

# **Disclosure Report**

in 2023

of

**LuxCSD S.A.**

This report discloses relevant information on the Remuneration Policy of LuxCSD S.A.

according to

CIRCULAR 10/437 of the Luxembourgish Commission de Surveillance du Secteur Financier (CSSF)

## Preamble

LuxCSD S.A. (in the following referred to as “LuxCSD”) provides Luxembourg's financial community with issuing and central bank settlement as well as custody services for a wide range of securities including investment funds.

LuxCSD's Remuneration Policy (in the following referred to as “Policy”) as framework sets the guiding principles. The Policy is subject to an annual review. The Policy applicable for 2023 can be found in the Annex of this Report.

**Updates of the Remuneration Policy 2023 compared to the previous year 2022 contain editorial changes and clarifications.**

## Compensation Governance

### Information concerning the decision-making process used for determining the remuneration policy

The Board of Directors sets the guiding principles on Remuneration through the Policy in compliance with specific local requirements, while the Comité Exécutif carries the responsibility to implement the Policy and to elaborate respective procedures and practices (please refer to Section 1.2 “Ownership” of the Policy).

### Information about the composition and the mandate of a remuneration committee

The Remuneration Committee of LuxCSD shall be composed of at least two non-executive members of the Board of Directors who shall have expertise in the field of remuneration. The majority of the members and the chairperson shall be independent from the executive members of the Board of Directors. To ensure a separation between the Audit Committee, the Risk Committee and the Remuneration Committee, the chairpersons as well as the majority of their members should be different. The Remuneration Committee shall meet at least once per year. It shall address remuneration related topics and its tasks shall include the following:

- advise the Board of Directors on the remuneration policy, which it shall oversee,
- prepare decisions of the Board of Directors regarding the general principles of remuneration of the employees,
- support the Board of Directors in monitoring the general principles of remuneration, its implementation, appropriateness and compliance with the remuneration policy,
- assess the effects of the remuneration system on the risk, capital and liquidity management as well as ensure that the overall remuneration policy is consistent with the long-term sound and prudent management of the company.

The current members of the Remuneration Committee of LuxCSD are Mr. Jean Guill (Chairperson) and Jens Hachmeister, both non-executive members of the Board of Directors of LuxCSD.

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## **Involvement of external consultants**

The name of the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders shall be disclosed.

In the review of the remuneration policy no external consultants were involved.

## **Remuneration Systems and Principles**

### **Information on the link between pay and performance**

Information on the link between pay and performance are reflected in Sections 3.6 “Individual Performance”, 3.7 “Appraisal process” and especially 4.2 “Criteria for determining Variable Remuneration” as well as 4.3 “Deferral of Variable Remuneration”.

The individual performance measurement is ensured through the respective appraisal system. The appraisal process itself is separated into different process steps. Objectives are, amongst others, in particular to apply transparent rules and to link the performance to business goals but also to a long-term perspective.

In this context, the individual performance shall be determined based on the achievement of a mix of quantitative and qualitative agreed goals, which shall be challenging and ambitious. At least one goal per category must be included.

### **Information on the criteria used for performance measurement and risk adjustment**

Regarding information on the criteria used for performance measurement and risk adjustment, please refer to Sections 3.6 “Individual Performance and 3.7 “Appraisal process” as well as Section 4.4 “Malus and Clawback (ex ante and ex post risk-adjustment)”.

Apart from the appraisal process, Variable Remuneration shall be risk-adjusted. The risk adjustment has ex ante and ex post orientation. Thus, the full amount of Variable Remuneration is subject to an ex ante risk-adjustment and can be reduced down to 0 before the bonus award is made. Malus or clawback arrangements are explicit ex post risk-adjustment mechanisms taking into account future and current risks where the Company itself adjusts remuneration of the identified staff member based on such mechanisms.

### **Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based**

For information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based, please refer to Sections 3.5 “Total Amount of Variable Remuneration” and 3.6 “Individual Performance”.

The individual performance shall be determined based on the achievement of a mix of quantitative and qualitative agreed goals, which shall be challenging and ambitious. The Total Amount of Variable Remuneration must not limit LuxCSD’s ability to sustainably maintain or recover an appropriate capital

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base. If the Company's ability to sustainably maintain or recover an appropriate capital base is limited, no Variable Remuneration is to be granted.

