



DEUTSCHE BÖRSE
GROUP

www.deutsche-boerse.com

Financial report 2016

Excerpt: corporate governance declaration



Corporate governance declaration

The corporate governance declaration in accordance with section 289a of the Handelsgesetzbuch (HGB, German Commercial Code) is part of the combined management report. In this declaration, the Executive Board and Supervisory Boards of Deutsche Börse AG report on the following: the declaration of conformity in accordance with section 161 of the Aktiengesetz (AktG, German Stock Corporation Act), relevant information on corporate governance practices, the Executive and Supervisory Boards' working practices and the composition and working practices of their committees, and the quotas for women established in accordance with sections 76 (4) and 111 (5) of the AktG.

Declaration of conformity in accordance with section 161 of the AktG

On 8 December 2016, the Executive Board and Supervisory Board of Deutsche Börse AG issued the following declaration of conformity:

“Declaration of Conformity regarding the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act

The following declaration of conformity refers to the version of the German Corporate Governance Code (GCGC) as of 5 May 2015, published in the Federal Gazette on 12 June 2015.

The Executive Board and the Supervisory Board of Deutsche Börse AG declare that the recommendations of the GCGC have been met almost completely and will be met with only few deviations. For details, please see below:

1. Agreement of severance payment caps when concluding Executive Board contracts (no. 4.2.3 (4) GCGC)

Severance payment caps agreed upon in all current contracts with the members of the Executive Board complied and will continue to comply with the recommendation no. 4.2.3 (4) GCGC. As in the past, however, the Supervisory Board reserves the right to deviate from no. 4.2.3 (4) GCGC in the future under certain circumstances. The Supervisory Board is of the opinion that a deviation may become necessary in extraordinary cases.

2. Cap on total amount of compensations (no. 4.2.3 (2) (sentence 6) GCGC) and disclosure in the compensation report (no. 4.2.5 (3) GCGC)

No. 4.2.3 (2) (sentence 6) GCGC recommends that the amount of management compensation shall be capped, both overall and for individual components. Deutsche Börse AG deviated and will deviate from this recommendation.

Effective as of 1 January 2016, a new compensation system was implemented for the Executive Board of Deutsche Börse AG. This was also approved by the Annual General Meeting on 11 May 2016. The long-term variable compensation elements within the framework of this new compensation system are share-based. Even though a cap is provided in relation to the number of shares which are allocated to the members of the Executive Board, no cap is foreseen on the maximum achievable bonus amount as the development of the share price remains uncapped. In our opinion, a cap on the achievable amount would be inconsistent with the rationale of a share-based compensation system which aims to achieve an adequate participation in the economic risks and chances of the company by the members of the Executive Board.

No. 4.2.5 (3) (subitem 1) GCGC recommends, inter alia, to present the maximum achievable compensation for variable compensation components in the remuneration report. As there will be no cap in relation to the share-based variable compensation components, the maximum achievable compensation cannot be presented as recommended in no. 4.2.5 (3) (subitem 1) GCGC. Therefore, the deviation from the Code results from the fact that there is no cap on the maximum achievable compensation.”

The annual declaration of conformity in accordance with section 161 of the AktG is also available online at www.deutsche-boerse.com/declconformity. The declarations of conformity for the previous five years can also be found there.

Information on corporate governance practices

Conduct policies

Deutsche Börse Group’s global orientation means that binding policies and standards of behaviour must apply at all of its locations around the world. The main aims of our principles for cooperation are to ensure responsibility, respect and mutual esteem. We also adhere to these principles when implementing the Group’s business model. Communication with customers, investors, employees and the public is based on timely information and transparency. In addition to focusing on generating a profit, Deutsche Börse Group’s business is managed in accordance with recognised standards of social responsibility.

Group-wide code of ethics

Acting responsibly means having values that are shared by all employees throughout the Group. The code of ethics adopted by the Executive Board, which is applicable throughout the Group, lays the foundations for this by setting minimum ethical and legal standards. It is binding both on members of the Executive Board and on all other executives and employees within the Group. In addition to specifying concrete rules, it provides general guidance as to how employees can contribute to putting the values it sets out into practice in the course of their daily work. The aim of the code of ethics is to provide guidance on working together in the company on a day-to-day basis, to help resolve any conflicts and to resolve ethical and legal challenges. The code of ethics for Deutsche Börse Group employees can be found at www.deutsche-boerse.com > Sustainability > Set an example > Employees > Code of ethics.

