



DEUTSCHE BÖRSE  
GROUP

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# Financial report 2017

Excerpt: report of the Supervisory Board



## Report of the Supervisory Board



**Joachim Faber**  
Chairman of the Supervisory Board

Deutsche Börse AG's Supervisory Board had three top priorities in 2017, which proved to be a demanding and challenging year. Firstly, we oversaw and advised the Executive Board regarding key decisions in connection with the planned merger with London Stock Exchange Group, which was ultimately prohibited, and with the investigation by the Public Prosecutor's Office against then Chief Executive Officer (CEO) Carsten Kengeter. Secondly, we monitored the continued development and implementation of Deutsche Börse Group's growth strategy. At the same time, we ensured that the Executive Board maintained the smooth running of day-to-day operations. Thirdly, we appointed Theodor Weimer as the new CEO after Carsten Kengeter's resignation, thus swiftly ensuring a strong transition.

During the reporting period, we also 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 and monitored its work, and were involved in all fundamental decisions.

We held a total of 15 plenary meetings during 2017, including nine extraordinary meetings. In addition, one strategy workshop and two technology workshops took place.

At our meetings, the Executive Board provided us with comprehensive and timely information in line with the legal requirements. The information covered the course of business as well as the company's and the Group's position (including the risk situation, risk management and compliance), as well as on the company's strategy and planning. We discussed all significant transactions for the enterprise in the plenary meetings and in the Supervisory Board committees, based on the reports provided by the Executive Board. The high frequency of both plenary and committee meetings ensured an active exchange of information between the Supervisory Board and the Executive Board. The Executive Board also submitted written reports on individual issues between meetings, and discussed individual topics with us. 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 longterm outlook, and discussed these issues with him.

The Executive Board submitted all measures requiring Supervisory Board approval in accordance with the law, the company's Articles of Association or bylaws to the Supervisory Board, and the Supervisory Board approved these measures. The Supervisory Board also satisfied itself in other respects that the Executive Board's actions were lawful, due and proper, and appropriate.

All members of the Supervisory Board attended more than half of the meetings of the Supervisory Board and of the committees of which they were members during 2017. The average attendance rate for all Supervisory Board members was 97 per cent during the year under review.

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

#### Attendance of Supervisory Board members at meetings in 2017

	Meetings (incl. committees) <sup>1)</sup>	Meeting attendance	%
Joachim Faber	29	29	100
Richard Berliand	27	26	96
Ann-Kristin Achleitner	29	29	100
Karl-Heinz Flöther	25	23	92
Marion Fornoff	22	20	91
Hans-Peter Gabe	18	18	100
Craig Heimark	19	19	100
Monica Mächler	26	26	100
Erhard Schipporeit	26	26	100
Jutta Stuhlfauth	23	19	83
Johannes Witt	25	25	100
Amy Yip	29	28	97
<b>Average attendance rate</b>			<b>97</b>

1) Since attendance at workshops is voluntary for Supervisory Board members, such workshops are not taken into account when calculating the average attendance rate.

#### Topics addressed during plenary meetings of the Supervisory Board

During the reporting period, we discussed the further strategic orientation of Deutsche Börse Group in detail. The planned merger with London Stock Exchange Group plc (LSEG), which ultimately could not be realised, played a major role in our discussions. Furthermore, we gave in-depth attention to the investigation of the Public Prosecutor's Office in Frankfurt/Main concerning the actions of then CEO Carsten Kengeter, which alleges insider trading and failure to release an ad-hoc announcement. The decision on whether or not to approve the Executive Board's decision to accept a prospective fine from the Public Prosecutor, thereby potentially ending the proceedings, was among the most difficult we had to make. We decided to approve this decision after intense discussion and thorough deliberation of the benefits and drawbacks for the company's wellbeing.

Furthermore, a main focus of the Supervisory Board's activities during 2017 was placed on overseeing the implementation of the growth strategy. Numerous major projects were completed, new ones pushed ahead and acquisition projects continued. Another key focal point was the efficiency, appropriateness and effectiveness of internal control systems. We also dealt with the fundamental changes resulting from financial markets regulation and focused on digitisation, artificial intelligence, blockchain and big data.

