

# Clearstream Group Remuneration Policy

Version 1.0

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## 1 Introduction

### 1.1 Purpose and objectives of the Policy

The Clearstream Group Remuneration Policy ("Policy") is a central element for the implementation of the Remuneration systems within the organisation. The objectives of the Policy are in particular

- to set out the principles governing the Group's Remuneration systems for Risk Takers (including members of the management body in its management function of institutions) and all other employees of the Clearstream Group in the organisational guidelines,
  - to ensure that the Remuneration in all entities subordinated to Clearstream Holding AG is in line with the applicable regulations on remuneration (in particular the Institutsvergütungsverordnung dated 16 December 2013 ("InstitutsVergV"), the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("CRR") and the German Banking Act (Kreditwesengesetz – "KWG")) and is monitored accordingly,
  - to ensure that the Remuneration is in line with the applicable regulatory requirements pursuant to directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("CRD IV") and all national remuneration laws and requirements of the jurisdiction where the entity operates,
  - to align the Remuneration systems in all subordinated entities with the objectives set out in the business and risk strategy of Clearstream Group,
  - to inform the staff on the applicable rules as well as on their Remuneration system.
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The Policy is in line with the Deutsche Börse Group remuneration principles unless amendments are required under applicable regulatory requirements. Benefits which have no incentive effect with respect to the assumption of risk positions and are granted by means of entity/location-wide, non-discretionary regulations are not in the scope of this Policy.

## **1.2 Ownership**

The Executive Board of Clearstream Holding AG, which is the superordinated company, is responsible to fulfil the regulatory requirements on a consolidated/group level ("Group"). These requirements include compliant Remuneration systems within all subordinated entities. Moreover, according to § 27 subpar. 1 InstitutsVergV the Executive Board of the Clearstream Holding AG shall implement a group wide remuneration policy. Therefore, the Executive Board of Clearstream drafts and organizes the regular review of the Policy with the assistance of other departments as required.

The Group Remuneration Policy has been elaborated in co-operation with the Control Units. In particular, representatives of the Control Units participate in the Group Remuneration Committee which is involved in the decision-making process with respect to the design and development of the Policy.

## **1.3 Group Compensation Officer and Deputy Group Compensation Officer**

The Executive Board of Clearstream Holding AG appoints a Group Compensation Officer (Vergütungsbeauftragter) and a Deputy Group Compensation Officer (stellvertretender Vergütungsbeauftragter) in accordance with sec. 23 InstitutsVergV ("Group Compensation Officer and Deputy Group Compensation Officer"). Amongst other, the Group Compensation Officer – and as the case may be also the Deputy Group Compensation Officer – shall support the Supervisory Board supervising and, therefore, fulfilling their responsibilities regarding the monitoring and design of the Group's Remuneration systems in accordance with the regulatory requirements.

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#### **1.4 Scope of the Policy**

This Policy provides the applicable framework for the design and implementation of the Remuneration systems for the staff of all entities of the Clearstream Group, unless there are relevant differences in the business model, the risk profiles or local requirements that justify a difference in individual case.

The management/supervisory bodies of the entities carry the responsibility to implement the Remuneration systems and to ensure compliance with specific local requirements. In case national law of the jurisdiction the entity operates in is in conflict with this Policy, compliance within the national jurisdiction of the entity shall be ensured.

Clearstream Holding AG provides a Blueprint Remuneration Scheme for all subordinated entities in order to achieve group wide consistency of the Remuneration systems with the business and risk strategy of the Clearstream Group.

The Group Compensation Officer shall be consulted in case a Remuneration system which is not compliant with all principles of the Policy or materially deviating from the Blueprint Remuneration Scheme is going to be implemented.

#### **1.5 Effective date**

The Policy will become effective upon approval by the Executive Board (Vorstand) of Clearstream Holding AG with effect from January 1<sup>st</sup>, 2014 due to regulatory requirements.

This Policy replaces and/or overrules any remuneration policies that might have been applicable within the scope of this policy prior to its enactment.

#### **1.6 Regular review**

The Policy, the Remuneration system and their practical operation shall be reviewed by the Executive Board on a regular basis, at least once a year. In this respect the Executive Board ensures the compliance of the Policy with regulatory requirements and applicable law as well as alignment with

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the business and risk strategy. The Compensation Officer and Deputy Compensation Officer shall provide the preparation for such reviews. The Policy and the Remuneration system shall be amended if necessary. Any changes to the Policy shall be properly documented.

## 2 Definitions

In this Policy

**“Breach of Duty”** means serious infringements of service agreement provisions or culpable breach of internal policies, including violations of risk limits.

**“Control Units”** mean those organisational units within the Group that monitor organisation units that originate business. These include the back office, risk management, compliance, internal audit, human resources and Compensation Officer and Deputy Compensation Officer.

**“Fixed Remuneration”** means the portion of Remuneration which is not Variable Remuneration, i.e. the awarding or amount of which is not at the respective entities’ discretion and is not dependent on the occurrence of agreed conditions.

