

# **Remuneration report for financial year 2011**

**DekaBank-Group**



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## 1. Introduction

DekaBank successfully implemented the supervisory regulations on remuneration systems adopted in 2009 and 2010 at national and European level as early as 2010. Comprehensive changes were not therefore required in 2011. The tried and tested remuneration models were continuously reviewed as part of the existing compensation governance processes and further developed where required. For this purpose, DekaBank works in close cooperation with the competent supervisory authorities, external advisers and other market players.

In view of its international presence, DekaBank is obliged to implement legal standards regarding the structure of remuneration systems under different legal systems. The present remuneration report for 2011 fulfils the disclosure requirements for the following Group companies (hereinafter comprehensively referred to as the **"DekaBank Group"**):

- DekaBank Deutsche Girozentrale (hereinafter referred to as **"DekaBank"**) including its subsidiary in Luxembourg in accordance with the German supervisory regulations governing remuneration for banks (Instituts-Vergütungsverordnung, InstitutsVergV) of 13 October 2010
- DekaBank Deutsche Girozentrale Luxembourg S.A. in accordance with circulars 10/496 of 22 December 2010 and 11/505 of 11 March 2011 from the Luxembourg financial services authority CSSF (*Commission de Surveillance du Secteur Financier*)
- Deka International S.A. in accordance with circular 10/437 from the CSSF of 1 February 2010.

## 2. Remuneration philosophy and principles

A key element of the DekaBank Group's remuneration philosophy is that remuneration systems must consistently be geared to the strategic corporate goals while bringing into line the interests of our shareholders and employees. The performance-based remuneration system in the DekaBank Group motivates our employees to fully exploit their own potential and together deliver a top performance, in order to contribute to the Bank's success. At the DekaBank Group, the motivation to achieve an outstanding performance goes hand in hand with a strong profit-driven culture that rewards and promotes on a targeted basis the individual performance and strengths of employees as well as a high level of commitment.

An equally important key factor of the DekaBank Group's remuneration philosophy is sustainability and risk-orientation in granting remuneration. This aspect has also become more important in recent years because of the developments in the regulatory environment.

In accordance with this remuneration philosophy, the DekaBank Group has developed the following basic principles for structuring its remuneration system.

The DekaBank Group's remuneration system will:

- take into account profitability as well as risk and capital costs of the DekaBank Group,
- secure the sustained and future performance and earnings power of the DekaBank Group,
- offer employees of the DekaBank Group an attractive and competitive incentive system,
- promote long-term thinking and a responsible approach by employees,
- prevent incentives for employees to take on excessive risk positions,

- ensure that the DekaBank Group will continue to be in a position to recruit and retain highly qualified and talented employees in the future,
- differentiate appropriately across divisions and responsibilities with regard to the amount of remuneration,
- avoid unnecessary complexity and is designed to be transparent and intelligible, and
- be aligned with the Bank's strategy.

### 3. Compensation governance

To monitor the remuneration systems in terms of compliance with regulatory requirements and the remuneration philosophy, the DekaBank Group set up a Group-wide committee, the Management Committee for Remuneration (MCV).

The MCV's tasks include:

- Advising the Board of Management of DekaBank and the bodies responsible in the German and international subsidiaries on remuneration system-related topics,
- Monitoring that the remuneration systems are appropriate and the compliance with regulatory requirements,
- Advising on the structure and development of remuneration systems,
- Advising on the introduction, amendments to and removal of remuneration-related tools,
- Reporting at least once a year on the appropriateness and structure of the remuneration systems as well as ad hoc reporting on specific matters,
- Preparing the remuneration report for the DekaBank Group and submitting it to the competent bodies.

The MCV comprises the following members:

- Chair: Head of Human Resources
- Representatives from the monitoring units: Head of Group Risk, Head of Credit Risk Office
- Representatives from business origination units: Head of COO Markets & Treasury (or for the interim: Head of Markets), Head of COO Asset Management Capital Market
- Representatives from other divisions (in an advisory role): Head of Legal Affairs, Head of Group Audit, Head of Compliance and Head of Finance.

The MCV has proved its worth as the central element in the DekaBank Group's compensation governance since 2010. It will continue to play an important role in the future with regard to ensuring remuneration-related compliance and in structuring and further developing the remuneration system of the DekaBank Group.

## 4. Structure of the remuneration systems

### 4.1. General remuneration structure in the DekaBank Group

The DekaBank Group grants both monetary and non-monetary remuneration components. In general, the total remuneration comprises fixed salary components and variable remuneration as well as fringe benefits.

