

# REMUNERATION POLICY

Guidelines for remuneration of the Board of Directors and  
Executive Management Board

MARCH 24, 2021

# REMUNERATION GUIDELINES

## INTRODUCTION

This remuneration policy (the 'Remuneration Policy') has been prepared in accordance with sections 139 and 139a of the Danish Companies Act and the most current 'Recommendations on Corporate Governance' issued by the Danish Committee on Corporate Governance.

At the annual general meeting 2021, the Board of Directors proposes, in order to simplify tax reporting for board and committee members with residence outside of Denmark, to amend the remuneration policy by allowing members with residence outside of Denmark to choose as part of their remuneration to receive cash payment instead of receiving SimCorp shares on the condition that the cash amount is invested in SimCorp shares.

## REMUNERATION OF THE BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors ('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 shall be in line with conventional compensation for Boards of Directors of Danish and international companies similar in size and with comparable business activities. This

allows the company to attract and retain members of the Board with the right skills and competencies. The total base remuneration is equal for all Board members and comprises a cash element equivalent to 2/3 of the total base remuneration and a share element of 1/3 of the total base remuneration.

For positions within the Board, the Audit Committee, and the Nomination and Remuneration Committee the below multipliers shall apply.

### Conversion into SimCorp shares

One third of the total base remuneration is converted into a number of SimCorp shares by applying the average share price of the SimCorp shares 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 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.

	Board		Audit Committee		Nomination and Remuneration Committee	
	Multiplier	DKK <sup>1</sup> (total value of cash and shares)	Multiplier	DKK <sup>1</sup> (total value of cash and shares)	Multiplier	DKK <sup>1</sup> (total value of cash and shares)
Chairman	3	1,260,000	0.75	315,000	0.375	157,500
Vice-chairman	2	840,000	N/A	N/A	N/A	N/A
Member	1	420,000	0.375	157,500	0.1875	78,750

<sup>1</sup> The DKK and EUR amounts are based on the total base remuneration of DKK 420,000 and the travel fee of EUR 2,500 as adopted by the annual general meeting on March 24, 2021 and may change subject to approval by the shareholders at future general meetings.

Instead of receiving the one third of the total base remuneration in SimCorp shares, board and committee members with residence outside of Denmark may choose to receive a cash payment instead. Such cash payment shall be invested in SimCorp shares and the requirement to hold the shares applies as set out below

The shares must be held in custody by Board members for a minimum period of one year after the shares are transferred to the Board members. 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 and cannot exceed EUR 2,500\* per attended meeting. 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).

**Election term**

The ordinary members of the Board are elected for a term of one year by the annual general meeting. The members of the Board elected pursuant to the statutory rules on employee representation on boards of directors are elected for a term of three years.

**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 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 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.

**Short-Term Incentive Program (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 programme 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.

### **Long-Term Incentive Program (LTIP)**

The incentive to create long-term value is based on grant of 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.

### **Other schemes**

#### ***Shareholding requirement***

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

#### ***Sign-on compensation***

The Board may award a sign-on compensation to a member of the Executive Management Board in the form of a cash sum or RSUs, for example to compensate for any loss of RSUs, stock options or bonus 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, (a) the sign-on compensation shall not be granted with a total vesting period of more than five years after the commencement of employment with SimCorp and (b) the annualized value of the sign-on compensation 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.

#### ***Notice of termination and severance pay***

The employment of a member of Executive Management Board may be terminated by SimCorp by up to 12 months' notice and by the individual member by up to 6 months' notice. If an Executive Management Board member is dismissed by SimCorp for any reason other than breach on the part of the Executive Management Board member, the member may be entitled to severance pay in cash corresponding to up to 6-9 months' month fixed remuneration. Certain members of the Executive Management Board have provisions in their contracts pursuant to which the termination notice to be provided by the company is prolonged for up to 24-36 months in the event of a change of control situation. The prolonged notice period is gradually reduced by one month per whole calendar month after the date of the change of ownership during the period until the notice period is equivalent to the notice period in case of ordinary termination.

#### ***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. Claw back in relation to the STIP is possible for a period of up to 24 months after the actual payment of the cash based incentive. Claw back in relation to the LTIP is possible for a period of up to 12 months after the release of the shares to the Executive Management Board (i.e. up to four years after the grant date).

## CORRELATION BETWEEN REMUNERATION AND LONG-TERM INTERESTS, BUSINESS STRATEGY AND SUSTAINABILITY

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 arrear, 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.

## CORRELATION BETWEEN REMUNERATION AND EMPLOYEE TERMS

In preparation of the Remuneration Policy, the Nomination and Remuneration Committee has compared and assessed the relationship between the Executive Management Board's remuneration and the other employees' salaries and terms of employment to ensure the terms are proportionately in line with each other considering the duties involved.

Salary increases in percentage terms for the Executive Management Board will normally be in line with increases awarded to employees but there may be cases where a higher amount is agreed, at the discretion of the Nomination and Remuneration Committee considering the market practice for remuneration in comparable companies in order to achieve the overall objective of this Remuneration Policy, particularly where the salary level is significantly below market for the size and scope of the role as the company grows. The level of remuneration is based on careful consideration of the qualifications required, individual experience, overall responsibilities and duties of the members of the Executive Management Board and the Board respectively.

SimCorp's remuneration of its employees is based on the following principles:

- Remuneration is based on local conditions in the markets where SimCorp operates
- Remuneration principles and structure apply to all employees irrespective of their geographic location, but the actual remuneration depends on local market conditions and may therefore vary by country
- To ensure transparency in performance-related pay, KPIs are used, primarily growth and the profitable development of SimCorp's business
- Senior management will have a relatively higher proportion of incentive-related pay than other employees
- A portion of the total remuneration received by all employees is linked to the profitable growth of SimCorp's business (corporate bonus)
- To ensure all SimCorp staff focus on the long-term interests of the shareholders, share-based incentive plans are related to business performance or improved share price performance
- Share-based incentive plans are based on RSUs.

## ADOPTION PROCESS

This Remuneration Policy has been prepared by the Nomination and Remuneration Committee for approval by the Board of Directors and adoption by the shareholders at the annual general meeting 24 March 2021 to apply with respect to the financial year 2021 and subsequent years and will be published on [www.simcorp.com](http://www.simcorp.com).

The Remuneration Policy is a key part of the Nomination and Remuneration Committee's tasks and are revised as needed to ensure consistency between the remuneration for management, the company's long-term goals and shareholders' interests. In addition, the Remuneration Policy is revised to ensure that the company can attract, retain and motivate qualified individuals in the market in which the company competes for executive talent.

The Remuneration Policy shall be reviewed by the Nomination and Remuneration Committee at least once annually to ensure the Policy remains aligned with the company's business strategy and any legal requirements and will be approved by the general meeting at least every four years.

If the Nomination and Remuneration Committee deems it necessary to revise the Remuneration Policy, the Nomination and Remuneration Committee prepares a draft for the Board of Directors, which then take a decision according to the Board of Directors' usual decision-making procedure. If the Board adopts the proposal to revise the Remuneration Policy, it is submitted to the shareholders for approval at the first annual general meeting after such revision. The company's Executive Management Board may be consulted in connection with the possible revision of the Remuneration Policy; however, the Executive Management Board has no decision-making power in relation to the Remuneration Policy itself.

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