**“LSI”** means the Terms and Conditions of the Long-term Sustainable Instrument as amended from time to time.

**“LSI Shares”** means the Long-term Sustainable Instrument according to the LSI.

**“Negative Performance Contributions”** mean (i) falling short of targets, (ii) misbehaviour or (iii) any other risks or errors resulting in a downturn of the financial performance in each case taking into account the underlying performance of the institution as a whole and the business unit for which the respective staff member or the respective member of the management body bears responsibility or is performing his duties in.

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**“Remuneration”** means all monetary or monetarily measurable ancillary benefits of any kind as well as benefits from the respective entities or third parties that staff receives in performance of their professional duties; monetary or monetarily measurable ancillary benefits which have no incentive effect with respect to the assumption of risk positions, such as, for example, discounts, collective and company insurance and social welfare benefits and are granted by means of an entity-wide, non-discretionary regulation, shall not be considered Remuneration.

**“Unconscionable Conduct”** means a serious infringement, which violates common decency or established codes of professional behavior.

**“Variable Remuneration”** means the portion of Remuneration, the awarding or amount of which is at the respective entity’s discretion or is dependent on the occurrence of agreed conditions and shall include discretionary contributions to pension schemes.

**“Blueprint Remuneration Scheme”** means the blueprint of the general parameters as applicable from time to time according to which the Variable Remuneration shall be awarded and paid out.

### **3 General rules on Remuneration**

#### **3.1 Consistency with business strategy**

The Remuneration and principles of this Remuneration Policy shall be in line with the business and risk strategy, objectives, values and long-term interests, such as sustainable growth prospects. The definition of performance criteria for the assessment of Remuneration levels and target achievements will be determined in accordance with the business and risk strategy. The level and structure of the Remuneration shall be aligned with prudent risk management. It shall take into consideration prospective risks as well as existing risks and risk outcomes.

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### 3.2 Remuneration components

Staff shall receive Fixed and Variable Remuneration. The Fixed Remuneration shall be a substantial proportion of the total annual Remuneration. The Variable Remuneration is aligned with the rules of the Policy and is not guaranteed.

The Remuneration shall be designed in a way that incentives for incurring disproportionately high risk positions are avoided. In light of this, there should not be a significant dependency on Variable Remuneration.

Besides the Remuneration components described above, staff receives comprehensive benefits, which have no incentive effect with respect to the assumption of risk positions and are granted by means of an entity/location-wide, non-discretionary regulation.

### 3.3 Appropriateness of Remuneration

The Remuneration shall be designed appropriately. This means, in particular, that:

- 1) The Remuneration shall not incentivise the assumption of disproportionately high risks.
  - 2) The Remuneration shall be commensurate with the respective tasks and the performance as well as the situation of the Group and the respective entity and shall not exceed the usual remuneration without cause.
  - 3) The guidelines for the Variable Remuneration shall take due account of possible mismatches of performance and risk periods. In particular, payments of Variable Remuneration shall be deferred as appropriate. Variable Remuneration is not guaranteed, i.e. all Variable Remuneration is based on a performance measurement and can be 0.
  - 4) There shall be an appropriate ratio between the Fixed and the Variable Remuneration. The Variable Remuneration may amount up to a maximum of 200% of the Fixed Remuneration. In case shareholders, owners or members of the institution do not approve a ratio of 1:2 between the
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fixed and variable components of remuneration or national regulatory requirements do not allow such approval, the Variable Remuneration may amount up to a maximum of 100% of the Fixed Remuneration.

- 5) Guaranteed Variable Remuneration is exceptional and is only allowed in connection with the hiring and is limited to a max. period of one year.
  - 6) Payments in connection with the premature termination shall take due account of the performance over time and shall not reward falling short of performance expectations or misconduct. There should not be any significant contractual severance entitlements which are not diminished by individual Negative Performance Contributions.
  - 7) Payments made as compensation for forfeited remuneration in previous service and/or employment relationships shall be in line with the long-term interests of the Group and take into account individual performance and the deferral requirements stipulated in the respective Remuneration Scheme as applicable from time to time in case the beneficiary is identified as having a material impact on the risk profile of the institution or the Group.
  - 8) The Remuneration of staff members in Control Units shall be designed with respect to their function. Therefore, the
    - a. remuneration level of staff in the Control Units should allow to employ qualified and experienced staff in these functions,
    - b. method of determining the Remuneration of the relevant staff involved in the Control Units must not compromise their objectivity or be likely to do so,
    - c. mix of fixed and variable remuneration for Control Unit staff should be weighted in favour of fixed remuneration. Therefore, the Fixed Remuneration shall in any case account for more than 50% of the total Remuneration.
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### **3.4 Total Amount of Variable Remuneration**

The Variable Remuneration must not limit the Group's ability to sustainably maintain or recover an appropriate capital base. If the Group's ability to sustainably maintain or recover an appropriate capital base is limited, no Variable Remuneration is to be granted.

The Total Amount of the Variable Remuneration shall be determined in a formal, transparent and comprehensible process. The determination (i) shall take due account of the risk-bearing capacity, the multi-year capital planning and the profitability, (ii) must ensure the Group's ability to maintain or recover appropriate own funds and liquidity and (iii) must ensure the Group's ability to meet or recover the combined capital buffer requirements in accordance with the German Banking Act (KWG).

