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**Regulation on the Supervisory Requirements for Institutions' Remuneration Systems¹
Remuneration Regulation for Institutions (*Institutsvergütungsverordnung*)**

As at 4 May 2023 the latest version available of the complete regulation

Last amended by: Article 1 of the Regulation of 14 February 2023 (Federal Law Gazette I, no. 41)

Supersedes Regulation 7610-2-38 of 6 October 2010 (Federal Law Gazette I, p. 1374)

¹ This Regulation implements Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176 of 27 June 2013, p. 338) and adjusts the regulatory laws to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 646/2012 (OJ L 176 of 27 June 2013, p. 1).

Preamble

On the basis of section 25a (6) of the German Banking Act (*Kreditwesengesetz*), as inserted into the German Banking Act by Article 1 no. 48 of the Act of 28 August 2013 (Federal Law Gazette I, p. 3395), the Federal Ministry of Finance, in consultation with the Deutsche Bundesbank and having consulted the central associations representing the institutions, issues the following regulation:

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Part 1 General

Section 1 Scope of application

(1) ¹Subject to subsection 3, this Regulation applies to all institutions within the meaning of section 1 (1b) and section 53 (1) of the German Banking Act (*Kreditwesengesetz*) that fall under the scope of section 25a of the German Banking Act, and to the remuneration of all staff members of these institutions pursuant to section 2 (7). ²It does not apply to branches of undertakings domiciled in another state of the European Economic Area within the meaning of section 53b (1) and (7) of the German Banking Act, or to undertakings that only provide financial services of the type described in section 1 (1a) sentence 2 no. 9 or no. 10 of the German Banking Act.

(2) Section 5 (6) and section 16 do not apply to institutions that are neither CRR credit institutions within the meaning of section 1 (3d) sentence 1 of the German Banking Act nor significant institutions within the meaning of section 1 (3c) of the German Banking Act.

(3) ¹Part 3 only applies to significant institutions within the meaning of section 1 (3c) of the German Banking Act. ²Sections 18, 19 (1) sentences 1 and 2 and 19 (2) and (3), section 20 (1) and (3) to (6) and sections 21 and 22 also apply to CRR credit institutions that are not significant within the meaning of section 1 (3c) of the German Banking Act if:

1. they are superordinated undertakings whose balance sheet total calculated on a consolidated or sub-consolidated basis in accordance with Article 18 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176 of 27 June 2013, p. 1; OJ L 208 of 2 August 2013, p. 68; OJ L 321 of 30 November 2013, p. 6; OJ L 193 of 21 July 2015, p. 166; OJ L 20 of 25 January 2017, p. 3; OJ L 13 of 17 January 2020, p. 58; OJ L 335 of 13 October 2020, p. 20; OJ L 405 of 2 December 2020, p. 79), which was last amended by Regulation (EU) 2020/873 (OJ L 204 of 26 June 2020, p. 4), is equal to or greater than EUR 30 billion; or
2. on average, their balance sheet total on the balance sheet dates for the last four completed financial years was greater than EUR 5 billion and the institutions fulfil at least one of the other conditions below:
 - a) they neither qualify for the exemption under section 20 (1) of the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*), nor are they subject to the simplified obligations under sections 19 and 41 of the German Recovery and Resolution Act;
 - b) at the end of the last financial year, their trading book business is not classified as small within the meaning of Article 94(1) of Regulation (EU) No 575/2013; or
 - c) at the end of the last financial year, the aggregate value of their derivative positions held with trading intent exceeds two percent of their total on and off-balance sheet assets, and the aggregate value of all of their derivative positions exceeds 5%, where both values are calculated in accordance with Article 273a(3) of Regulation (EU) No 575/2013.

(4) With the exception of section 16 (1) sentence 1 nos. 1 and 3, this Regulation does not apply to remuneration established:

1. in a collective agreement (*Tarifvertrag*);
2. within the scope of application of a collective agreement through an agreement of the contracting parties on the application of the provisions of the collective agreement; or
3. on the basis of a collective agreement (*Tarifvertrag*) in a plant-level or service agreement (*Betriebs- oder Dienstvereinbarung*).

