



DEUTSCHE BÖRSE
GROUP

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Financial report 2016

Excerpt: corporate governance report



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Corporate governance report

Corporate governance means responsible corporate management and control. Good corporate governance boosts the confidence that investors, business partners, employees and the financial markets have in a company. As such, it is a vital component of its long-term success.

Corporate governance and declaration of conformity

Good corporate governance and control are extremely important for Deutsche Börse Group. As required by the German Corporate Governance Code (the Code), the Group publishes its corporate governance report in connection with its corporate governance declaration in accordance with section 289a of the Handelsgesetzbuch (HGB, German Commercial Code). The Executive Board and the Supervisory Board of Deutsche Börse AG submitted their annual declaration of conformity in accordance with section 161 of the Aktiengesetz (AktG, German Stock Corporation Act) on 8 December 2016. This declaration is reproduced in the corporate governance declaration and is also publicly available on the company's website at www.deutsche-boerse.com/declconformity. The declarations of conformity for the previous five years can also be found there.

The Executive Board and the Supervisory Board of Deutsche Börse AG have declared that the recommendations of the Code were complied with almost completely in the past and continue to be complied with subject to only a few exceptions. The Code's suggestions were and continue to be complied with in full.

Corporate governance at Deutsche Börse Group

Women in management positions

As early as 2010, the Executive Board adopted a voluntary target quota of 20 per cent women in middle and senior management and 30 per cent women in junior management by 2020. These figures apply to Deutsche Börse Group worldwide, including subsidiaries. During the 2016 reporting period, the proportion of women remained constant in both middle and senior management while it increased slightly in junior management.

In addition, Deutsche Börse Group complies with the statutory requirements for equal participation of women and men in leadership positions and has established targets for Deutsche Börse AG (not including subsidiaries). Please refer to the [corporate governance declaration](#) and the [section of the combined management report entitled "Non-financial key performance indicators – Target quotas for women"](#) for further information on targets for women in management positions.

Flexible upper age limit for Executive Board members

The flexible upper age limit for Executive Board members provides for appointments to run until the end of the month in which the Executive Board member concerned turns 60. As from the month after that, they can be reappointed for a period of one year in each case. However, the last appointment should end at the end of the month in which the Executive Board member turns 65. When appointing Executive Board members, the Supervisory Board aims to optimise the composition of the Executive

Board as a whole in the interests of the company. Experience, sector-specific expertise, and personal and professional qualifications play an important role here. Depending on the Executive Board position to be filled, it is not only the range and depth of the specific experience required that matter, but also whether this experience is up to date. The wording of the flexible upper age limit has deliberately been loosely formulated so as not to restrict the Supervisory Board's flexibility when deciding on appointments.

Objectives for the Supervisory Board's composition

The Supervisory Board has resolved a list of requirements that set out concrete objectives for the composition of the Board and in particular for the nomination of new members, as required by section 5.4.1 of the Code:

Required qualifications

Members of the Supervisory Board should have the knowledge, skills and professional experience necessary to carry out the duties of a Supervisory Board member at an international company. The Supervisory Board has defined the general (basic) and company-specific qualifications that are required for this. The company-specific requirements are derived from the company's business model, its concrete objectives, and specific regulations applicable to Deutsche Börse Group. In addition, members should have enough time available to perform their duties.

Qualification requirements for members of the Supervisory Board of Deutsche Börse AG

Basic qualification requirements

Ideally, all Supervisory Board members must have the following basic qualifications:

- understanding of business issues
- basic knowledge and understanding of the German corporate governance system
- analytical and strategic abilities
- integrity and suitability of character for the position

Company-specific qualifications

The company-specific qualifications relate to the Supervisory Board as a whole. Sound knowledge of the following in particular is required:

- exchange and capital market business models
- accounting, finance, risk management and compliance
- information technology, and the clearing and settlement business
- regulatory requirements

Supervisory Board members' company-specific qualifications

	Exchange and capital market business models	Accounting, finance, risk management and compliance	Information technology, and the clearing and settlement business	Regulatory requirements
Joachim Faber (Chairman)	+	+		+
Richard Berliand (Deputy Chairman)	+	+	+	
Ann-Kristin Achleitner	+			+
Karl-Heinz Flöther		+	+	
Craig Heimark		+	+	
Monica Mächler		+		+
Erhard Schipporeit	+	+		
Amy Yip	+	+		

Independence

According to section 5.4.2 of the Code, a Supervisory Board member cannot be considered independent in particular if he or she has personal or business relations with the company, its executive bodies, a controlling shareholder, or an enterprise associated with a controlling shareholder which may cause a substantial and not merely temporary conflict of interests. The Supervisory Board has resolved that at least half of its shareholder representatives should be independent as defined above. Currently, all shareholder representatives are considered independent.

Female representation and international profile

The Supervisory Board consists of twelve members. Since the 2016 Annual General Meeting (AGM), five of these (41.67 per cent) have been women – three shareholder representatives and two employee representatives. As a result, the Supervisory Board has exceeded its own minimum target quota for female membership of 33.33 per cent. In addition, four Supervisory Board members are not German citizens, a fact that provides for adequate international representation. This means the Supervisory Board has achieved its objective of ensuring that the Group's international profile continues to be reflected in the Board's composition.