- **The fixed salary component** encompasses the monthly salary (incl. bonuses) of employees. The monthly salary of employees under collective pay agreements is based on the tariff categories in accordance with the valid collective pay agreement for the private banking industry and public sector banks. The monthly salary of non pay scale employees is agreed individually. The combined fixed salary components are referred to below as **“fixed remuneration”**.
- **Variable remuneration components** include the annual bonus relating to the financial year, which is paid in the subsequent year, as well as other special payments relating to a specific financial year (e.g. project-related bonuses). The combined variable remuneration components are referred to below as **“variable remuneration”**. For certain employees, payment of some of the variable remuneration is in the form of a sustainability component and therefore deferred (cf. Section 4.2 below).
- **Fringe benefits** comprise all other benefits, e.g. subsistence/canteen allowance, capital-building payments and the company pension plan. In addition, employees whose salaries are governed by the collective pay agreement receive the benefits under the collective pay agreement. Furthermore, company cars are made available to employees in certain roles and/or with specific jobs in accordance with the applicable guidelines.

It is important to the DekaBank Group that the ratio between the fixed and variable remuneration of our employees is appropriate, performance is rewarded and misguided incentives are avoided. For this purpose, the DekaBank Group has specified appropriate upper limits for the ratio of fixed to variable remuneration in accordance with Section 3 Sub-section 5 of the InstitutsVergV. Percentage-based upper limits apply to both the share of variable remuneration in relation to total remuneration and the actual amount of variable remuneration to be paid out.

The individual remuneration components may vary on the basis of both the employee’s role and the company. The basic principles and regulatory requirements are taken into account.

#### 4.2. DekaBank Deutsche Girozentrale

The remuneration system of DekaBank described below has also been implemented at subsidiaries which are subject to disclosure duties if required. The following statements regarding DekaBank’s remuneration system therefore apply accordingly to the subsidiaries which are subject to disclosure duties, unless described otherwise in Sections 4.3 and 4.4 below.

##### 4.2.1. Differentiation by employee groups/identifying employees whose roles are relevant in terms of risk

In principle, all DekaBank employees have the opportunity of receiving result- and performance-related variable remuneration in addition to their fixed salary.

DekaBank makes a distinction between the following groups of employees when developing remuneration systems in view of the varying legal provisions and remuneration policy targets:

- Board of Management<sup>1</sup>
- Risk-relevant employees
- Other employees (non risk-relevant employees).

In accordance with Section 5 Sub-section 1 of the InstitutsVergV, particular requirements apply in terms of the remuneration structure for employees whose roles have a significant impact on the overall risk profile of DekaBank (**“risk-relevant employees”**). DekaBank conducts a risk analysis every year in accordance with Section 5 Sub-section 1 of the InstitutsVergV to identify risk-relevant employees. To this end, specific criteria are established and assessed for each employee, which relate to the employee’s concrete role and remuneration. The results are checked at qualitative level, using a score card procedure (qualitative validation). Inclusion in the category of risk-relevant employees is based on defined processes and determined by the competent corporate body in each case. In 2011, a total of 55 risk-relevant employees were identified within the DekaBank Group and the subsidiaries which are not subject to disclosure duties.

<sup>1</sup> The General Committee of the Administrative Board approves the remuneration for Management Board members and reviews it regularly. It specifies the remuneration system and variable remuneration for the Board of Management.

#### **4.2.2. Non risk-relevant employees**

Where non risk-relevant employees receive performance-related variable remuneration in accordance with the regulations applicable to them, the full amount is paid in cash when due and is not deferred.

#### **4.2.3. Risk-relevant employees**

The variable remuneration of risk-relevant employees is generally performance-related, i.e. the amount is determined on the basis of the individual contribution of the employee to the Bank's success and the profit contribution of the business division and/or the DekaBank Group.

For risk-relevant employees who report direct to the Board of Management (management level M1), it is mandatory to defer a share of at least 60% of variable remuneration for a minimum period of three years. For risk-relevant employees below management level M1, the share deferred amounts to at least 40% of variable remuneration.

In addition, a share of at least 50% of both the deferred and non-deferred variable remuneration is granted in the form of instruments (performance units), which depend on the sustained performance of the DekaBank Group. The non-deferred share of the performance units is subject to a blocking period of one year.

The deferred share of remuneration is risk-based during this period of time, i.e. in the event of negative performance of the employee, division or the DekaBank Group as a whole, it may be reduced or it may not be paid at all (malus clause). The deferred share is vested pro rata temporis. Vested tranches are no longer subject to the malus clause. The cash portion of the deferred remuneration (cash deferral) is paid when vested. The share of deferred remuneration granted in the form of performance units is subject to a further blocking period of one year after it is vested.

The share of non-deferred remuneration (20% for risk-relevant employees at management level M1 and 30% for risk-relevant employees below this management level) is paid in cash on the due date.

Risk-relevant employees whose total variable remuneration for 2011 amounts to less than EUR 75,000 receive their variable remuneration in full, paid in the form of a cash bonus.

#### **4.2.4. Board of Management**

The remuneration system for the members of the Board of Management of DekaBank corresponds to the remuneration principles of DekaBank, taking into account the particular features described above in relation to risk-relevant employees. The concrete details of the remuneration system for the Board of Management were specified by the Administrative Board of DekaBank in accordance with the regulatory requirements.