Section 2 Definitions

(1) ¹Remuneration within the meaning of this Regulation comprises:

1. all financial benefits, irrespective of their nature, including pension benefits;
2. all benefits in kind, irrespective of their nature, including pension benefits; and
3. all benefits from third parties;

received by a staff member in respect of his or her professional activities for the institution. ²Benefits in kind within the meaning of sentence 1 no. 2 that are not to be considered income from salaried employment in accordance with the German Income Tax Act (*Einkommensteuergesetz*) or that are excluded under section 8 (2) sentence 11 of the German Income Tax Act need not be taken into account.

(2) Remuneration systems within the meaning of this Regulation are an institution's internal remuneration rules and the actual implementation and application thereof by the institution.

(3) ¹Variable remuneration within the meaning of this Regulation is that portion of the remuneration which is not fixed in accordance with subsection 6. ²If it is not possible to clearly allocate a remuneration component to fixed remuneration pursuant to subsection 6, this component is regarded as variable remuneration.

(4) Discretionary pension benefits within the meaning of this Regulation are those components of variable remuneration that are granted to staff members as pension benefits at the discretion of the institution.

(5) Severance payments are remuneration that a staff member receives relating to the early termination of an employment contract, agency contract or service contract.

(6) ¹Fixed remuneration within the meaning of this Regulation is the portion of remuneration:

1. whose award and amount are non-discretionary;
2. whose award and amount do not provide staff members with incentives for risk assumption;
3. for which the conditions for the award and amount have been predetermined;
4. for which the conditions for the award and amount are transparent for the staff member;
5. whose award and amount are permanent;
6. that cannot be reduced, suspended or cancelled by the institution unilaterally; and
7. that does not depend on performance or on the fulfilment of predefined criteria.

²Fixed remuneration also includes financial benefits or benefits in kind that are based on a predetermined, general, non-discretionary and institution-wide policy, that are not performance-related, do not provide incentives for risk taking and benefit either the majority of staff members or staff members that meet predetermined criteria, as well as payments to comply with statutory requirements. ³By way of derogation from sentence 1 no. 5, allowances are also regarded as fixed remuneration if the additional conditions under sentence 4 are also fulfilled provided the allowances are:

1. paid to expatriate staff members for the duration of their stay abroad considering the cost of living or the tax rates in the respective country or in order to adjust the contractually agreed fixed remuneration pursuant to sentence 1 to the level that would be paid on the local employment market for a comparable position (expatriation allowance); or
2. paid to staff members considering their temporary assumption of a more demanding duty, function or organisational responsibility (function allowance).

⁴The allowances pursuant to sentence 3 must meet the following additional conditions in order to be regarded as fixed remuneration:

1. The allowance is paid on a non-discretionary basis to all staff members in a similar situation on the basis of a consistent, institution-wide policy;
2. the level of the allowance is based on predetermined criteria; and

3. entitlement to payment of the allowance is subject to the condition subsequent that the reason for its award ceases to apply.

(7) ¹Staff members within the meaning of this Regulation are all staff members of the institution in accordance with section 5 (1) of the German Labour Court Act (*Arbeitsgerichtsgesetz*) in addition to all natural persons:

1. whose services the institution uses in conducting banking business or providing financial services, particularly on the basis of an employment contract, agency contract or service contract; or
2. who, within the framework of an outsourcing agreement with an outsourcing entity which belongs to the group, are directly involved in providing services to the institution for the purpose of conducting banking business or providing financial services.

²Members of the management board (*Geschäftsleiter und Geschäftsleiterinnen*) within the meaning of section 1 (2) of the German Banking Act are also regarded as staff members. ³Commercial agents within the meaning of section 84 (1) of the German Commercial Code (*Handelsgesetzbuch*) are not regarded as staff members.