We also had in-depth discussions on succession planning for the Supervisory and Executive Boards. By appointing Theodor Weimer as the company's new CEO, we ensured an orderly change of leadership.

In addition, the Executive Board regularly informed us about Deutsche Börse AG's share price performance, and those of its competitors. The Executive Board also reported on the business performance, financial position and results of operations of Deutsche Börse AG, its affiliated companies and Deutsche Börse Group as a whole. Our plenary meetings focused in particular on the following issues during the reporting period:

At our first **extraordinary meeting** during the reporting period, **on 6 February 2017**, we discussed the status quo of EU antitrust proceedings related to the potential merger between Deutsche Börse AG and LSEG. We also concerned ourselves, in detail, with the investigations launched by the Public Prosecutor's Office in Frankfurt/Main against Carsten Kengeter. After extensive discussions with external experts and analysis of the unfolding of events in 2015 we expressed our full confidence in Mr Kengeter based on the information available at that time. We resolved to entrust an independent legal firm with advising the Supervisory Board in this matter.

At our **regular meeting on 15 February 2017**, we addressed in detail the preliminary results for the 2016 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 2016 financial year, following a detailed examination. The Executive Board presented possible remedies as well as its strategy for obtaining regulatory approval for the intended merger with LSEG, which we approved by way of resolution. We concerned ourselves, in detail, with the prevailing facts and legal situation regarding the investigation concerning Carsten Kengeter. We also adopted the corporate governance report and the corporate governance declaration for the 2016 financial year, and resolved measures to further enhance the efficiency of the Supervisory Board's work.

At the **extraordinary meeting on 21 February 2017**, we once again discussed the status of EU antitrust proceedings related to the potential merger with LSEG. The Executive Board informed us about potential additional remedies, and concerning its strategy for dealing with the European Commission's antitrust concerns regarding the project.

At the **extraordinary meeting on 27 February 2017**, the Executive Board reported on the decision by LSEG not to agree to the disposal of its majority stake in MTS S.p.A., as required by the European Commission.

Our **technology workshop on 10 March 2017** focused on the topic of digitisation, as well as resulting prospects for Deutsche Börse Group.

At the **regular meeting on 10 March 2017**, we discussed the company's financial statements as well as the consolidated financial statements for 2016 and the remuneration report, in the presence of the external auditors. We approved the 2016 financial statements and consolidated financial statements, having carried out our own detailed examination, in line with the recommendation by the Audit Committee, which had already examined the documents in depth, in preparation for our meeting. We also adopted the report of the Supervisory Board for 2016, as well as the agenda for the 2017 Annual General Meeting. We once again discussed, in detail, the impending decision by the European Commission on the possibility of the intended merger with LSEG being approved. We discussed succession planning for the Executive Board, and the company's top management level. We also resolved to renew Gregor Pottmeyer's appointment as a member of Deutsche Börse AG's Executive Board, effective 1 October 2017, for a period of five years. With the support of our external legal advisors, we also concerned ourselves in detail with the prevailing facts and legal situation regarding the investigation concerning Carsten Kengeter.

At the **strategy workshop on 26 April 2017**, the Executive Board provided us with a detailed status report regarding the implementation of the growth strategy. We also concerned ourselves with major industry trends, relevant political developments, the Group's competitive position, as well as with organic and inorganic growth opportunities.

During the **regular meeting** held immediately prior to the Annual General Meeting (AGM) **on 17 May 2017**, we discussed the AGM with the Executive Board.

At the **extraordinary meeting on 24 May 2017**, we once again discussed the investigation by the public prosecutor; the Executive Board gave a detailed account of the factual and legal situation, and on expected further steps. We discussed these, as well as the rights and obligations of the Supervisory Board in connection with this matter, in detail and with the support of our external legal advisors.

At our **regular meeting on 21 June 2017**, we concerned ourselves with Deutsche Börse Group's risk management, information security, and the internal control and audit systems. We also discussed, in detail, the strategy of Eurex Clearing AG, Deutsche Börse Group's central counterparty, concerning exchange-traded and OTC derivatives, the reorganisation of information technology, and the company's client management strategy. We resolved on minimum targets for the share of female executives on the company's Executive Board and Supervisory Board. With the support of our external legal advisors, we once again discussed the investigation concerning Carsten Kengeter, in detail.