**Main parameters and rationale for any annual bonus scheme and any other non-cash benefits**

The main parameters and rationale for any annual bonus scheme and any other non-cash benefits are described in Section 4.3 "Deferral of Variable Remuneration".

The payout schedules shall be sensitive to the time horizon of risks. In particular in case 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.

**Annex: Remuneration Policy of LuxCSD S.A., Version 1.8, applicable for 2023**

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# Remuneration Policy

## of LuxCSD S.A.

Version 1.8

Internal

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## 1 Introduction

### 1.1 Purpose and objectives of the Policy

The LuxCSD S.A. Remuneration Policy ("Policy") is a central element for the implementation of the Remuneration systems within the Company. The objectives of the Policy are in particular

- to set out the principles governing the Company's Remuneration systems in organisational guidelines,
- to ensure that the Remuneration is in line with the applicable regulations on Remuneration, in particular Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directive 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012, as well as to Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on authorisation, supervisory and operational requirements for central securities depositories ("**CSDR**"), and that this is properly monitored and
- to inform the employees (including employees employed in technology functions and internal control functions such as Risk Management, Compliance, Internal Audit) on the applicable rules as well as on their Remuneration system.

### 1.2 Ownership

The Board of Directors, which acts as management body, sets the guiding principles on Remuneration through the Policy in compliance with specific local requirements, while the Comité Exécutif, which acts as authorized respectively senior management, carries the responsibility to implement the Policy and to elaborate respective procedures and practices.

The Board of Directors of the Company drafts the Policy and organizes its regular review with the assistance of Human Resources and, as deemed necessary, other Control Units or departments at Companies of Deutsche Börse Group to whom the Company has outsourced these functions, as required.

For the purpose of the application for authorisation as Central Securities Depository ("**CSD**") by the Company, a Remuneration Committee is created for the Company and set up by the Board of Directors of the Company. This Remuneration Committee ("**LuxRC**") is responsible for advising the Board of Directors on the Remuneration Policy. The LuxRC deals with Remuneration-related matters within the Company and directly oversees the Remuneration of the officers in charge of the internal Control Units in accordance with the regulatory requirements. Further details with regard to the LuxRC, in particular its composition and tasks/responsibilities, are stipulated in the Board of Directors Internal Rules & Regulations.

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### 1.3 Scope of the Policy

This Policy provides the applicable framework for the design and implementation of the Remuneration systems for the employees of the Company.

Benefits which have no incentive effect with respect to the assumption of risk positions and are granted by means of non-discretionary regulations are not in the scope of this Policy.

### 1.4 Effective date

The Policy becomes effective upon approval by the Board of Directors of the Company with effect from 01.01.2023 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.

### 1.5 Regular review

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

In addition, a central review of the compliance with the regulation, policies, procedures and internal rules and for examination and evaluation of the adequacy and effectiveness of the Policy is performed by the local Internal Audit function once a year. The results of such review shall be made available to the Board of Directors of the Company.

## 2 Definitions

In this Policy

“**Breach of Duty**“ means serious infringements of service agreement provisions or culpable breach of external provisions or internal policies (also on qualification and conduct) and violations of risk limits.

“**Company**“ means LuxCSD S.A.

“**Control Units**“ mean those organisational units within the Companies of Deutsche Börse Group, and to whom LuxCSD has outsourced certain functions, that monitor organisational units which originate business. The relevant internal control functions include Risk Management, Compliance and Internal Audit. For the avoidance of doubt, technology functions are generally not considered as Control Units.

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**"Employee"** means all members of Board of Directors, Comité Exécutif and all employees contracted with the Company irrespective of management level.

**"Fixed Remuneration"** means the portion of Remuneration, which in particular is based on predetermined criteria, non-discretionary, transparent, permanent, not related to performance criteria and does not provide incentives for risk assumption, unilaterally non-revocable, cannot be reduced, suspended or cancelled by the Company.