(8) ¹Risk takers within the meaning of this Regulation are those defined in section 1 (21) and section 25a (5b) sentences 1 and 2 of the German Banking Act. ²Group risk takers are staff members whose professional activities have a material impact on the overall risk profile of a group pursuant to subsection 12.

(9) Remuneration parameters within the meaning of this Regulation are the quantitative and qualitative factors used to measure the performance and the success of a staff member or one of the institution's internal organisational units or the overall success of an institution or a group.

(10) ¹Performance contributions within the meaning of this Regulation are the actual achievements and performance, as determined on the basis of the remuneration parameters, of staff members or organisational units or the overall performance of an institution or a group, which are used in determining the amount of the variable remuneration components. ²Performance contributions may also be negative.

(11) ¹Control units within the meaning of this Regulation are the institution's internal organisational units subordinate to the management board (*Geschäftsleitung*) that monitor the organisational units that initiate transactions, in particular the areas front office pursuant to section 25c (4a) no. 3 (b) of the German Banking Act, and trading. ²These include the areas back office pursuant to section 25c (4a) no. 3 (b) of the German Banking Act and risk control functions. ³Other control units within the meaning of this Regulation are the units carrying out compliance functions and the internal audit function.

(12) Groups, superordinated undertakings and subordinated undertakings within the meaning of this Regulation are those defined in section 10a (1) and (2) of the German Banking Act.

Part 2

General Requirements for Remuneration Systems

Section 3

Responsibilities; involvement of the control units

(1) ¹The management board (*Geschäftsleitung*) is responsible for the appropriate design of remuneration systems for staff members who are not members of the management board (*Geschäftsleiter oder Geschäftsleiterinnen*) in compliance with the requirements under section 25a (1) no. 6 in conjunction with section 25a (5) of the German Banking Act and under this Regulation. ²The management board (*Geschäftsleitung*) must inform the supervisory board (*Verwaltungs- oder Aufsichtsorgan*) about the design of the remuneration systems of the institution at least once a year. ³For significant institutions pursuant to section 1 (3c) of the German Banking Act, sentences 1 and 2 also apply in relation to the procedure for identifying risk takers pursuant to section 25a (5b) of the German Banking Act and group risk takers pursuant to section 27 (2) sentence 1. ⁴The chair of the supervisory board (*Verwaltungs- oder Aufsichtsorgan*) must be granted a corresponding right to obtain information from the management board (*Geschäftsleitung*).

(2) The supervisory board (*Verwaltungs- oder Aufsichtsorgan*) is responsible for the appropriate design of the remuneration systems for members of the management board (*Geschäftsleiter und Geschäftsleiterinnen*) in compliance with section 25a (1) no. 6 in conjunction with section 25a (5) of the German Banking Act and this Regulation.

(3) Within the scope of their duties, the control units and the human resources division must be involved in an appropriate manner in the designing and monitoring of the remuneration systems and, in significant institutions pursuant to section 1 (3c) of the German Banking Act, must also be involved in the procedure for identifying risk takers pursuant to section 25a (5b) of the German Banking Act and group risk takers pursuant to section 27 (2) sentence 1.

Section 4

Alignment with the institution's strategy

¹The remuneration strategy and the remuneration systems must be designed to achieve the aims laid down in the institution's business and risk strategies. ²Consideration must also be given to the undertaking's corporate culture. ³The remuneration parameters must be aligned with the strategies and support the achievement of the strategic aims.

