

# REMUNERATION GUIDELINES 2019

Guidelines for remuneration of Board of Directors,  
Executive Management Board, and employees

MARCH 27, 2019

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## INTRODUCTION

In accordance with SimCorp's Corporate Governance Guidelines, Danish legislation, and generally accepted best practices from international corporate governance guidelines, SimCorp presents its Remuneration and Incentive Guidelines 2019 ("Remuneration Guidelines 2019") for approval by its shareholders at the Annual General Meeting.

SimCorp's General Meeting 2018 adopted an overall guideline for the remuneration and incentive programs in SimCorp, the overall objective being to promote the employees' and management's awareness of profitable growth and SimCorp's long-term goals.

For the purposes of the Remuneration Guidelines 2019, SimCorp's Board of Directors (Board) proposes to bring the remuneration of the Board, the Audit Committee, and the Nomination and Remuneration Committee in line with that of similar OMXC25 companies. The Board proposes that the base fee remains the same but recommends changing the multipliers as set out below.

Further, in order to ensure that SimCorp going forward is able to recruit members with the right qualifications for Board positions, the Board proposes that the Board fee shall be in line with conventional compensation for Boards of Directors of Danish and international companies similar in size and with comparable business activities.

Finally, the Board has included wording to explain the correlation between the remuneration guidelines and the company's long-term value creation and relevant related goals.

The adjusted remuneration guidelines take effect when the shareholders have approved these at the Annual General Meeting in March 2019.

## REMUNERATION OF THE BOARD AND COMMITTEES

The Board receives remuneration consisting of cash and SimCorp shares. The Nomination and Remuneration Committee prepares a proposal regarding Board remuneration that is passed by the Board for presentation and approval at the Annual General Meeting. The level of the total remuneration of the Board proposed to the Annual General Meeting is in line with conventional compensation for Boards of Directors at Danish and international companies similar in size and with comparable business activities. All Board members receive the same base remuneration, which comprises a cash element of DKK 250,000 and a share element of DKK 125,000.

In addition to the base fee, the multipliers below apply to the following positions within the Board, the Audit Committee, and the Nomination and Remuneration Committee.

	Board		Audit Committee		Nomination and Remuneration Committee	
	Multiplier	DKK	Multiplier	DKK	Multiplier	DKK
Chairman	3	1,125,000	0.75	281,250	0.375	140,625
Vice-chairman	2	750,000	N/A	N/A	N/A	N/A
Member	1	375,000	0.375	140,625	0.1875	70,313

**Conversion into SimCorp shares**

One third of the total remuneration is converted into a number of SimCorp shares by applying the average share price of the SimCorp share in the 3-day-period following the release of the annual report for the previous financial year (i.e. the annual report for the financial year previous to the financial year during which the shares have been earned). The calculated numbers of shares are transferred to the Board members’ custody accounts in total once annually following the release of the annual report for the financial year during which the shares have been earned. The cash compensation is paid on a quarterly basis. Any remuneration for tasks which are outside the normal duties of a Board member and any compensation for significant travel time as explained below are not included when calculating the number of SimCorp shares allocated.

The shares must be held in custody by Board members for a minimum period of one year. This condition only applies to Board members continuing as members of the Board after the Annual General Meeting.

**Expenses and ad-hoc assignments**

SimCorp reimburses Board members for relevant expenses such as travel and accommodation in relation to Board meetings. When a Board member spends significant time on travelling to and from Board meetings, the Board member is entitled to a minor travel fee per attended meeting. The size of the travel fee is determined by the Board. Board members’ travel to and from the annual off-site strategy session will not be covered by travel fees.

The Board may assign tasks to individual Board members, which are outside the normal duties assigned to such individual Board members. In such cases, the Board must pre-approve the scope of such tasks and the maximum fee for such tasks, which in no event can exceed EUR 2,500 per full-day work. The Board has a duty to oversee that no tasks should compromise the Board member’s independence.

The Board participates neither in the short-term incentive program (STIP) nor in the long-term incentive program (LTIP).

**REMUNERATION OF THE EXECUTIVE MANAGEMENT BOARD**

The Board approves the remuneration of the Executive Management Board for the coming financial year based on a proposal from the Nomination and Remuneration Committee. The Chairman of the Board

informs the Annual General Meeting of the remuneration for the Executive Management Board.

The aggregate remuneration of the Executive Management Board consists of a base salary, other benefits, and participation in the STIP and the LTIP. The aggregated remuneration is evaluated against remuneration of Danish and international companies similar in size and with comparable business activities. The target salary assumes that all the predefined short-term incentive-related targets are fully met.

The table below summarizes the remuneration structure for the Executive Management Board:

	<b>Percentage of base salary</b>
Base salary (cash and pension contribution)	100%
Other benefits (at a maximum of)	10%
STIP (at a maximum of)	90%
LTIP (at a maximum of)	100%
Total (at a maximum of)	300%

The remuneration structure of the Executive Management Board consists of a base salary, which incorporates all pension contributions; other benefits such as company car, phone, etc. of which the annual cost for the company will be a maximum of 10% of the base salary; a STIP element at a maximum of 90% of the base salary and an LTIP element at a maximum of 100% of the base salary.

**STIP**

The Executive Management Board participates in the STIP through an annual cash bonus scheme of which the target value is up to 65% of the base salary.