Code of conduct for suppliers and service providers

Deutsche Börse Group demands that high standards are met not only by its management and its employees, but also by its suppliers. The Group’s code of conduct for suppliers and service providers requires them to respect human rights and employee rights, and to comply with minimum standards. It was amended in 2016 to implement a resolution of the Executive Board incorporating the requirements of the UK’s Modern Slavery Act, which applies to all companies doing business in the United Kingdom. Most suppliers have signed up to these conditions, and all other key suppliers have made voluntary commitments that correspond to or in fact exceed Deutsche Börse Group’s standards. Service providers and suppliers must sign up to the code or enter into an equivalent voluntary commitment before they can do business with Deutsche Börse Group. The code is regularly reviewed in the light of current developments and amended as necessary. The code of conduct for suppliers and service providers can be found online at www.deutsche-boerse.com > Sustainability > Set an example > Procurement management.

Values

Deutsche Börse Group's business activities are based on the legal frameworks and ethical standards of the different countries in which it operates. A key way in which the Group underscores the values which it considers important is by joining initiatives and organisations advocating generally accepted ethical standards. Relevant memberships are as follows:

United Nations Global Compact www.unglobalcompact.org:

This voluntary business initiative established by the United Nations aims to achieve a more sustainable and more equitable global economy. At the heart of the compact are ten principles covering the areas of human rights, labour, the environment and anti-corruption. Deutsche Börse Group has submitted annual progress reports on its implementation of the UN Global Compact since 2009.

Diversity Charter www.diversity-charter.com: As a signatory to the Diversity Charter, the company has committed to acknowledging, respecting and promoting the diversity of its workforce, customers and business associates – irrespective of their age, gender, disability, race, religion, nationality, ethnic background, sexual orientation or identity.

International Labour Organisation www.ilo.org:

This UN agency is the international organisation responsible for drawing up and overseeing international labour standards; it brings together representatives of governments, employees and employers to jointly shape policies and programmes. Deutsche Börse Group has signed up to the ILO's labour standards and hence agreed to abide by them.

The German Sustainability Code www.nachhaltigkeitsrat.de/en/home:

The German Council for Sustainable Development formally adopts the German Sustainability Code and recommends that the political and business communities make extensive use of this voluntary instrument. Deutsche Börse Group has published an annual declaration of conformity with the German Sustainability Code since 2011.

Sector-specific policies

Deutsche Börse Group's pivotal role in the financial sector requires that it handles information, and especially sensitive data and facts, responsibly. A number of rules are in force in the Group to ensure that employees comply with this. These cover both legal requirements and special policies applicable to the relevant industry segments, such as the whistleblowing system and risk and control management policies.

Whistleblowing system

Deutsche Börse Group's whistleblowing system gives employees and external service providers an opportunity to report non-compliant behaviour. Deutsche Börse Group has engaged Deloitte & Touche to act as an external ombudsman and to receive any such information submitted by phone or e-mail. Whistleblowers' identities are not revealed to Deutsche Börse Group.

Risk and control management policies

Functioning control systems are an important part of stable business processes. Deutsche Börse Group's enterprise-wide control systems are embedded in an overarching framework. This comprises the legal requirements, the recommendations of the German Corporate Governance Code, international regulations and recommendations, and other company-specific policies, among other things. The executives responsible for the different elements of the control system are in close contact with each other and with the Executive Board, and report regularly to the Supervisory Board or its committees. Equally, the Group has an enterprise-wide risk management system that covers, and provides mandatory rules for, functions, processes and responsibilities. Details of the internal control system and risk management at Deutsche Börse Group can be found in the ["Internal management"](#) and ["Risk report"](#) sections.

Executive Board and Supervisory Board working practices

The German Stock Corporation Act enshrines the dual board system – which assigns separate, independent responsibilities to the Executive Board and the Supervisory Board – as a fundamental principle. These responsibilities are set out in detail in the following sections.

Both boards perform their duties in the interests of the company and with the aim of achieving a sustainable increase in value. Their actions are based on the principle of good corporate governance. As a result, Deutsche Börse AG's Executive Board and Supervisory Board work closely together in a spirit of mutual trust, with the Executive Board providing the Supervisory Board with comprehensive information on the course of business in a regular and timely manner. In addition, the Executive Board regularly informs the Supervisory Board of all issues relating to corporate planning, the company's business performance, the risk situation and risk management, compliance, and the company's control systems. The Chief Executive Officer (CEO) reports to the Supervisory Board without undue delay, orally or in writing, on matters that are of special importance to the company. The company's strategic orientation is examined in detail with the Supervisory Board and agreed with it, and implementation of the relevant measures is discussed at regular intervals. In particular, the chairmen of the two boards are in regular contact and discuss the company's strategy, business performance and risk management. The Supervisory Board can also request reports from the Executive Board at any time, especially on matters relating to Deutsche Börse AG and on business transactions at subsidiaries that could have a significant impact on Deutsche Börse AG's position.