Section 5

Appropriateness of the remuneration and the remuneration systems

(1) Remuneration systems are appropriately designed if:

1. incentives for staff members to take disproportionately high risks are avoided;
2. the remuneration systems do not conflict with the monitoring function of the control units and of the member of the management board (*Geschäftsleitung*) responsible for risk management;
3. they take consumers' rights and interests into account; in particular, quantitative remuneration parameters may not be used exclusively where this directly affects consumer interests;
4. they do not conflict with the obligation to act in the best interests of the borrower in the provision of advisory services pursuant to section 511 of the German Civil Code (*Bürgerliches Gesetzbuch*); in particular, remuneration may not be contingent on sales targets relating to consumer credit agreements for real property pursuant to section 491 (3) of the German Civil Code;
5. the remuneration of the staff members responsible for assessing creditworthiness does not depend on the number or proportion of approved applications for consumer credit agreements for real property within the meaning of section 491 (3) of the German Civil Code; and
6. they are gender-neutral, so there can be no gender-based pay discrimination for equal work or work of equal value.

(2) As a rule, remuneration systems are not appropriately designed if entitlements to variable remuneration are unaffected by negative performance contributions.

(3) Incentives to take disproportionately high risks exist, in particular, if:

1. staff members are significantly dependent on variable remuneration; or
2. entitlements to payments relating to the termination of activities are established in individual contracts and their amount remains unchanged despite any negative individual performance contributions or misconduct.

(4) ¹Remuneration systems are considered to conflict with the monitoring function of the control units in particular if the amounts of variable remuneration for the staff members of the control units and for the staff members of the organisational units monitored by them are largely determined by analogous remuneration parameters and there is the threat of a conflict of interest. ²This applies *mutatis mutandis* with regard to the member of the management board (*Geschäftsleitung*) responsible for risk control.

(5) ¹Variable remuneration may only be guaranteed:

1. for the first twelve months after the commencement of an employment contract, agency contract or service contract with an institution;
2. provided the staff member's occupation directly previous to the occupation for which remuneration is guaranteed was not within the same group; and
3. provided the institution, at the time of the payout, fulfils the requirements under section 7 (1) sentence 3.

²The requirements under sections 20 and 22 do not apply to significant institutions within the meaning of section 1 (3c) of the German Banking Act. ³In calculating the ratio between variable and fixed annual remuneration in accordance with section 25a (5) of the German Banking Act, only guaranteed variable remuneration approved before the start of the occupation may be excluded.

(6) ¹Severance payments and contractually agreed non-competition compensation for the duration of a post-contractual non-competition clause are regarded as variable remuneration. ²With regard to the approval of severance payments, the institution must lay down principles in written or electronic form that must, in particular, specify a maximum amount for severance payments or the criteria for determining the amounts of severance payments. ³Severance payments must be granted and appropriately documented in accordance with the framework under section 11 (1) no. 3. ⁴Taking into account the provisions of sentence 5, such payments must reflect the performance achieved by the staff member over time and may not reward negative performance contributions or misconduct by staff members. ⁵The following remuneration does not fall within the scope of sections 7 and 20 and may be disregarded when calculating the ratio between variable and fixed remuneration in accordance with section 25a (5) sentences 2 to 5 of the German Banking Act:

1. severance payments:
 - a) to which a statutory entitlement exists;
 - b) made on the basis of a social compensation plan within the meaning of section 112 (1) of the German Works Constitution Act (*Betriebsverfassungsgesetz*) or pursuant to section 75 (3) no. 13 of the German Federal Staff Representation Act or pursuant to corresponding federal state laws;
 - c) that must be made on the basis of a final court judgment or court settlement; or
 - d) that, in the case of termination of a contract through redundancy by mutual agreement or by the institution unilaterally, or to avoid imminent court proceedings, do not exceed an amount calculated through a predetermined generic formula set in the principles under sentence 2;
2. contractually agreed non-competition compensation for the duration of a post-contractual non-competition clause, provided the payments, subject to section 74 (2) of the German Commercial Code, do not exceed the amount of fixed remuneration owed originally; and
3. other severance payments, provided the institution has demonstrated to the supervisory authority under section 1 (5) of the German Banking Act the reasons and the appropriateness of the amount; for severance payments up to an amount which:

- a) does not exceed EUR 200,000; and
- b) equals no more than 200 percent of the staff member's fixed remuneration in the last completed financial year;

the amount is deemed appropriate and the institution may forgo the demonstration.

