

Focus during the reporting period was placed on developing the concept in detail. At an initial workshop held at holding level, the core CSR team outlined key approaches and worked out the details of a shared understanding of the topic. The results were then further specified in collaboration with representatives from all of the brands. The final step was to conduct a survey at the brands, which provided a general overview of the CSR aspects touched on by each product during its entire life cycle.

As at the end of the reporting period, the Nemetschek Group has at its disposal a new concept paper prepared based on the results of this process. The paper outlines how the concept of sustainable product development is defined at the Group as well as the responsibility of the entire Group at every stage of the value-added chain. In this paper, the Group makes an express commitment to developing customer-oriented software. The objective is to improve the quality of our customers' workflows and increase their economic efficiency. The Group's software also supports the community in terms of environment and social aspects by optimizing the building and construction process. Our software makes it possible to build sustainable buildings and forward-thinking infrastructure to directly benefit customers such as architects, engineers, construction companies and facility managers, not to mention end-consumers.



In this process, the Nemetschek Group sees itself as a "digital cog" for the building and construction industry. Ongoing innovation makes it possible to favorably impact energy consumption and the climate, the use of resources and materials, customer benefit and satisfaction, building safety and comfort and people's health.

Within the scope of creating this concept, the Nemetschek Group identified two aspects relevant to developing responsible products: sustainability aspects across the entire software life cycle and across the life cycle of a building. Cornerstones of the Nemetschek Group's software development process are building information modeling (BIM) and the use and advancement of open standards (open BIM). Our software solutions address the entire life cycle of a building.

The survey that was conducted to wrap-up the concept development process particularly focused on four areas in which the products offered by Nemetschek brands have an impact on sustainability.

- » Process efficiency
- » Time and cost efficiency
- » Materials efficiency
- » Energy efficiency

Based on the results of the concept development phase, the Nemetschek Group applied the different impacts on sustainability to the following specific topics pertaining to responsible product development: energy and climate, resource and materials efficiency, customer benefit and satisfaction, building safety and security, building comfort level and health.

Based on the results to date, the Group is planning to continue to promote sustainable product development in 2019. One aspect of this will be to define targets specific to the topic.

Social responsibility

Cooperation with universities

Cooperating with universities is an integral aspect of our activities at the Nemetschek Group. The Group has its roots in the university landscape and universities have been using its software for decades. Our objective is to be present at all universities of significance as well as at other educational institutions in our core markets. The idea is to train students before they begin their careers in how open standards can be used to sustainably plan, build and manage buildings and infrastructure. In doing so, the Nemetschek Group will be making a contribution to sustainable building practices and familiarizing students with the Group's software and the possibilities it offers. At the same time, we will be giving our customers access to professionally trained young talent.

The individual activities this involves are currently controlled locally by the brands. In 2017, however, the executive board of Nemetschek SE approved the development of Group-wide standards. In this context, the company drafted a statement of its Group-wide commitment to cooperating with universities. The purpose of this commitment is to place our brands under the obligation to continue to intensify their cooperation with universities in terms of time as well as financial commitments. This includes grants as well as larger numbers of software licenses for students. In addition, each brand is required to designate a contact who will be responsible for cooperation with educational institutions.

During the reporting period the majority of our subsidiaries provided software licenses for students at the relevant universities and educational institutions in their markets. The brands were also active in the following:

- » individual network activities for students and customers, e.g. via a job platform designed and run by the brand
- » sponsorship, e.g. competitions and student councils
- » special award competitions and a variety of student events
- » a variety of training formats, e.g. Bluebeam Apprentice Day or as a guest speaker at lectures
- » a variety of job fairs at relevant universities
- » student trainee positions, internships and student grants
- » collaboration with student associations and academic faculties

In 2019 we are planning to anchor this commitment with subsidiaries of different sizes and at a number of different locations. The idea here is to make the provisions and targets contained in our statement of commitment mandatory for all brands of the Nemetschek Group. This step will enable the holding company to centrally assess these standards in the future and draw conclusions from this assessment while the activities will continue to be controlled locally by those responsible at the brands.

Customer satisfaction

At the Nemetschek Group, customer satisfaction is much more than just a basic aspect of running a successful business. It is also an aspect of our entrepreneurial goals and our corporate mission. Our corporate structure featuring 16 independent brands enables those brands to be exceptionally in touch with their markets and with their roughly 5 million customers worldwide. In order to meet the varying demands of our customers, the Nemetschek Group takes a thorough approach to the topic of customer satisfaction. This includes all aspects of the customer relationship broken down into development, product, service, hotline and support.

The brands currently monitor and rate customer satisfaction in terms of their products and/or services at a local level. In 2017, the holding company decided to introduce Group-wide KPIs and additional standards for the larger brands by 2019. In order to identify effective KPIs that be applied to all of the brands, the holding conducted a detailed survey of the brands during the reporting period accompanied by intensive market research. The results showed that half of the defined KPIs were effective for measuring customer satisfaction. The brands particularly rely on the customer satisfaction score (CSAT) and churn rate. The net promoter score (NPS) and the "things go wrong" KPI are also used by certain brands. Customer satisfaction is primarily evaluated based of both the functionality of a produce as well as the services rendered by the brand. Based on the results of the brand survey, the Nemetschek Group is planning in 2019 to test whether the KPIs and potential measurement systems could be effectively rolled out throughout the Group. We are also planning to define possible control mechanisms that could be introduced down the line.

During the reporting period, the brands mentioned above asked their customers about customer satisfaction online, via email, through direct contact and via phone call. The Nemetschek Group involves its customers even in the earlier phases of product development in order to guarantee customer satisfaction right from the start. At Vectorworks, for example, 70% of the new functions in any product release are based on concrete customer requirements. Measures put in place to support product quality and customer satisfaction particularly include

- » Joint development projects
- » Customer boards and committees
- » Product previews
- » Tests in the beta phase
- » Application tests
- » Workshops.