Deutsche Börse AG's Executive Board

The Executive Board manages Deutsche Börse AG and Deutsche Börse Group. The Board had five members in the reporting period. The main duties of the Executive Board include defining the Group's corporate goals and strategic orientation, managing and monitoring the operating units, and establishing and monitoring an efficient risk management system. The Executive Board is responsible for preparing the consolidated and annual financial statements of Deutsche Börse AG as well as for producing financial information during the year. In addition, it must ensure compliance with legal requirements and official regulations.

The members of the Executive Board are jointly responsible for all aspects of management. Irrespective of this collective responsibility, the individual members manage the areas of the company assigned to them in the Executive Board's schedule of responsibilities independently, and are personally responsible for them. In addition to the business areas, there are two functional areas of responsibility – that of the CEO and that of the Chief Financial Officer (CFO). The business areas cover the operating areas, such as the company's cash market activities and the derivatives business, securities settlement and custody, information technology and the market data business. The responsibilities within the Executive Board were reorganised effective 1 January 2016 so as to bundle areas of responsibility and related issues, and to enhance client orientation. Apart from the existing CEO and CFO functions, the following three divisions were established: (1) Clients, Products & Core Markets, (2) IT & Operations, Data & New Asset Classes, and (3) Cash Market, Pre-IPO & Growth Financing. Details can be found in the [“Overview of Deutsche Börse Group – Organisational structure”](#) section.

Further details of the Executive Board's work are set out in the bylaws that the Supervisory Board has resolved for the Executive Board. Among other things, these list issues that are reserved for the full Executive Board, special measures requiring the approval of the Supervisory Board, and other procedural details and the arrangements for passing resolutions. The Executive Board holds regular board meetings; these are convened by the CEO, who coordinates the Executive Board's work. Any Executive Board member can require a meeting to be convened. In accordance with its bylaws, the full Executive Board normally takes decisions on the basis of resolutions passed by a simple majority of the members voting on them in each case. If a vote is tied, the CEO has the casting vote. The CEO also has a right of veto, although he cannot enforce a resolution against a majority vote.

More information on the Executive Board, its composition, and members' individual appointments and biographies can be found at www.deutsche-boerse.com/execboard.

Deutsche Börse AG's Supervisory Board

The Supervisory Board supervises and advises the Executive Board in its management of the company. It supports the Executive Board in significant business decisions and provides assistance on strategically important issues. The Supervisory Board has specified measures requiring its approval in the bylaws for the Executive Board. In addition, the Supervisory Board is responsible for appointing the members of the Executive Board, for deciding on their total remuneration and for examining Deutsche Börse AG's consolidated and annual financial statements. Details of the Supervisory Board's work in financial year 2016 can be found in the [report of the Supervisory Board](#).

The Supervisory Board consists of twelve members, two-thirds of whom are shareholder representatives and one-third of whom are employee representatives. The term of office for shareholder and employee representatives on the current Supervisory Board is identical. It lasts three years, and ends at the Annual General Meeting in 2018.

The Supervisory Board holds at least six regular meetings every year. In addition, extraordinary meetings are held as required. The committees also hold regular meetings. The Supervisory Board passes its resolutions by a simple majority. If a vote is tied, the Chairman has the casting vote. In addition, the Supervisory Board regularly reviews the efficiency of its work, discusses potential areas for improvement, and resolves suitable measures where necessary.

The Supervisory Board has resolved a list of requirements for its composition along with concrete goals. Detailed information on the profile for the Supervisory Board's composition can be found in the [corporate governance report](#).

Supervisory Board committees and their working practices

The Supervisory Board's goal in establishing committees is to improve the efficiency of its work by examining complex matters in smaller groups that prepare them for the full Supervisory Board. Additionally, the Supervisory Board has delegated individual decision-making powers to the committees to the extent that this is legally permissible. The Supervisory Board had six committees during the reporting period. Their individual responsibilities are outlined in the Supervisory Board's bylaws. The committees' rules of procedure correspond to those for the full Supervisory Board. Details of the duties and members of the individual committees can be found online at www.deutsche-boerse.com > Investor Relations > Corporate Governance > Supervisory Board > Committees.