⁶Where the remuneration is composed of several components pursuant to nos. 1 to 3, demonstration to the supervisory authority in accordance with no. 3 is required in any case.

(7) ¹Additional variable remuneration granted for the purposes of retaining staff members in the institution (retention bonuses) are only permissible where the institution is able to substantiate its legitimate interest in awarding such retention bonuses. ²They must, in particular, satisfy the requirements under sections 4 and 7. ³In calculating the ratio in accordance with section 25a (5) of the German Banking Act, retention bonuses must either be taken into account on a pro rata basis or with the full amount when the bonus is due. ⁴For risk takers in significant institutions within the meaning of section 1 (3c) of the German Banking Act, the requirements under sections 20 and 22 must also be met.

Section 6

Ratio between variable and fixed remuneration; approval of a higher maximum level in accordance with section 25a (5) sentence 5 of the German Banking Act

(1) ¹Where the remuneration consists of a variable and a fixed component, the two components must be appropriately balanced. ²The ratio is considered to be appropriate if, on the one hand, staff members are not significantly dependent on variable remuneration and, on the other hand, the variable remuneration component can provide an effective behavioural incentive.

(2) ¹The institution must set an appropriate maximum ratio between the variable and the fixed component of remuneration. ²Where applicable, section 25a (5) of the German Banking Act must be taken into account in the determination of the maximum level. ³An appropriate discount rate may be applied to a maximum of 25 percent of the total value of the variable remuneration provided this portion is paid in instruments that are deferred for a period of not less than five years.

(3) In cases of deferral, an entitlement or expectant right to the part of the variable remuneration component that is deferred in instruments pursuant to subsection 2 sentence 3 vests only after the deferral period has elapsed, and during the deferral period individuals solely have an entitlement to correct calculation of the unvested portion of this part of the variable remuneration component and not to this part of the variable remuneration component itself.

(4) If, in accordance with section 25a (5) sentence 5 of the German Banking Act, the institution seeks to increase the maximum level of variable remuneration in relation to fixed remuneration under sentence 2, it must be able to demonstrate to the supervisory authority pursuant to section 1 (5) of the German Banking Act that the proposed higher ratio does not conflict with the institution's compliance with its obligations under Regulation (EU) No 575/2013, under the German Banking Act and under this Regulation, placing particular emphasis on the requirements regarding the institution's capital adequacy.

(5) If an undertaking, as shareholder, owner, member or holder of voting rights exercises its voting rights with regard to the approval of a higher maximum level of fixed remuneration in relation to variable remuneration in accordance with section 25a (5) of the German Banking Act for staff members of its subsidiary, this approval is only effective if it is given in compliance with the requirements of section 25a (5) sentences 5 to 9 of the German Banking Act or if the higher maximum level is in line with the group-wide remuneration strategy pursuant to section 27 (1).

Section 7

Conditions for determining the total amount of variable remuneration and the vesting of deferred remuneration components

(1) ¹The total amount of variable remuneration as referred to in section 45 (2) no. 10 of the German Banking Act must be determined in a formalised, transparent and comprehensible process with the appropriate involvement of the control units according to their area of responsibility. ²The responsibilities under section 3 apply *mutatis mutandis*. ³In determining the total amount:

1. the institution's and the group's internal capital adequacy, multi-year capital planning and profit situation must be given sufficient consideration; and
2. it must be ensured that the institution and the group are capable of permanently maintaining or restoring:
 - a) adequate capital and liquidity resources,
 - b) the combined buffer requirements as defined in section 10i of the German Banking Act and
 - c) in the case of global systemically important institutions, the leverage ratio buffer requirement under section 10j of the German Banking Act.

(2) ⁴Variable remuneration may only be determined and vested if and to the extent that the requirements under subsection 1 sentence 3 are fulfilled at the respective points in time. ⁵Subsequent compensation for a reduction in variable remuneration is not permitted.