All entities shall apply the Clearstream Group Performance Metric as applicable from time to time to determine the Total Amount.

### **3.5 Individual performance**

The individual performance shall be determined based on the achievement of a mix of quantitative and qualitative agreed targets, which shall be challenging and ambitious. Targets shall reflect the long-term interests of the Group.

Negative Performance Contributions resulting from unethical behaviour or misconduct shall not be compensated by positive performance contributions and must result in a reduction of Variable Remuneration (down to 0).

Performance is measured annually, documented and tracked in the the appraisal systems for Executives and Staff. The performance assessment is executed by the respective superior.

### **3.6 Appraisal process**

- 1) The individual performance measurement is ensured through the the appraisal systems for Executives and Staff.
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2) The appraisal process consists of the following:

- agreeing on targets at the beginning of each year;
- assessing target achievement;
- giving feedback on the target achievement.

3) Objectives of the process are to

- apply transparent rules;
- set challenging and ambitious targets with respect to the function;
- link performance to business targets;
- link performance to long-term perspective;
- measure and judge performance in an objective and consistent way;
- clarify task definition and the expectation of accomplishment.

### **3.7 Prohibition of personal hedging strategies**

Staff shall not undertake any personal hedging strategies or other countermeasures that confine or neutralize the risk alignment effects of their Remuneration. This shall include, in particular, external hedging transactions creating an obligation of third parties and the conclusion of financial futures transactions, in each case to the extent that such transactions limit or exclude the risk of a lower Remuneration.

The entities shall provide for appropriate compliance structures and measures in order to prevent any hedging strategies. Such measures may include inspections carried out by the competent department with respect to securities accounts and other accounts maintained at the Group as well as at other institutions.

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### **3.8 Information**

Staff shall be informed by e-mail or in writing about the structure of the respective Remuneration system and shall be provided with the Variable Remuneration Scheme as applicable from time to time.

### **3.9 Publication**

The key elements of this Policy shall be made available to the public, free of charge. In accordance with Article 450 CRR, the general design (in particular the parameters, the decision-making process used for determining the remuneration policy, information on the link between performance and pay, composition, Total Amount of the Remuneration broken down by business area, specific information on the Remuneration of senior management and Risk Takers, the ratios between Fixed and Variable Remuneration, information on the performance criteria relevant for Variable Remuneration elements, aggregate quantitative information on Remuneration, number of staff receiving a Variable Remuneration and of those being remunerated above specific thresholds, involvement of external consultants and stakeholders) of the Remuneration shall be published on the internet.

## **4 Rules on Remuneration systems for Risk Takers**

### **4.1 Risk analysis**

- 1) Clearstream Holding AG shall annually conduct a group wide risk analysis to identify categories of staff whose professional activities have a material impact on the Group's or major institution's risk profile and to whom the specific requirements set out below apply ("Risk Takers", including members of the management body in its management function of institutions).
  - 2) All institutions subordinated to Clearstream Group shall conduct risk analysis to identify categories of staff whose professional activities have a material impact on the institution's risk profile and to
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whom the specific requirements set out below apply according to the respective national regulatory requirements, unless exemptions apply.

#### **4.2 Criteria for determining Variable Remuneration**

The Variable Remuneration shall take into account the overall performance of the Clearstream Group, the performance of the areas of responsibility and individual performance contributions. The criteria for determining the Variable Remuneration shall be consistent with the objective of long-term sustainable performance. The majority of targets shall be based on a multi-year performance period. Details are stipulated in the respective Blueprint Remuneration Scheme.

#### **4.3 Deferral of Variable Remuneration**

The pay-out schedules shall be sensitive to the time horizon of risks. In particular in case of Variable Remuneration is paid, due account shall be taken of possible mismatches of performance and risk periods and it shall be ensured that payments are deferred as appropriate. During the deferral period the deferred parts of the Variable Remuneration shall vest yearly on a pro rata basis. Prior to vesting, there is only an entitlement to an accurate determination of the respective part of the Variable Remuneration. Details, in particular the pay-out schedule, are stipulated in the respective Blueprint Remuneration Scheme and the LSI each as applicable from time to time. Exemption limits in accordance with sec. 18 InstitutsVergV may apply.

#### **4.4 Malus adjustment**

Negative Performance Contributions shall result in a reduction (down to 0) of deferred parts of the Variable Remuneration. The Variable Remuneration shall be reduced to 0 in particular if a Risk Taker (i) participated in or was responsible for a conduct that resulted in a significant loss or (ii) did not comply with internal or external provisions on qualification and conduct. A reduction of deferred parts of the Variable Remuneration shall also apply in case of unconscionable conduct and conduct in culpable breach of duty.

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#### **4.5 Link with the Group's long-term performance**

At least 50% of the deferred and non-deferred parts of the Variable Remuneration shall be linked to the Group's long-term performance. For this purpose the corresponding parts of the Variable Remuneration shall be granted in the form of Deutsche Börse AG phantom stocks which are granted under the LSI. Exemptions limits in accordance with sec. 18 InstitutsVergV may apply.