



DEUTSCHE BÖRSE
GROUP

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ANNUAL REPORT 2019

Excerpt: Report of the Supervisory Board



Report of the Supervisory Board

During the year under review, Deutsche Börse AG's Supervisory Board discussed the company's position and prospects in depth, performing the tasks assigned to it by law and the company's Articles of Association and bylaws. We regularly advised the Executive Board on its management of the company, monitored its work and were involved in all fundamental decisions.

In 2019, we prepared material personnel decisions to be made for the governing bodies. Martin Jetter was nominated for the position as future Chairman of the Supervisory Board. We initiated the long-term extension of Theodor Weimer's term of office as Chairman of Deutsche Börse Group AG's Executive Board.

At our meetings, the Executive Board provided us with comprehensive and timely information in accordance with the legal requirements. The high frequency of plenary and committee meetings and workshops ensured an active exchange of information between the Supervisory Board and the Executive Board. In addition, the CEO kept the Chairman of the Supervisory Board continuously informed of current developments affecting the company's business, significant transactions and upcoming decisions, as well as of the long-term outlook, and discussed these issues with him.

We held a total of eight plenary meetings during 2019, including two extraordinary meetings. In addition, five workshops were held on the issues of technology (March and April); strategy (April); sustainable finance and sustainability (June); and legal and compliance (September).

The average attendance rate for all Supervisory Board members at the plenary and committee meetings was 98 per cent during the year under review.

The Supervisory Board members' detailed attendance record is as follows:

Attendance of Supervisory Board members at meetings in 2019

	Meetings (incl. committees) ¹⁾	Meeting attendance	%
Joachim Faber (Chairman)	18	18	100
Jutta Stuhlfauth (Deputy Chairperson)	22	21	95
Nadine Absenger	14	12	86
Ann-Kristin Achleitner (until 8 May 2019)	6	6	100
Markus Beck	22	22	100
Richard Berliand (until 8 May 2019)	7	7	100
Karl-Heinz Flöther	18	18	100
Martin Jetter	17	17	100
Susann Just-Marx	15	15	100
Achim Karle	14	14	100
Cornelis Kruijssen	17	17	100
Barbara Lambert	22	22	100
Joachim Nagel	19	19	100
Carsten Schäfer	14	14	100
Charles Stonehill (since 8 May 2019)	4	4	100
Clara-Christina Streit (since 8 May 2019)	4	3	75
Gerd Tausendfreund	16	16	100
Amy Yip	19	19	100
Average attendance rate			98

1) Attending workshops is optional for Supervisory Board members. Hence, workshop attendance is not taken into account in the determination of the average attendance rate.

Topics addressed during plenary meetings of the Supervisory Board

During the reporting period, we discussed numerous initiatives for the implementation of our growth strategy "Roadmap 2020" in detail. These discussions focused partly on the expansion of our business via external acquisitions and partnerships, such as the acquisition of Axioma, Inc., a leading provider of portfolio and risk management solutions, or of UBS AG's fund distribution platform, which was acquired to expand our Investment Funds Services. Further discussions were held concerning the orientation of our information technology (IT) toward the challenges of the future, and on the opportunities of exploiting new technologies for our business activities. We provided comprehensive support for the necessary realignment of business activities and the Group's organisational structure. For details on the growth strategy, please refer to the ["Deutsche Börse Group's objectives and strategies"](#) section in the combined management report.

During the year under review, the Supervisory Board members also focused extensively on preparing important personnel decisions in both the Supervisory Board and the Executive Board.

The Supervisory Board declared itself in favour of an early extension of Theodor Weimer's term of office as Chairman of Deutsche Börse AG's Executive Board, until 31 December 2024. Resolutions on this matter were adopted at the beginning of 2020. Furthermore, we dealt with the succession of Hauke Stars, who will not be available for a third term of office as member of Deutsche Börse AG's Executive

Board after her appointment ends in November 2020. Please refer to the [☞ “Personnel matters” section](#) for details.

The Supervisory Board has nominated Martin Jetter as succession candidate for Supervisory Board chairmanship. The election for Mr Jetter to become Chairman of the Supervisory Board is scheduled to take place directly after Deutsche Börse AG’s Annual General Meeting on 19 May 2020, since at that point in time Joachim Faber will step down from the Supervisory Board, of which he has been a member since 2009 and Chairman since 2012. Charles Stonehill and Clara-Christina Streit had already been voted onto Deutsche Börse AG’s Supervisory Board by the Annual General Meeting on 08 May 2019. Please refer to the [☞ “Personnel matters” section](#) for details.