Section 8

Prohibition on restricting or nullifying risk adjustment

(1) ¹The risk adjustment of variable remuneration may not be restricted or nullified by hedging activities or other countermeasures. ²In particular, no vehicles or methods that would lead to a circumvention of the requirements of this Regulation may be used.

(2) ¹The institutions must establish appropriate compliance structures to prevent hedging activities or other countermeasures by staff members that may restrict or nullify the risk adjustment of remuneration. ²Appropriate compliance structures include, in particular, an obligation for staff members not to use any personal hedging activities or other countermeasures aimed at restricting or nullifying the risk orientation of their remuneration, and, in the case of significant institutions within the meaning of section 1 (3c) of the German Banking Act, an obligation on risk takers to provide notification of private custodial accounts. ³In this regard, compliance with this obligation must be checked in a risk-oriented manner at least using spot-check inspections by the control units carrying out compliance functions pursuant to section 2 (11); in the case of significant institutions within the meaning of section 1 (3c) of the German Banking Act, these checks must be carried out by the remuneration officer under sections 23 to 25.

Section 9

Additional requirements regarding the remuneration of the control units' staff members

(1) The remuneration of staff members in the control units must be designed to allow adequate human resources both in quantitative and qualitative terms.

(2) When designing the remuneration of control units' staff members it must be ensured that the emphasis is on the fixed remuneration component.

Section 10

Additional requirements regarding the remuneration of members of the management board (*Geschäftsleiter und Geschäftsleiterinnen*)

(1) In the course of determining the remuneration of an individual member of the management board (*Geschäftsleiter oder Geschäftsleiterin*), the supervisory board (*Verwaltungs- oder Aufsichtsorgan*) must ensure that such remuneration:

1. is appropriate in relation to the tasks and performance of the member of the management board (*Geschäftsleiter oder Geschäftsleiterin*) as well as the (economic) situation of the institution; and
2. does not exceed the customary remuneration, unless particular reasons so require.

(2) Variable remuneration should be based on a multi-year assessment; the supervisory board (*Verwaltungs- oder Aufsichtsorgan*) should agree on a means of providing for limitations in order to take account of extraordinary developments.

(3) Other relevant rules regarding the remuneration of members of the management board (*Geschäftsleiter und Geschäftsleiterinnen*) under national or federal state laws remain unaffected by subsections 1 and 2.

(4) ¹The remuneration that members of the management board (*Geschäftsleiter und Geschäftsleiterinnen*) receive for their professional activities at the institution must be stipulated conclusively in the contract of employment. ²The contract of employment and any subsequent amendments must be in written form.

Section 11

Principles for remuneration systems in the organisational guidelines; documentation requirements

(1) ¹The institution must set out principles for the remuneration systems in its organisational guidelines. ²The principles must include, in particular:

1. details about the design and amendment of the remuneration systems and about the composition of the remuneration;
2. the rules regarding the relevant responsibilities and decision-making powers of the management board (*Geschäftsleitung*), the supervisory board (*Verwaltungs- oder Aufsichtsorgan*), where applicable the remuneration control committee and remuneration officer, the control units, the human resources division and the other organisational units in decision-making processes; and
3. a framework for determining and approving severance payments, including clear allocation of responsibilities and decision-making powers, with the involvement of the control units and the human resources division within the scope of their respective responsibilities.

(2) The institutions must appropriately document the contents and results of decision-making processes in which the total amount and the distribution of variable remuneration within the institution is determined.

(3) ¹If allowances are allocated to fixed remuneration, the reasons for this must be documented. ²Specific information must be provided if the allowances:

1. are ultimately paid only to risk takers;
2. are ultimately limited to cases where the ratio between the variable and the fixed components of annual remuneration would exceed the higher maximum level under section 25a (5) of the German Banking Act in case the allowances were regarded as variable remuneration; or
3. are linked to indicators that could possibly be understood as proxies for the performance of the institution; in this case, the institution must be able to demonstrate that these indicators are in fact not linked to the performance of the institution.