**"Performance Contributions"** means the actual performance and achievements determined on the basis of Remuneration parameters, of an employee or organisational unit, or the overall performance of a Company, which are used to determine the amount of Variable Remuneration. Performance Contributions can be also negative (for example Breach of Duty or Unconscionable Conduct).

**"Remuneration"** is either Fixed or Variable Remuneration. It means all monetary or monetarily measurable ancillary benefits of any kind as well as benefits from the Company or third parties that an employee 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 a Company-wide, non-discretionary regulation, shall not be considered Remuneration.

**"Remuneration Scheme"** means the framework of the respective general parameters as applicable for the respective year(s) according to which the Variable Remuneration shall be awarded and paid out.

**"Risk Takers"** means categories of employees whose professional activities have a material impact on a Company's risk profile (as set out in chapter 4.1).

**"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 Company's discretion or is dependent on the occurrence of agreed conditions and shall include discretionary contributions to pension schemes.

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

#### **3.1 Consistency with business strategy of LuxCSD**

The Remuneration and principles of this Remuneration Policy shall be in line with the business strategy of the Company, its 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 shall be determined in accordance with the business 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

Employees (including employees employed in Control Units and technology functions and employees monitoring the outsourcing of these functions) 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.

Fixed Remuneration in accordance with the definition set out in chapter two consists of basic Fixed Remuneration and other Fixed Remuneration (such as payments mandatory for employees in the collective agreement).

Basic Fixed Remuneration should primarily reflect and/or take into account:

- relevant professional experience,
- organisational responsibility,
- level of education,
- degree of seniority,
- level of expertise and skills,
- job experience,
- relevant business activity,
- Remuneration level of the geographical location,
- other constraints (e.g., social, economic, cultural or other relevant factors), market and industry practices.

Variable Remuneration is Remuneration such as performance bonus or payments in instruments and should reflect:

- a sustainable and risk adjusted performance, as well as
- performance in excess of that required to fulfil the employee's job description as part of the terms of employment.

The Fixed and Variable Remuneration of the employees who are Members of the Comité Exécutif shall be determined by the Board of Directors of the Company.

The Fixed and Variable Remuneration of all employee groups except for the Members of the Comité Exécutif shall be determined by the Comité Exécutif.

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, an employee receives comprehensive benefits, which have no incentive effect with respect to the assumption of risk positions and are granted by means of non-discretionary regulation. As indicated in 1.3 above, these benefits are not in the scope of this Policy.

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Members of the Board of Directors shall not receive Fixed or Variable Remuneration for their position as Board Members. Members of the Board of Directors are eligible to receive “directors fees”, the amount of which is fixed and therefore not linked to the business performance of the CSD.

### 3.3 Appropriateness of Remuneration

The Remuneration shall be set 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 Company and shall not exceed the appropriate Remuneration without cause.
- 3) The Remuneration Policies and practices shall be gender neutral, i.e., there should be no differentiation between employee of the female, male or diverse genders. It should ensure that all aspects of the remuneration policy are gender neutral, including the award and pay-out conditions for remuneration.
- 4) There shall be an appropriate ratio between the Fixed and the Variable Remuneration. The variable component shall not exceed 100% of the fixed component of the total Remuneration for each individual. The Board of Directors may approve a higher maximum level of the ratio between the fixed and variable components of Remuneration provided the overall level of the variable component shall not exceed 200% of the fixed component of the total Remuneration for each individual, if national regulatory requirements allow such approval.
- 5) The Variable Remuneration shall take into account the overall performance of the Company, 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. In addition, any Breach of Duty or Unconscionable Conduct shall be taken into consideration in the determination of individual Variable Remuneration.
- 6) Guaranteed Variable Remuneration is exceptional and is only allowed in connection with the hiring and is limited to a period of maximum one year. Payment of the Guaranteed Variable Remuneration should generally be part of the regular merit process.
- 7) 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 misbehaviour. There should not be any significant contractual severance entitlements which are not diminished by individual negative Performance Contributions.
- 8) Retention awards, for the purpose of retaining employees at the Company, are only granted in exceptional situations (e.g., change of control).
- 9) 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 Company.
- 10) The Remuneration of employees in Control Units or monitoring the outsourced Control Units shall be designed with respect to their function. Therefore, the
  - a. Remuneration level of employees in the Control Units should allow to employ qualified and experienced employees in these functions,
  - b. method of determining the Remuneration of the relevant employees involved in the Control Units must not compromise their objectivity or be likely to do so, employees engaged in Control Units must be independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control,

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- c. mix of Fixed and Variable Remuneration for employees in Control Units should be weighted in favour of Fixed Remuneration. Therefore, the Fixed Remuneration shall in any case be the predominant part of the total Remuneration. An only Fixed Remuneration is permissible.