The Supervisory Board also concerned itself with the new personnel strategy for the upcoming years, developed by the Executive Board, and decided to adjust the Executive Board remuneration system – also in view of changing standards in the German Corporate Governance Code (the “Code”) and legal stipulations – and to submit it to the Annual General Meeting for approval in 2020. Please refer to the [☞ “Remuneration report” section](#) for details.

In the year under review, the Supervisory Board also had regular and intensive discussions concerning ongoing proceedings by the Public Prosecutor’s Office in Cologne regarding the conception and settlement of securities transactions of market participants over the dividend date (cum/ex transactions). In the opinion of the Public Prosecutor’s Office, said market participants used these transactions to make unjustified tax refund claims. These investigation proceedings also target current and former employees of Deutsche Börse Group companies.

Another core topic of our Supervisory Board work in 2019 was changing Deutsche Börse AG’s external auditors as of financial year 2021. We followed the selection process very closely throughout, and at the end of the year we selected – with the required care – the future external auditors to be proposed to the Annual General Meeting 2021 for election. We also discussed the appropriateness, effectiveness and efficiency of internal control systems as well as the handling of findings pertaining to internal control functions, external auditors and regulatory authorities.

In autumn, the Chairman of the Supervisory Board also met institutional investors to discuss current governance issues regarding the Supervisory Board and Executive Board, particularly on the upcoming extension and succession decisions as well as on the scheduled adjustments of the Executive Board remuneration system. He provided a summary report of his dialogue with the investors in the plenary meeting held in December.

Our plenary meetings and workshops during the reporting period focused particularly on the following issues:

At our **regular meeting on 08 February 2019**, we addressed in detail the preliminary results for the 2018 financial year and the dividend proposed by the Executive Board for that year. We also resolved the amount of the variable remuneration payable to the Executive Board for the 2018 financial year, following a detailed examination. Furthermore, we resolved the combined corporate governance statement and the corporate governance report 2018. The Executive Board also informed us about current M&A projects in detail. In addition, we discussed the personnel situation at Deutsche Börse Group from a strategic perspective and addressed the topic of succession planning at top management level. Finally, we revised and clarified the existing share ownership guidelines for the Executive Board members.

Our **technology workshop on 08 March 2019** focused on the comprehensive changes regarding our employees' workplace (regarding software applications and equipment). This simplifies the implementation of cloud technology and improves user-friendliness, data security, and operating stability.

At the **regular meeting on 08 March 2019**, we discussed Deutsche Börse AG's financial statements 2018 as well as the consolidated financial statements for 2018 and the remuneration report, in the presence of the external auditors. We approved the 2018 financial statements and consolidated financial statements, having carried out our own detailed examination, in line with the recommendation of the Audit Committee. The Committee had previously examined the documents in depth, in preparation for our meeting. We also adopted the report of the Supervisory Board for 2018, the combined corporate governance statement and corporate governance report in an amended version, as well as the agenda for the 2018 Annual General Meeting. In addition, we adopted a resolution on which candidates were to be proposed to the Annual General Meeting for election to the Supervisory Board. We concerned ourselves with the programme on IT transformation in detail and discussed the staff report.

At the **extraordinary meeting on 05 April 2019** and after detailed consultation, we approved the scheduled acquisition of Axioma, Inc. and the merger with Deutsche Börse Group's index businesses, to form a fully integrated information provider.

At another **extraordinary meeting on 29 April 2019**, we addressed issues regarding Executive Board remuneration.

At the **Supervisory Board's strategy workshop on 29 April 2019**, we had intensive discussions concerning details for the index and data business strategy, and also addressed current M&A projects. Furthermore, the Executive Board informed us about the preparations for the investor day 2019. The results of the annual employee survey were presented to the Supervisory Board and discussed within the context of a new, multi-year personnel strategy to be elaborated by the Executive Board. Finally, we also dealt with our plan to establish a market infrastructure for digital assets based on distributed ledger technology (DLT).

At another **Supervisory Board technology workshop on 30 April 2019** we learned everything about state-of-the-art technology and future potential applications for quantum computing in the financial sector.

At the **regular meeting on 08 May 2019**, we discussed the forthcoming Annual General Meeting with the Executive Board, which would be attended by Supervisory Board members Ann-Kristin Achleitner and Richard Berliand for the last time. Once again, we addressed issues regarding Executive Board remuneration.