Section 12

Review and amendment of remuneration systems

(1) ¹The appropriateness of remuneration systems and the underlying remuneration parameters must be reviewed by the institution at least once a year, especially with regard to their alignment with the business and risk strategies. ²For this purpose the institution must consult, at least, the relevant reports of the internal audit function, the audit report of the annual auditor pursuant to section 26 (1) of the German Banking Act and, in significant institutions pursuant to section 1 (3c) of the German Banking Act, the remuneration control report pursuant to section 24 (3) of this Regulation. ³The review must be documented in writing or electronically and the result of the review must be submitted to the supervisory board (*Verwaltungs- oder Aufsichtsorgan*).

(2) ¹If deficiencies are identified during the review, a remedial action plan must be developed and implemented as soon as possible. ²The measures taken to remedy the deficiencies identified must be documented.

Section 13

Information on remuneration systems

(1) ¹Staff members must be informed in writing about the design of the remuneration systems relevant to them and, in particular, about the design of the remuneration parameters relevant to them. ²Electronic transmission also meets the requirement of written form.

(2) The additional information regarding the remuneration systems to be disclosed by institutions in accordance with Article 450 of Regulation (EU) No 575/2013 and pursuant to section 16 of this Regulation must be made accessible to all staff members.

Section 14

Amendment of existing agreements

(1) The institution must endeavour to ensure that existing:

1. contracts concluded with staff members;
2. plant-level or service agreements; and
3. consistent company practices (*betriebliche Übungen*);

that are not compatible with this Regulation are amended as far as is legally permissible.

(2) Such amendments must be made on the basis of a well-founded legal evaluation of the legal situation that is comprehensible to third parties, and taking account of the concrete prospects of success.

Section 15

Duties of the remuneration control committee

(1) If an institution has established a remuneration control committee pursuant to section 25d (7) sentences 1, 2 and 6 of the German Banking Act, this committee must perform, in particular, the duties under subsections (2) to (5) and under section 25d (12) sentence 1 of the German Banking Act.

(2) ¹The remuneration control committee assists the supervisory board (*Verwaltungs- oder Aufsichtsorgan*) in establishing an appropriate design of the institution's remuneration systems for members of the management board (*Geschäftsleiter und Geschäftsleiterinnen*). ²This also includes, in particular:

1. preparation of the decisions of the supervisory board (*Verwaltungs- oder Aufsichtsorgan*) stipulating the total variable remuneration within the meaning of section 45 (2) no. 10 of the German Banking Act in consideration of section 7, and determining appropriate remuneration parameters, performance contributions, performance periods and deferral periods and the conditions for a complete loss or partial reduction of deferred variable remuneration or for the clawback of remuneration already paid out; and
2. a regular review, which should be carried out at least once a year, of whether decisions by the supervisory board (*Verwaltungs- oder Aufsichtsorgan*) regarding the points specified in number 1 are still appropriate; in the case of identified deficiencies, a remedial action plan must be developed as soon as possible.

(3) ¹The remuneration control committee also assists the institution's supervisory board (*Verwaltungs- oder Aufsichtsorgan*) in monitoring the appropriate design of the remuneration systems for staff members who are not members of the management board (*Geschäftsleiter oder Geschäftsleiterinnen*) and, in significant institutions under section 1 (3c) of the German Banking Act, in monitoring the process for identifying the risk takers pursuant to section 25a (5b) of the German Banking Act and group risk takers pursuant to section 27 (2) sentence 1. ²The respective duties of the remuneration control committee include, in particular, a regular review, which should be carried out at least once a year, of whether:

1. the total amount of variable remuneration within the meaning of section 45 (2) no. 10 of the German Banking Act has been determined in consideration of section 7 of this Regulation;

2. the principles specified for measuring remuneration parameters, performance contributions, performance periods and deferral periods, including the conditions for a complete loss or partial reduction of the variable remuneration component, are appropriate; and
3. the remuneration systems of the staff members of the control units meet the requirements of this Regulation.