The individual committee chairs report to the plenary meeting about the subjects addressed, and resolutions passed, in the committee meetings. Information on the Supervisory Board's concrete work and meetings in the reporting period can be found in the [report of the Supervisory Board](#).

More information on the Supervisory Board and its committees, the individual members and their appointments and biographies, can be found at www.deutsche-boerse.com/supervboard.

Target figures for women in management positions

In accordance with the Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst (FührposGleichberG, German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors), Deutsche Börse AG's Supervisory Board and Executive Board have defined target quotas for women on these boards and for the two management levels directly beneath the Executive Board; these quotas apply in all cases to Deutsche Börse AG.

At the time when the targets for Deutsche Börse AG's Supervisory Board and Executive Board were set, 33.33 per cent of Supervisory Board members were women, while the figure for the Executive Board was 20 per cent. In view of this, the Supervisory Board resolved on 16 June 2015 that the current proportion of female members of the Supervisory Board (33.33 per cent) and the Executive Board (20 per cent) should be maintained as a minimum requirement until the end of the implementation period (30 June 2017). Following the end of the 2016 Annual General Meeting, the proportion of women members on the Supervisory Board exceeded this minimum requirement and amounted to 41.67 per cent. The proportion of female Executive Board members remained unchanged, at 20 per cent.

The proportion of women in management positions at the two levels directly beneath Deutsche Börse AG's Executive Board amounted to 6 per cent (level 1) and 10 per cent (level 2) on 15 September 2015, the date when the Executive Board defined the relevant targets. At that time, the Executive Board resolved that the then current proportions of women on these executive levels (i.e. 6 per cent for level 1 and 10 per cent for level 2) should be maintained as a minimum requirement until 30 June 2017. As at 31 December 2016, women in management positions at these two levels accounted for 10 per cent and 11 per cent respectively. Please refer to the ["Non-financial key performance indicators – Target female quotas adopted"](#) section for further information on Deutsche Börse AG's targets for women in management positions and the voluntary commitment it made as part of its non-financial key performance indicators.

Supervisory Board committees in 2016

Composition and responsibilities

Audit Committee

Members	Composition
<ul style="list-style-type: none"> ▪ Erhard Schipporeit (Chairman) ▪ Karl-Heinz Flöther ▪ Monica Mächler ▪ Johannes Witt 	<ul style="list-style-type: none"> ▪ at least four members, who are elected by the Supervisory Board ▪ prerequisites for the chair of the committee: the person concerned must be independent and must have specialist knowledge and experience of applying accounting principles and internal control processes (financial expert) ▪ persons who cannot chair the committee: the Chairman of the Supervisory Board; former members of the company's Executive Board whose appointment ended less than two years ago
	Responsibilities
	<ul style="list-style-type: none"> ▪ handles issues relating to the preparation of the annual budget and financial topics, particularly capital management ▪ handles issues relating to the adequacy and effectiveness of the company's control systems, and in particular to risk management, compliance and internal auditing ▪ audit reports ▪ handles accounting issues, including the oversight of the accounting and reporting process ▪ half-yearly financial report and any quarterly financial reports, if applicable ▪ examines the annual financial statements, the consolidated financial statements and the combined management report, discusses the audit report with the auditor and prepares the Supervisory Board's resolutions adopting the annual financial statements and approving the consolidated financial statements, as well as the resolution on the Executive Board's proposal on the appropriation of the unappropriated surplus ▪ prepares the Supervisory Board's recommendation to the Annual General Meeting on the election of the auditor of the annual financial statements, the consolidated financial statements and the half-yearly financial report, to the extent that the latter is audited or reviewed by an auditor, and makes corresponding recommendations to the Supervisory Board ▪ ensures the obligatory independence of the external auditors ▪ non-audit services provided by the auditor ▪ issues the engagement letter to the auditor, including in particular the review or audit of half-yearly financial reports, and determines the areas of emphasis for the audit and the audit fee ▪ prepares the Supervisory Board's resolution approving the declaration of conformity in accordance with section 161 of the AktG, and the corporate governance declaration in accordance with section 289a of the HGB

Nomination Committee

Members	Composition
<ul style="list-style-type: none"> ▪ Joachim Faber (Chairman) ▪ Ann-Kristin Achleitner (since 11 May 2016) ▪ Gerhard Roggemann (until 11 May 2016) ▪ Amy Yip 	<ul style="list-style-type: none"> ▪ the Chairman of the Personnel Committee also chairs the Nomination Committee ▪ at least two other members (solely shareholder representatives who are also members of the Personnel Committee)
	Responsibilities
	<ul style="list-style-type: none"> ▪ proposes suitable candidates to the Supervisory Board for inclusion in the Supervisory Board's election proposal to the Annual General Meeting