At our **regular meeting on 18 June 2019**, we addressed in detail the new, multi-year personnel strategy and succession planning for Deutsche Börse Group AG's Executive Board. Furthermore, the Executive Board informed us about the preparations for the upcoming change of external auditors, to be resolved by the Annual General Meeting in 2021. We also concerned ourselves with the status quo of the investigation proceedings regarding securities transactions of market participants over the dividend date (cum/ex transactions) and gained an overview of the current status of Clearstream's legal disputes in the US. The audit results concerning Clearstream's and Eurex Clearing's compliance with the Minimum Requirements for Risk Management (MaRisk) and other findings by the supervisory authorities were also discussed, and the measures taken addressed. We also adopted a resolution on amending the bylaws for the Executive Board – to lower the threshold at which a company acquisition requires approval by the Supervisory Board.

Sustainable finance and Deutsche Börse Group's sustainability activities were a topic we discussed in detail at a **Supervisory Board workshop on 18 June 2019**, during which external experts also informed us about the EU Action Plan: Financing Sustainable Growth and about the relevance of ESG services rendered by companies – from the view of investors.

At the **regular meeting on 19 September 2019** we dealt in depth with the post-trading business strategy. Once again, we made extensive enquiries about the status quo of the investigation proceedings relating to cum/ex transactions at Deutsche Börse Group, discussing them with the Executive Board. We also convened the Chairman Selection Committee, a committee whose responsibility it was to propose a candidate for the succession as Chairperson of the Supervisory Board to the Supervisory Board as of the Annual General Meeting 2020. Barbara Lambert, Chairperson of the Audit Committee, took over the chair of this temporary committee. Once again, we addressed issues regarding the Executive Board remuneration system and a potential adjustment of basic Supervisory Board remuneration. Finally, we resolved an updated version of the Guideline on Reimbursability of Expenses and on Private Use of Work Equipment for Deutsche Börse AG's Executive Board.

At a **Supervisory Board workshop on 18 September 2019** on legal and compliance topics we again dealt intensively with Clearstream's legal disputes in the US.

Based on our previous intensive discussions and a corresponding recommendation by the Audit Committee, on **07 November 2019** the Supervisory Board resolved to propose to the Annual General Meeting 2021 that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, with registered offices in Frankfurt am Main, take over the role as external auditors of the annual financial statements and the consolidated financial statements as of financial year 2021.

At the **regular meeting on 05 December 2019** we resolved the budget for 2020 and nominated Martin Jetter as candidate for the Supervisory Board chairmanship as of the Annual General Meeting 2020. We also attended to the planned acquisition of Fondcenter AG, a spin-off of UBS AG's fund distribution business, and agreed to the transaction. We gained an overview of the development of recently acquired companies and of the equity investments within the company's corporate venture activities. We also concerned ourselves once again with the status quo of the investigation proceedings regarding cum/ex transactions. The Executive Board also provided us with a status report on the processing of findings from the regulatory reviews. We discussed and adopted the results of our annual effectiveness review in accordance with section 5.6 of the German Corporate Governance Code, the annual suitability assessment of the Supervisory Board and the Executive Board, as well as the upcoming year's training plan for the Supervisory Board. Furthermore, we adopted the declaration of compliance pursuant to section 161 of the Aktiengesetz (AktG, German Stock Corporation Act) for the 2019 financial year. The declaration of compliance is available at www.deutsche-boerse.com/declcompliance. We also discussed the results of our examination of appropriateness of Executive Board remuneration. We adopted changes to the Executive Board remuneration system as of the beginning of 2020, deciding to propose an adjustment of basic Supervisory Board remuneration to the Annual General Meeting.

The Supervisory Board's meetings in the reporting year were held at the Group's headquarters, as well as at our office in Luxembourg.

After every meeting, we held open and effective exchanges within the Supervisory Board, without the presence of the Executive Board members.

Committee work

During the year under review, the Supervisory Board had seven committees at its disposal; and, for a limited time only, another committee in the form of the Chairman Selection Committee. The committees are primarily responsible for preparing the decisions to be taken by, and topics to be discussed in, the plenary meetings. Additionally, the Supervisory Board delegated individual decision-making powers to the committees, to the extent that this is legally permissible. The individual committee chairs report in detail to the plenary meetings on the work performed by their committees. The Chairman of the Supervisory Board chairs the Nomination Committee, the Strategy Committee, the Chairman's Committee and the Mediation Committee. The latter two were newly created with the expansion of the Supervisory Board and the introduction of equal representation in 2018. Details on the members and duties of the Supervisory Board committees in 2019 can be found in the [“Combined corporate governance statement and corporate governance report”](#) section of the combined management report. The committees focused on the following key issues:

Audit Committee (six meetings during the reporting period)