Typically, the 65% cash bonus is split as follows: 50% is based on the company’s Balanced Scorecard (50% financial objectives and 50% strategic objectives); and the remaining 15% is allocated to other specific targets that vary from year to year. As part of the approval of the STIP, the Board decides every year the target values for each measure for the coming year. The Board sets challenging short-term incentive targets. If the target values for the measures are exceeded (above 100% achievement of targets), the Board may decide to apply an incentive for “over-performance”, in that case the actual result of the short-term incentive program for the Executive Management Board may exceed the target value of 65% of the base salary, however, the STIP incentive compensation cannot exceed 90% of

the base salary. The targets and the actual performance are disclosed retrospectively in the annual report.

### LTIP

The incentive to create long-term value is based on participation in restricted stock units (RSUs). The members of the Executive Management Board are granted RSUs with an aggregate value at the time of grant of up to 100% of their respective base salary determined at the time of grant. The number of RSUs granted under the LTIP is calculated by applying the average share price of the SimCorp share in the 3-day-period following the publication of the annual report for the previous financial year (i.e. the annual report for the financial year previous to the financial year during which the RSUs have been earned). The RSUs granted under the LTIP are subject to the Executive Management Board member being employed with SimCorp at the vesting date and that the SimCorp Group at the vesting date has met certain defined performance targets. If such targets are only met partially, the number of shares acquired will be reduced or may lapse completely. The Board may decide that in specific circumstances, for example due to the age or seniority of the member of the Executive Management Board, it is not a condition for vesting of RSUs that the member of the Executive Management Board is employed by SimCorp at the time of vesting. The Board may decide to subject vesting to other conditions, e.g. that the member of the Executive Management Board has not passed away at the time of vesting.

Unless the Executive Management Board member already holds SimCorp shares with a market value exceeding the member's annual base salary, it is furthermore a requirement that shares to which the individual has acquired full ownership rights on the vesting date in respect of RSUs shall be held in trust for at least three years following the vesting date.

Notwithstanding the foregoing, a member of the company's Executive Management Board shall be entitled to sell shares allocated under the LTIP corresponding to the income tax arising from the allocated shares in any year such shares vest. The targets and the actual performance against these for the financial year in question are disclosed in the annual report retrospectively.

### Correlation between remuneration and long-term value creation

The following explains the correlation between the remuneration guidelines and the company's long-term value creation and relevant related goals.

The STIP consists of a bonus element which is linked to the company's achievement of certain financial and short-term strategic goals. The Board sets challenging financial and short-term strategic incentive targets. The short-term strategic incentive targets are also linked to the long-term value creation of the company in the sense that these targets act as a means of incentivizing management to produce results which, in the view of the Board, are in the long-term interest of shareholders.

The relevant related goals of the STIP are linked to SimCorp's strategic priorities or other business-related activities considered important by the Board. The relevant related goals are inter alia the positive development in sales activities, positive development in client satisfaction, low attrition of employees, successful sale of strategic offerings, increased product quality, ease of implementation of SimCorp Dimension and delivery of SimCorp's cloud offerings, all of which are viewed by the Board as contributing to long-term value creation in SimCorp.

The LTIP also carries a strong correlation between management remuneration and long-term value creation in the interest of the shareholders. The vesting of the LTIP is conditional on the realization of certain financial targets during the vesting period and on the continued employment of the management representative. The LTIP's financial improvement incentive and retention element both contribute to long-term value creation in SimCorp.

The financial targets of the LTIP are equally distributed between organic business growth and increased profitability. The targets for the individual year's LTIP program are disclosed in arrears, but the Board's objective has been that management is incentivized towards achieving an organic double-digit growth of the revenue, while at the same time improving the EBIT margin, provided that such improvement of the EBIT margin assumes an unchanged revenue mix. Failure to achieve these goals means that the number of shares would be reduced or eliminated.

**Other schemes**

In order to attract sufficiently qualified executive officers as members of the Executive Management Board, the Board is in extraordinary circumstances allowed to pay sign-on compensation to a member of the Executive Management Board in the form of a cash sum or RSUs. An extraordinary circumstance is, for example, the grant of a sign-on incentive to compensate for any loss of RSUs, stock options or bonus which a member of the Executive Management Board may suffer from a previous employer.

The sign-on incentive shall in the event of a cash compensation not exceed 50% of the annual base salary for the member of the Executive Management Board at the time of employment. In the event of a grant of RSUs, the sign-on incentive shall not (a) be granted with a total vesting period of more than five years after the commencement of employment with SimCorp and (b) the annualized value over the vesting period cannot exceed 50% of the annual base salary for the member of the Executive Management Board at the time of employment.

The Board may also require a significant investment by the member of the Executive Management Board in the shares of SimCorp A/S upon commencement of employment.

The above-mentioned requirements defining the maximum percentage share of each short-term and long-term incentive-based remuneration element in the executive officer's base pay do not apply where the elements are part of the sign-on compensation. RSUs may be granted on the condition that these will not vest for up to five years from the date of grant.

**Claw back provision**

Remuneration agreements for the Executive Management Board include a right for SimCorp to demand full or partial repayment of variable components (STIP and LTIP), which have been paid out based on information which the Company afterwards documents is materially incorrect, or as a result of fraud or material non-compliance with the accounting principles which the Company is subject to.

## ABOUT SIMCORP

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