All members of the Supervisory Board had the opportunity, **on 26 July 2017 and 22 August 2017**, to discuss questions concerning the factual and legal situation concerning the investigation with the Supervisory Board's legal advisors – comprehensively and in detail.

At our **extraordinary meeting on 29 August 2017**, we discussed an inorganic growth opportunity in the area of market data, indices and analytics.

At the **extraordinary meeting on 7 September 2017**, we dealt with the report submitted by the Executive Board on the Group's control and risk functions. In particular, we discussed the results provided by an independent external auditor concerning compliance with the requirements of the EU Market Abuse Regulation, within the scope of internal processes. Once again, we discussed the prevailing facts and legal situation regarding the investigation concerning Carsten Kengeter, in detail.

At the **extraordinary meeting on 13 September 2017**, the Executive Board reported on its intention, in connection with the investigation, to accept the prospective penalty notice as indicated by the prosecutor's office. Following a detailed discussion with the Executive Board, and with the legal advisors of the company and of the Supervisory Board, and having examined and considered the prevailing facts and legal situation in detail, we approved the Executive Board's resolution.

Our **technology workshop on 21 September 2017** focused on the topic of artificial intelligence, its impact on the Group's business activities, and the scope for specific practical applications.

At the **regular meeting on 21 September 2017**, the Executive Board informed us about material developments and measures in the area of compliance. We concerned ourselves with Deutsche Börse Group's regulatory strategy, to support the growth strategy. We discussed the CSR-Richtlinien-Umsetzungsgesetz (German Act to Implement the EU CSR Directive), and passed a resolution on appointing the external auditors for the combined non-financial statement for the 2017 financial year. We also resolved to amend the remuneration system for members of the Executive Board – specifically, a cap on annual payouts of €9.5 million gross, comprising fixed remuneration, variable remuneration, and company pensions. Following extensive discussion, we resolved measures relevant to the Supervisory Board concerning implementation of corporate governance requirements in the context of MiFID II. We also discussed succession planning for the Executive Board.

At the **extraordinary meeting on 26 October 2017**, Carsten Kengeter informed us about his decision to step down as CEO of Deutsche Börse AG, with effect from 31 December 2017. His objective was to allow the company to re-focus its energy on its customers, its business and growth and to see it relieved of the burden placed on it by the ongoing investigations. We unanimously accepted Carsten Kengeter's request with deep regret and thanked him for having re-positioned the company and for having led it through the transformation.

At the **extraordinary meeting on 16 November 2017**, we appointed Theodor Weimer as CEO of Deutsche Börse AG, with effect from 1 January 2018, for a period of three years. We also re-appointed Andreas Preuss as a member of the Executive Board and Deputy CEO, effective 1 June 2018, and re-appointed Jeffrey Tessler as a member of the Executive Board, effective 1 January 2018; both re-appointments were made for a period of one year. Furthermore, we resolved amendment agreements and updated plan conditions with the members of the Executive Board, to implement adjustments to the remuneration system for the Executive Board.

We discussed and adopted the budget for 2018 at the **regular meeting on 5 December 2017**. Moreover, we discussed Deutsche Börse Group's risk management, as well as the development of the Group's investments. We adopted further measures to implement the corporate governance requirements under MiFID II. We discussed the results of our examination of appropriateness of Executive Board remuneration, and of our annual efficiency review in accordance with section 5.6 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code). Furthermore, we adopted the declaration of conformity pursuant to section 161 of the Aktiengesetz (AktG, German Stock Corporation Act) for the 2017 financial year. The declaration of conformity is available at [www.deutsche-boerse.com/declconformity](http://www.deutsche-boerse.com/declconformity).