- Financial issues, especially capital management and tax items
- Accounting: examination, in the presence of the external auditors, of the annual financial statements of Deutsche Börse AG and of the consolidated financial statements, of the combined management report and the audit report, as well as of the half-yearly financial report and the quarterly statements
- External auditors: obtaining the statement of independence from the external auditors and monitoring the external auditors' independence; issuing the engagement letter to the external auditors; preparing the Supervisory Board's proposal to the Annual General Meeting concerning the election of the external auditors; agreeing the external auditors' fee; defining the focal areas of the audit; discussing non-audit services rendered by the external auditors and the assignment of the external auditors to conduct an audit of the combined non-financial statement
- Preparations for the change of external auditors as of financial year 2021
- Internal control systems: discussion of questions relating to risk management, compliance and capital market compliance, the internal control and audit system; discussion of the methods and systems used and their efficiency, adequacy and effectiveness
- Deutsche Börse AG's dividend and the Group's budget
- Discussion and formal adoption of the Audit Committee's tasks for the coming year
- Preparation of the Supervisory Board's resolution on the corporate governance and remuneration reports as well as on the corporate governance statement in accordance with section 289f of the Handelsgesetzbuch (HGB, German Commercial Code) and the declaration of compliance in accordance with section 161 of the AktG
- Measures to close internal and external audit findings
- Management of outsourcings and control frameworks for intellectual property
- Management of regulatory changes
- Investigation proceedings relating to cum/ex transactions

Nomination Committee (five meetings during the reporting period)

- Executive Board remuneration: discussion of the extent to which the members of the Executive Board had achieved their targets; determination of the variable remuneration for Executive Board members for 2018; preliminary discussion of the extent to which individual members of the Executive Board have achieved their targets for 2019; adoption of the individual targets for the members of the Executive Board for 2020; discussion of the remuneration report and the share ownership guidelines
- Personnel matters: discussion of succession planning for the Executive Board and management level; search for (and preliminary selection of) candidates to succeed Hauke Stars; preparation of a recommendation to the plenary meeting concerning the re-appointment of Theodor Weimer

- Review and preparation of a recommendation to the plenary meeting to adjust the Executive Board remuneration system and Executive Board service contracts; review of the appropriateness of Executive Board remuneration, and of members' pensionable income
- Review of Supervisory Board remuneration and elaboration of a recommendation on adjusting Supervisory Board remuneration to the plenary meeting
- Preparations for the election of the shareholder representatives to the Supervisory Board by the ordinary Annual General Meeting 2019
- Dealing with the suitability assessment, effectiveness review and training schedule

Risk Committee (five meetings during the reporting period, including one joint meeting with the Technology Committee)

- Discussion about the quarterly compliance and risk management reports
- Ongoing enhancements to Group-wide compliance and risk management and the harmonisation of internal control systems
- Deutsche Börse Group's risk strategy and risk culture
- Operational risk, information security and business continuity management
- Management of product risks
- Risk management in the Eurex subgroup
- Impact of potential Brexit scenarios
- Sustainability activities of Deutsche Börse Group
- Implementation of new regulatory requirements
- Integration within the scope of company acquisitions
- Know-your-customer processes at the Clearstream and Eurex subgroups

Strategy Committee (two meetings during the reporting period)

- Consultation on the scheduled acquisition of Axioma, Inc. and the merger with Deutsche Börse Group's index businesses to form a fully integrated information provider
- Consultation on further M&A opportunities
- Consultation on the planned acquisition of Fondcenter AG, a spin-off of UBS AG's fund distribution business
- Process to develop the growth strategy "Roadmap 2020"

Technology Committee (four meetings during the reporting period, including one joint meeting with the Risk Committee)

- Refinement of Deutsche Börse Group's IT strategy
- Conception and implementation of a holistic technology transformation
- Cloud computing, migration strategies, and relevant security standards
- Dealing with automation and DLT/blockchain technologies and their possible methods of implementation
- Development of an information security compliance programme; introduction of the COBIT model and installation of an IT audit management function to ensure regulatory compliance
- Information security, IT risk management and cyber resilience

Chairman Selection Committee (three meetings during the reporting period)

- Preparations for the new election of the Supervisory Board Chair after the Annual General Meeting 2020

Chairman's Committee (no meeting during the reporting period)

The Chairman's Committee convenes on the initiative of the Chairman of the Supervisory Board; it deals with time-sensitive affairs and prepares the corresponding Supervisory Board plenary meetings. There was no need for the Chairman's Committee to hold a meeting during the year under review.

Mediation Committee (no meetings during the reporting period)

The Mediation Committee is set up by law. Pursuant to section 31(3) of the MitbestG, it submits proposals to the Supervisory Board for the appointment or dismissal of Executive Board members when a two-thirds majority has not been reached. The Mediation Committee only convenes as required. There was no need for the Mediation Committee to hold a meeting during the year under review.