### 3.4 Avoidance of Conflicts of Interest

Conflicts of Interest with relevance for Remuneration can arise in situations in which the interests of one party interfere with (or appear to interfere with) the interests of another party, impairing its ability to act fairly and ethically. The Company is subject to a framework aiming at preventing and dealing with Conflicts of Interest. All employees have to respect the related "Policy on Conflicts of Interest" at all times.

Therefore, the Company shall avoid Conflicts of Interest and take up measures to mitigate such risks.

Conflicts of Interest may arise either through

I. the establishment/implementation of the Policy or related processes, e.g.:

- during the determination of the level of Remuneration,
- decisions on or award of Variable Remuneration (e.g., hiding of information with the aim to increase final bonus amounts),
- decisions on parameters for Remuneration (e.g., determination of final bonus),
- determination of target achievement on Company, area of responsibility or individual level (e.g., misuse of information for determination of level of achievement of a key performance indicator),
- assessment of performance criteria and Remuneration parameters during the appraisal process (e.g., increase of target achievement in order to increase budget for Variable Remuneration of the respective employee group),

or through

II. acts or omissions, which might have a Remuneration-specific relation, but which are governed also by policies and processes implemented and enforced by further Control Units, e.g.

- use of insider information,
- short-term profits at the cost of long-term, sustainable performance,
- encouragement to excessive risk-taking,
- circumvention of intended effects of risk-aligned Remuneration systems,
- limited objectivity of Control Units.

In order to avoid or to mitigate potential or actual Conflicts of Interest, the Company shall ensure the implementation of the following mitigating measures, e.g. (non-exhaustive, with indication to address the above under I. mentioned potential Conflicts of Interest):

- a sufficient level of transparency (e.g., information on relevant parameters of the Remuneration systems in the respective service contracts, bonus letters),
  - a sufficient level of objectivity, e.g.
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- review of goal achievements in Performance Panels,
  - the use of qualitative and quantitative goals,
  - technical support of Remuneration related processes, e.g.
    - use of control steps via merit tools, e.g., budget approval and reading rights of bonus proposals of line managers above,
    - implementation of check boxes for regulatory requirements on goal setting in the appraisal system,
    - calculation of bonus amounts and check of compliance with Remuneration rules (e.g., bonus cap or maximum amounts) via merit tool,
  - involvement of neutral third person/party, e.g.
    - in the involvement in the determination of the final bonus amounts,
    - in the involvement with regard to the design and implementation of the Remuneration systems,
    - Remuneration Committee involvement (where relevant) with regard to the assessment of the appropriateness of the Remuneration systems, derivation of total amount of Variable Remuneration, monitoring the Remuneration of the officer in charge of Control Units, especially Risk Management and Compliance, and Risk Takers,
    - four eyes principle during the operation of the bonus process.

The following mitigating measures would be aligned with other internal functions e.g. (non-exhaustive, with indication to address the above under II. mentioned potential Conflicts of Interest):

- the alignment of relevant components of the Remuneration system with insider trading rules, e.g.
  - in case of use of real share instruments within the Remuneration system,
- the implementation of ex-ante as well as ex-post risk adjustment mechanisms, e.g.
  - risk adjustment in the yearly process for determination of Variable Remuneration,
  - malus/clawback process (including consideration of violation of risk limits),
- check of occurrence of personal knockouts or significant negative Performance Contributions (malus/clawback conditions) through malus/clawback process, e.g.
  - assessment of malus/clawback conditions,
  - assessment by line manager via malus assessment tool in the appraisal tool,
- the avoidance of significant dependency on Variable Remuneration (especially for Control Units).