## Committee work

The Supervisory Board maintained six committees during the reporting period. 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 has 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 Personnel Committee (or the Nomination Committee) and the Strategy Committee. Details on the members and duties of the Supervisory Board committees during the reporting period can be found in the [“Combined corporate governance statement and corporate governance report”](#) section. 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, issuing the engagement letter to the external auditors and preparing the Supervisory Board's proposal to the Annual General Meeting on the election of the external auditors; agreeing the external auditors' fee and defining the focal areas of the audit; discussing non-audit services rendered by the external auditors, assignment of the external auditor to conduct an audit of the combined non-financial statement
- Internal control systems: discussion of questions relating to risk management, compliance and 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
- Preparation of the Supervisory Board's resolution on the corporate governance report and the remuneration report as well as on the corporate governance statement in accordance with section 289f of the Handelsgesetzbuch (HGB, German Commercial Code) and the declaration of conformity in accordance with section 161 of the AktG
- Measures to close audit findings
- Deutsche Börse Group's investments

**Nomination Committee (three meetings during the reporting period)**

- Preparations for the election of shareholder representatives by the 2018 Annual General Meeting

**Personnel Committee (seven 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 2016; preliminary discussion of the extent to which individual members of the Executive Board have achieved their targets for 2017; adoption of the individual targets for the members of the Executive Board for 2018; discussion of the remuneration report; preparation of recommendations to the plenary meeting to amend the procedure for paying out the 2015 tranche of the variable share-based payment and the 2016 tranche of the Performance Bonus Plan for Executive Board members; preparation of a recommendation to the plenary meeting to adjust the remuneration system for Executive Board members – specifically, introduction of a cap; review of the appropriateness of Executive Board remuneration, and of members' pensionable income
- Personnel matters: discussion of succession planning for the Executive Board; discussion and selection of candidates; preparation of a recommendation to the plenary meeting for the re-appointment of Gregor Pottmeyer, Andreas Preuss and Jeffrey Tessler as members of the Executive Board, and of Andreas Preuss as Deputy CEO; preparation of a recommendation to the plenary meeting for the appointment of Theodor Weimer as a member of the Executive Board, and his appointment as CEO of Deutsche Börse AG

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

- Quarterly compliance and risk management reports
- Ongoing enhancements to Group-wide compliance and risk management, and of harmonising internal control systems
- Deutsche Börse Group's risk strategy and risk culture
- Operational risk, information security, and business continuity management
- Managing credit and product-specific risks
- New regulatory requirements, especially under MiFID II/MiFIR and the Central Securities Depository Regulation (CSDR)

**Strategy Committee (three meetings during the reporting period)**

- Deutsche Börse Group's strategic orientation, and the status of implementing the growth strategy in the various business areas
- Strategic discussion of major industry trends, relevant political developments, the Group's competitive position, as well as organic and inorganic growth opportunities (the latter especially in the areas of market data, indices and analytics)
- Cost and capital management

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

- Developments to, and implementation of Deutsche Börse Group's IT strategy
- Digitisation, and implementation of associated changes to the organisational structure and enterprise processes
- Cloud computing, cloud migration strategies, and relevant cloud security standards
- Information security, IT risk management, and quantification of cyber risk

## 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 2017, 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 2017 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, Andreas Dielehner (Partner, KPMG) and Thomas Hommel (Senior Manager, KPMG), 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 of the annual financial statements, the consolidated financial statements and the combined management report including the combined non-financial statement for 2017 in a plenary meeting did not lead to any objections and we concurred with the results of the audit performed by the auditor. We approved the annual financial statements prepared by the Executive Board and the consolidated financial statements at our meeting on 9 March 2018, 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, with particular reference to 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

We resolved the following in respect of the Executive Board during 2017:

- We accepted the request of Carsten Kengeter to step down as CEO of Deutsche Börse AG, with effect from 31 December 2017, with deep regret. The Supervisory Board would like to unanimously thank Mr Kengeter, who took key strategic decisions for the company in challenging times, and who strengthened the company's competitiveness.
- We appointed Theodor Weimer as a member of the Executive Board, for a term of office of three years, and as CEO, with effect from 1 January 2018, thereby achieving a seamless transition at the top of the company.
- We re-appointed Gregor Pottmeyer as a member of the Executive Board, effective 1 October 2017, for a period of five years.
- We also resolved to renew the appointment of Deputy CEO Andreas Preuss, effective 1 June 2018, and of Jeffrey Tessler, effective 1 January 2018, for one year in each case. We have thus succeeded in safeguarding the necessary continuity in the work of the Executive Board.

There were no personnel changes to the Supervisory Board during the reporting period.

## 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 2017.

Frankfurt/Main, 9 March 2018

For the Supervisory Board:



**Joachim Faber**

Chairman of the Supervisory Board

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