#### **4.3. DekaBank Deutsche Girozentrale Luxembourg S.A.**

The remuneration system for employees of DekaBank Deutsche Girozentrale Luxembourg S.A. largely corresponds to the remuneration system for risk-relevant employees of DekaBank described in Section 4.2 above and the general remuneration principles explained in Section 2 above.

#### **4.4. Deka International S.A.**

The remuneration system of Deka International S.A. also corresponds to the general remuneration principles described in Section 2 above. The remuneration system for managing directors and employees whose activities, based on the regulations on approval powers, may materially impact on the risk profile of the company and/or the invested assets under management and individual portfolios largely corresponds to the remuneration system for risk-relevant employees of DekaBank described in Section 4.2 above.

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For risk-relevant employees of Deka International S.A., the following payment structure applies in terms of variable remuneration:

	Cash bonus	Deferred bonus
Managing director/risk-relevant employees	60%	40%
Non risk-relevant non pay scale employees	100%	./.
Pay scale employees	100%	./.

This structure similarly applies to the German capital investment companies which do not form part of this remuneration report.

Risk-relevant employees whose total variable remuneration for 2011 is less than EUR 75,000 receive their variable remuneration in full, paid in the form of a cash bonus.

## 5. Disclosure in accordance with Sections 7 and 8 of the German supervisory regulations governing remuneration for banks (InstitutsVergV)

### 5.1. Disclosure in accordance with Section 7 of the InstitutsVergV

The total remuneration for financial year 2011 shown below for employees and officers in the companies of the DekaBank Group mentioned in Section 1 above, which are subject to disclosure duties, includes the fixed salaries for 2011 as at 31 December 2011 as well as the total of all variable remuneration components for financial year 2011 (including the retained amounts).

In EUR	Corporate Centres	Savings Banks Sales	Asset Management Property	Asset Management Capital Markets	Corporates & Markets	Board of Management	Total
<b>Total remuneration</b>	<b>117,407,458</b>	<b>24,998,240</b>	<b>6,857,069</b>	<b>53,624,487</b>	<b>33,357,768</b>	<b>4,663,283</b>	<b>240,908,305</b>
of which fixed salary	103,331,081	21,312,808	4,267,131	44,288,608	23,697,569	2,480,492	199,377,688
of which variable remuneration	14,076,376	3,685,432	2,589,938	9,335,880	9,660,200	2,182,791	41,530,617
No. of employees with variable remuneration	1,486	324	49	777	243	5	2,884

### 5.2. Disclosure in accordance with Section 8 of the InstitutsVergV

The overview below indicates the total remuneration for risk-relevant employees and Management Board members of the DekaBank Group for financial year 2011. The total remuneration shown includes the fixed salary components as at 31 December 2011 as well as the probable total variable remuneration for financial year 2011 (100% including all retained amounts). For data protection reasons, the information about the Corporate Centres and Savings Banks Sales as well as the Asset Management Property and Asset Management Capital Markets divisions is shown as a single combined amount in accordance with Section 7 Sub-section 1 Clause 1 of the InstitutsVergV.



Composition of the remuneration for 2011:

In EUR	Asset Management Capital				Total
	CC / Savings Banks Sales	Markets/ Property	Corporates & Markets	Board of Management	
<b>Total remuneration</b>	<b>2.298.822</b>	<b>1.848.777</b>	<b>8.795.044</b>	<b>4.663.283</b>	<b>17.605.926</b>
of which fixed salary	1,555,422	856,148	5,032,044	2,480,492	9,924,106
of which variable remuneration	743,400	992,629	3,763,000	2,182,791	7,681,820
No. of employees with variable remuneration	7	5	27	5	44
<b>Bonus for 2011</b>	<b>743,400</b>	<b>708,537</b>	<b>3,763,000</b>	<b>2,182,791</b>	<b>7,397,728</b>
of which cash bonus	305,418	188,207	1,669,485	436,558	2,599,668
of which cash deferral	159,282	188,562	651,015	654,837	1,653,696
of which short-term performance units	119,418	143,206	791,485	436,558	1,490,667
of which long-term performance units	159,282	188,562	651,015	654,837	1,653,696
For information: share subject to malus clause	318,564	377,124	1,302,030	1,309,675	3,307,393

Statement of the (i) guaranteed bonuses agreed individually in financial year 2011 as part of the start of employment in accordance with Section 3 Sub-section 7 of the InstitutsVergV ("**guaranteed bonuses**"), which are payable in subsequent years, and (ii) severance payments made for termination of activities in accordance with Section 8 Sub-section 3 No. 5 of the InstitutsVergV ("**severance**"):

In EUR	Asset Management Capital				Total
	CC / Savings Banks Sales	Markets/ Property	Corporates & Markets	Board of Management	
<b>Guaranteed bonuses in 2011</b>	./.	./.	320,000	./.	320,000
Number of employees	./.	./.	1	./.	1
<b>Severance payments in 2011</b>	./.	./.	./.	./.	./.
Number of employees	./.	./.	./.	./.	./.
Highest severance payment made					

DekaBank  
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