### 3.5 Total Amount of Variable Remuneration

The Total Amount of Variable Remuneration must not limit the Company's ability to sustainably maintain or recover an appropriate capital base. If the Company's ability to sustainably maintain or recover an appropriate capital base is limited, no Variable Remuneration is to be granted. The determination of the Total Amount of the Variable Remuneration shall take due account of the

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short-, mid- and long-term financial situation, take into account current and future risks, cost of capital employed and liquidity required of the Company.

### **3.6 Individual performance**

The individual performance shall be determined based on the achievement of a mix of quantitative and qualitative agreed goals, which shall be challenging and ambitious. At least one goal per category must be included. The goals shall reflect the long-term interests of the Company.

Negative Performance Contributions resulting from Unconscionable Conduct or other misbehaviour shall not be compensated by positive Performance Contributions and must result in a reduction or full forfeiture of Variable Remuneration (down to 0).

Performance is based on annual targets which are documented and tracked in the respective appraisal system. The performance assessment is executed by the respective superior.

### **3.7 Appraisal process**

- 1) The individual performance measurement is ensured through the respective appraisal system.
- 2) The appraisal process consists of the following steps:
  - at the beginning of each year, the manager and the appraisee agree on three to five goals for the respective year and these are entered in the respective appraisal system,
  - towards the end of the year, the manager assesses the level of goal achievement for each goal in the respective appraisal system,
  - at the end of the year, the line manager gives feedback to the appraisee on the level of goal achievement.

Further details on the appraisal process are set out in the respective guidance on target setting and in the respective appraisal system itself and for Risk Takers additionally in the respective Remuneration Schemes.

- 3) Objectives of the process are to
    - apply transparent rules,
    - set challenging and ambitious goals 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,
    - avoid any Conflicts of Interests of employees making the judgement.
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### 3.8 Information

Employees shall have access to this Remuneration Policy and provided with the Remuneration Scheme for Risk Takers as applicable for the respective performance period.

### 3.9 Publication

The disclosure requirements on Remuneration in accordance with CSSF Circular 10/437, e.g., the general design (in particular the parameters, the decision-making process used for determining the Policy, information on the link between performance and pay, composition of Remuneration, information on the performance criteria relevant for Variable Remuneration elements, involvement of external consultants and stakeholders, composition and mandate of LuxRC) shall be published on the internet.

## 4 Rules on Remuneration systems for Risk Takers

### 4.1 Risk Analysis

The Company shall annually conduct a risk analysis to identify categories of employees whose professional activities have a material impact on the Company's risk profile and to whom the specific requirements set out apply ("**Risk Takers**"). The risk analysis covers all employees of the Company and other employees who render services to the Company according to outsourcing agreements. An employee is deemed to be identified as Risk Taker, amongst others, especially if one of the criteria below are met, which are derived from the Committee of the European Banking Supervisors (CEBS) Guidelines on Remuneration Policies and Practices in line with the Company's business model e.g.:

- All members of the Board of Directors,
- All members of the Comité Exécutif,
- Senior Managers responsible for the day-to-day management,
- Employees responsible for heading Control Units such as Compliance, Risk Management and Internal Audit,
- Employees exerting influence on the Company's risk profile including persons capable of entering into contracts/positions and taking decisions that affect the risk positions of the Company,
- Employees identified via quantitative criteria, e.g., an employee whose Remuneration exceeds criteria set out by regulation and deemed to have a material impact on the Company's risk profile.

For the avoidance of doubt, in line with legal requirements, the members of the Board of Directors and Comité Exécutif are identified as Risk Takers. The deferral period and the level of deferral are appropriately aligned with the impact on the Company's risk profile.

### 4.2 Criteria for determining Variable Remuneration

The Variable Remuneration shall take into account the overall performance of the Company (derived from segment) and DB Group, the performance of the areas of responsibility and individual Performance Contributions. The allocation of the Variable

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Remuneration components within the Company shall also take into account all types of current and future risks. When assessing individual performance, financial and non-financial criteria are taken into account. Further, for the assessment of the performance a multi-year framework may apply. The criteria for determining the Variable Remuneration shall be consistent with the objective of long-term sustainable performance.