Flexible upper age limit and length of membership

The rules set out by the Supervisory Board in its bylaws specifying a flexible upper age limit (generally 70) are taken into account when candidates are proposed to the AGM. Additionally, the Supervisory Board's bylaws lay down a regular maximum membership period of twelve years, and the Supervisory Board should also consider this when making proposals.

The composition of Deutsche Börse AG's Supervisory Board reflects the goals described above. Please see www.deutsche-boerse.com/supervboard for further information on the members of the Supervisory Board and its committees.

Election of a shareholder representative to the Supervisory Board

Gerhard Roggemann resigned as a shareholder representative on Deutsche Börse AG's Supervisory Board effective from the end of the AGM on 11 May 2016; Ann-Kristin Achleitner was elected as a new shareholder representative by the AGM. Prof. Achleitner has particular expertise in the areas of regulatory affairs and capital markets.

Education and training measures for the Supervisory Board

As a matter of principle, members of the Supervisory Board are responsible for ensuring their own training and further education. In addition, Deutsche Börse AG complies with the recommendation in section 5.4.5 (2) of the Code to appropriately support the training and further education of Supervisory Board members. For example, the company offers special introductory seminars for new Supervisory Board members and holds workshops on selected strategic issues and, where necessary, specialist topics.

Efficiency review of the Supervisory Board's work

Deutsche Börse AG regards regular reviews of the efficiency of the Supervisory Board's work, which are required under section 5.6 of the Code, as a key component of good corporate governance. The 2016 efficiency review was conducted with external support, and focused on the following areas: the tasks and composition of the Supervisory Board, cooperation within the Supervisory Board and with the Executive Board, the provision of information, Supervisory Board meetings and the work performed by the committees. The review yielded positive results overall. Proposals for improvement were discussed and measures to implement them were introduced.

Shareholder representation, transparent reporting and communication

Shareholders exercise their rights at the AGM. In the spirit of good corporate governance, Deutsche Börse AG aims to make it as easy as possible for shareholders to exercise their shareholder rights. For instance, Deutsche Börse AG shareholders may follow the AGM over the internet, and they can be represented at the AGM by proxies nominated by Deutsche Börse AG. These proxies exercise voting rights solely in accordance with shareholders' instructions. Additionally, shareholders may exercise their voting rights by post or online. Among other things, the AGM elects the shareholder representatives to the Supervisory Board and resolves to approve the actions of the Executive Board and the Supervisory Board. It also passes resolutions on the appropriation of the unappropriated surplus, resolves on capitalisation measures and approves intercompany agreements and amendments to Deutsche Börse AG's Articles of Association. AGMs – at which the Executive Board and the Supervisory Board give an account for the past financial year – take place once a year.

To maximise transparency and ensure equal access to information, Deutsche Börse AG's corporate communications generally follow the rule that all target groups should receive all relevant information simultaneously. Deutsche Börse AG's financial calendar informs shareholders, analysts, shareholders' associations, the media and interested members of the public of key events such as the date of the AGM or publication dates for financial performance indicators. Ad-hoc disclosures, information on directors' dealings and voting rights notifications, corporate reports and interim reports, and company news can all be found on the www.deutsche-boerse.com website. Deutsche Börse AG provides information about its consolidated and annual financial statements at an annual press briefing. It also offers conference calls for analysts and investors following the publication of the interim reports. Furthermore, when outlining its strategy and providing information to everyone who is interested it abides by the principle that all target groups worldwide must be informed at the same time.

Additionally, Deutsche Börse AG submitted a Communication on Progress for 2016 for the UN Global Compact. 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. Good corporate governance is one of Deutsche Börse Group's core concerns, which is why it has complied with the Global Compact's principles for many years. Public records of this have been available since the company officially joined the initiative in 2009: www.deutsche-boerse.com > Sustainability > Our responsibility > UN Global Compact.

Accounting and auditing

Deutsche Börse AG's corporate report provides shareholders and interested members of the public with detailed information on Deutsche Börse Group's business performance in the year under review. Additional information is published in its half-yearly financial report and two quarterly statements. The annual financial statement documents and the corporate report are published within 90 days of the end of the financial year (31 December); intrayear financial information (the half-yearly financial report and two quarterly statements) is made available within 45 days of the end of the relevant quarter or six-month period. Following preparations by the Audit Committee, the consolidated and annual financial statements are discussed by the full Supervisory Board and with the auditor, examined and then approved. The Executive Board discusses the half-yearly report and the quarterly statements for the first and third quarters with the Supervisory Board's Audit Committee prior to their publication. The half-yearly report is reviewed by the auditor. In line with the proposal by the Supervisory Board, the 2016 AGM elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (KPMG) to audit its 2016 annual and consolidated financial statements and to review its half-yearly financial report in the year under review. The lead auditor, Karl Braun, has been responsible for the audit since 2011 and the deputy lead auditor, Andreas Dielehner, since 2013. The Supervisory Board's proposal was based on the recommendation by the Audit Committee. The Audit Committee obtained the necessary statement of independence from KPMG before the election. This states that there are no personal, business, financial or other relationships between the auditor, its governing bodies and audit managers on the one hand, and the company and the members of its Executive and Supervisory Boards on the other, that could give cause to doubt the auditor's independence. The Audit Committee checked that this continued to be the case during the reporting period. It also oversaw the financial reporting process in 2016. The Supervisory Board was informed in a timely manner of the committee's work and the insights gained; there were no material findings. Information on audit services and fees is provided in [note 6 of the notes to the consolidated financial statements](#).

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