Personnel Committee

Members	Composition
<ul style="list-style-type: none"> ▪ Joachim Faber (Chairman) ▪ Ann-Kristin Achleitner (since 11 May 2016) ▪ Marion Fornoff ▪ Gerhard Roggemann (until 11 May 2016) ▪ Amy Yip 	<ul style="list-style-type: none"> ▪ chairman of the Supervisory Board as committee chairman ▪ at least three other members, who are elected by the Supervisory Board and one of whom must be an employee representative
	Responsibilities
	<ul style="list-style-type: none"> ▪ handles issues relating to the contracts of service for Executive Board members, and in particular to the structure and amount of their remuneration ▪ addresses succession planning for the Executive Board ▪ approves appointments of members of Deutsche Börse AG's Executive Board to other executive boards, supervisory boards, advisory boards and similar boards, as well as honorary appointments and sideline activities, and approves any exemptions from the requirement to obtain approval ▪ approves the grant or revocation of general powers of attorney ▪ approves cases in which the Executive Board grants employees retirement pensions or other individually negotiated retirement benefits, or proposes to enter into works agreements establishing pension plans

Risk Committee

Members	Composition
<ul style="list-style-type: none"> ▪ Richard Berliand (Chairman) ▪ Monica Mächler ▪ Erhard Schipporeit ▪ Jutta Stuhlfauth 	<ul style="list-style-type: none"> ▪ at least four members, who are elected by the Supervisory Board
	Responsibilities
	<ul style="list-style-type: none"> ▪ reviews the risk management framework, including the overall risk strategy and risk appetite, and the risk roadmap ▪ takes note of and reviews the periodic risk management and compliance reports ▪ oversees monitoring of the Group's operational, financial and business risks ▪ discusses the annual reports on significant risks and on the risk management systems at regulated Group entities, to the extent legally permissible

Strategy Committee

Members	Composition
<ul style="list-style-type: none"> ▪ Joachim Faber (Chairman) ▪ Ann-Kristin Achleitner (since 11 May 2016) ▪ Richard Berliand ▪ Hans-Peter Gabe ▪ Gerhard Roggemann (until 11 May 2016) ▪ Jutta Stuhlfauth ▪ Amy Yip 	<ul style="list-style-type: none"> ▪ chairman of the Supervisory Board as committee chairman ▪ at least five other members, who are elected by the Supervisory Board
	Responsibilities
	<ul style="list-style-type: none"> ▪ advises the Executive Board on matters of strategic importance to the company and its affiliates ▪ addresses fundamental strategic and business issues, as well as important projects for Deutsche Börse Group

Technology Committee

Members	Composition
<ul style="list-style-type: none"> ▪ Richard Berliand (Chairman) ▪ Karl-Heinz Flöther ▪ Craig Heimark ▪ Johannes Witt 	<ul style="list-style-type: none"> ▪ at least three members, who are elected by the Supervisory Board
	Responsibilities
	<ul style="list-style-type: none"> ▪ supports the Supervisory Board in meeting its supervisory duties with respect to the information technology used to execute the Group's business strategy, and with respect to information security ▪ advises on IT strategy and architecture ▪ oversees monitoring of technological innovations, the provision of IT services, the technical performance and stability of the IT systems, operational IT risks, and information security services and risks

Acknowledgements

Published by

Deutsche Börse AG
60485 Frankfurt/Main
Germany
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Concept and layout

Lesmo GmbH & Co. KG, Dusseldorf
Deutsche Börse AG, Frankfurt/Main

Photographs

Thorsten Jansen (title, portrait Joachim Faber)
Jörg Baumann (Executive Board)
Laurence Chaperon (portrait Carsten Kengeter)

Financial reporting system

Combined management report, consolidated financial statements and notes produced in-house using firesys and SmartNotes.

Printed by

Kunst- und Werbedruck, Bad Oeynhausen

Publication date

21 March 2017

The German version of this report is legally binding. The company cannot be held responsible for any misunderstanding or misinterpretation arising from this translation.

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We would like to thank all colleagues and service providers who participated in the compilation of this report for their friendly support.

Publications service

The Annual 2016 and the financial report 2016 are both available in German and English.

Order numbers

1000–4701 (German Annual)
1000–4702 (German financial report)
1010–4703 (English Annual)
1010–4704 (English financial report)

The corporate report 2016 of Deutsche Börse Group is available here:

as pdf, html version and in a document library app on the internet:
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as print version at Deutsche Börse Group's publication hotline:

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