### 4.3 Deferral of Variable Remuneration

The payout schedules shall be sensitive to the time horizon of risks. In particular in case 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. The deferral rule applies in case that the Variable Remuneration equals or exceeds the current applicable exemption limit of EUR 50,000.00 (in line with regulatory requirements) or in case that the Variable Remuneration is below EUR 50,000.00, but represents more than one third of the total annual Remuneration.

If the deferral rule applies, at least 40% respectively 60% (depending on the category of Risk Taker or in case of a Variable Remuneration of a particular high amount) of the Variable Remuneration component shall be deferred over a period, which is not less than four to five years. Remuneration payable shall vest no faster than 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 Remuneration Scheme each as applicable for the respective year(s).

As there could be cases where the activity of one employee may have a higher material impact on the risk profile of the Company given the particular individual's job function respectively individual risk assessment, even though the Remuneration is not material, the exemption limit shall not be applied automatically and generally. This neutralisation on the level of the individual relates to the payout of parts of Variable Remuneration, to the deferral of parts of the Variable Remuneration and to the ex-post incorporation of risk (malus and clawback) and takes into consideration the individual's particular job function.

### 4.4 Malus and Clawback (ex-ante and ex-post risk adjustment)

The Company shall install ex-ante and ex-post risk adjustment measures of Variable Remuneration. The criteria and details are set out in the respective applicable Remuneration Scheme.

#### 1) Ex-ante risk adjustment

The full amount of Variable Remuneration is subject to an ex-ante risk adjustment and can be reduced down to 0 before the award of Variable Remuneration is made.

Negative deviations of agreed targets (on individual level or on level of area/team), Breach of Duty and Unconscionable Conduct shall lead to a reduction of 1-100% of the Variable Remuneration (100% means no award of Variable Remuneration). The reduction shall not be compensated by positive Performance Contributions.

No award of Variable Remuneration shall be made if a Risk Taker (i) participated in or was responsible for a severe misdetermination or an error or severe conduct that resulted in a significant loss or significant regulatory sanction, (ii) did not comply with internal or external provisions on qualification and conduct that resulted in a significant loss or significant regulatory sanction, or (iii) made a severe Unconscionable Conduct or severe culpable Breach of Duty.

#### 2) Ex-post risk adjustment

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Malus or clawback arrangements are explicit ex-post risk adjustment mechanisms taking into account future and current risks where the Company itself adjusts Remuneration of the Risk Taker based on such mechanisms.

Malus or clawback arrangements are subject to national legal implementation act; the criteria and details are set out in the respective applicable rules on Remuneration. The Company can apply malus (reduction or forfeiture of deferred parts of Variable Remuneration) or clawback (claim back on already paid out instalments of Variable Remuneration) arrangements up to 100% of the total Variable Remuneration regardless of the method used for the payment, including deferral or retention arrangements.

Retroactively observed negative deviations (on individual level or on level of area/team) of the previously measured target achievement, Breach of Duty and Unconscionable Conduct shall lead to a reduction of 1-100% of the deferred parts of Variable Remuneration (100% means full forfeiture of deferred parts of Variable Remuneration).

Full forfeiture of the deferred parts and clawback on already paid out parts of Variable Remuneration shall be made if a Risk Taker (i) participated in or was responsible for a severe misdetermination or an error or severe conduct that resulted in a significant loss or significant regulatory sanction, (ii) did not comply with internal or external provisions on qualification and conduct that resulted in a significant loss or significant regulatory sanction, or (iii) made a severe Unconscionable Conduct or severe culpable Breach of Duty.

In case of a reduction (especially full reduction), the Company may make use of clawback arrangement regarding Variable Remuneration for the related period. The period for application of malus and clawback arrangements expires two years after the expiration of the deferral period of Variable Remuneration, as defined in the Risk Taker pay-out scheme. Clawback on already paid out Variable Remuneration is applied on net basis.

The Heads of Human Resources, Internal Audit, Compliance and Risk Management assess potential malus or clawback adjustments to ensure cross-comparison and equal treatment of the cases. The respective decision-making body of the Company with the assessed case is responsible for the decision in case of Variable Remuneration forfeiture or reduction.

## **5 Confidentiality**

This Policy shall be published internally and externally if applicable in an appropriate manner.

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