Audit of the annual and consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft, domiciled in Berlin, (KPMG) audited the annual financial statements of Deutsche Börse AG, the consolidated financial statements and the combined management report, including the combined non-financial statement for the financial year ended 31 December 2019, together with the accounting system, and issued an unqualified audit opinion. The condensed financial statements and interim management report contained in the half-yearly financial report for the first six months of 2019 were reviewed by KPMG. The documents relating to the financial statements and the reports by KPMG were submitted to us for inspection and examination in good time. The lead auditors, Klaus-Ulrich Pfeiffer and Sven-Olaf Leitz, attended the relevant meetings of the Audit Committee and the plenary meeting of the Supervisory Board convened to approve the financial statements. The auditors reported on the key results of the audit; in particular, they focused on the net assets, financial position and results of operations of the company and Group, and were available to provide supplementary information. The auditors also reported that no significant weaknesses in the control and risk management systems had been found, in particular with respect to the financial reporting process. The audit of compliance with all relevant statutory provisions and regulatory requirements did not give rise to any objections. KPMG provided information on other services that it had rendered in addition to its audit services. There were no grounds for suspecting that the auditors' independence might be impaired.

The Audit Committee discussed the financial statement documents and the reports by KPMG in detail with the auditors and examined them carefully itself. It is satisfied that the reports meet the statutory requirements under sections 317 and 321 of the HGB in particular. The committee reported to the Supervisory Board on its examination and recommended that it approve the annual financial statements and consolidated financial statements.

Our own examination – during a plenary meeting – of the 2019 annual financial statements, consolidated financial statements and the combined management report, including the non-financial statement, did not lead to any objections and we concurred with the results of the audit performed by the auditors. We approved the annual financial statements prepared by the Executive Board and the consolidated financial statements at our meeting on 06 March 2020, in line with the Audit Committee's recommendation. As a result, the annual financial statements of Deutsche Börse AG have been adopted. The Audit Committee discussed the Executive Board's proposal for the appropriation of the unappropriated surplus (Bilanzgewinn) in detail with the Executive Board, focusing on the company's liquidity and financial planning, and taking shareholders' interests into account. Following this discussion and its own examination, the Audit Committee concurred with the Executive Board's proposal for the appropriation of the unappropriated surplus. After examining this ourselves, the plenary meeting of the Supervisory Board also approved the Executive Board's proposal.

Personnel matters

The following personnel changes were made to the Supervisory Board during the reporting period:

The Supervisory Board shall consist of sixteen members. Two out of eight members, Charles Stonehill and Clara-Christina Streit, were newly elected to the Supervisory Board from the ranks of the shareholder representatives. Ann-Kristin Achleitner and Richard Berliand resigned from the Supervisory Board at the Annual General Meeting. While Richard Berliand retired at the day of the Annual General Meeting, Ann-Kristin Achleitner's mandate ended after termination of the Annual General Meeting.

We would like to sincerely thank Ann-Kristin Achleitner and Richard Berliand for their enriching and constructive cooperation on the Supervisory Board of Deutsche Börse AG.

Charles Stonehill and Clara-Christina Streit were comprehensively supported when taking up office.

No personnel changes were made with regard to the Executive Board in 2019.

However, during the year we declared ourselves in favour of the long-term extension of Theodor Weimer's term of office as Chairman of Deutsche Börse AG's Executive Board until 31 December 2024. The Supervisory Board will adopt a resolution on this at the beginning of 2020. Theodor Weimer will reach the age of 65 in 2024. The main reason for prolonging his term of office is his comprehensive expertise in the financial sector, the professional and personal qualifications he has proven to possess since the beginning of his term of office in 2018, and the special role of the Chairman of the Executive Board. Therefore, we decided against a contract extension of only one year according to the flexible age limit for members of the Executive Board resolved by the Supervisory Board.

Furthermore, Hauke Stars informed us in the year under review that she would not be available for a third term of office as member of Deutsche Börse AG's Executive Board after her appointment ends in November 2020. We have already begun the search for an appropriate successor for Hauke Stars in the year under review.

Management of individual conflicts of interest

No conflicts of interest arose with regard to individual Supervisory Board members during the reporting period.

The Supervisory Board would like to thank the Executive Board and all employees for their strong commitment and excellent achievements in 2019.

Frankfurt am Main, 06 March 2020
for the Supervisory Board



Joachim Faber
Chairman of the Supervisory Board

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www.deutsche-boerse.com/annual_report

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