(4) As part of its duties, the remuneration control committee assesses the impact of the remuneration systems on the institution's and group's risk, capital and liquidity situation and monitors that the remuneration systems comply with the requirements under section 4.

(5) The remuneration control committee must support the supervisory board (*Verwaltungs- oder Aufsichtsorgan*) in preparing recommendations in accordance with section 25a (5) sentence 6 of the German Banking Act.

Section 16 Disclosure

(1) Without prejudice to the disclosure requirements under Article 450 of Regulation (EU) No 575/2013, significant institutions within the meaning of section 1 (3c) of the German Banking Act must disclose the following information subdivided according to the respective business units of the institution:

1. a description of the remuneration systems with:
 - a) explanations on how the requirements of this Regulation are met, in particular the requirements relating to the design of the remuneration systems pursuant to sections 4 to 10;
 - b) where applicable, a description of existing differences and particular characteristics in the design of the remuneration systems for individual categories of staff; and
 - c) where applicable, a description of the material changes in the remuneration strategy including the impact on the respective composition of variable and fixed remuneration components;
2. where a remuneration control committee pursuant to section 15 has been established, details regarding the composition and duties of this committee in addition to explanations on how the requirements for cooperation with this remuneration control committee are met; and
3. the total amount of all remuneration subdivided into fixed and variable remuneration as well as the number of beneficiaries of variable remuneration.

(2) Without prejudice to the disclosure requirements under Article 450 of Regulation (EU) No 575/2013, institutions that are neither significant institutions within the meaning of section 1 (3c) of the German Banking Act nor fall within the scope of Article 433b(2) of Regulation (EU) No 575/2013 must disclose the total amount of all remuneration subdivided into fixed and variable remuneration as well as the number of beneficiaries of variable remuneration.

(3) ¹With due regard for the principles stated in subsection 4, the institutions must present the information specified in subsection 1 in such a level of detail that compliance of the remuneration systems, in terms of content, with the requirements of this Regulation can be understood. ²Any involvement of external consultants or stakeholder groups in the design of the remuneration systems must be addressed.

(4) ¹The information required under subsection 1 together with the information required under Article 450 of Regulation (EU) No 575/2013 must be published in German in a comprehensible and transparent manner. ²Institutions that maintain a website must disclose there the information required under subsection 1. ³Quantitative information must be presented in tables and, where necessary to aid understanding, also in charts. ⁴The required level of detail of the information depends on the size and remuneration structure of the institution as well as the nature, scale, riskiness and internationality of its business activities. ⁵In disclosing the information required under subsection 1, the principles regarding the materiality of information, the protection of proprietary information and maintaining confidentiality in accordance with Article 432 of Regulation (EU) No 575/2013 may be applied.

(5) Subsection 2 does not apply to subordinated undertakings, provided their superordinated undertaking:

1. is domiciled within the European Economic Area; or

2. is domiciled in a third country and publishes equivalent information on a consolidated basis.

Part 3

Special Requirements for Significant Institutions

Section 17 **(repealed)**

Section 18

Requirements for remuneration systems for risk takers at significant institutions; risk alignment of remuneration systems

(1) ¹Remuneration systems for risk takers at significant institutions within the meaning of section 1 (3c) of the German Banking Act must additionally meet the specific requirements set out in subsections 3 to 5 and in sections 19 to 22. ²Remuneration systems for risk takers at the institutions referred to in section 1 (3) sentence 2 must meet the same specific requirements as remuneration systems at the institutions referred to in sentence 1, except for the requirements under section 19 (1) sentences 3 and 4 and section 20 (2). ³Sections 20 and 22 do not apply to the variable remuneration determined for a risk taker for a financial year, provided such remuneration does not exceed EUR 50,000 and does not represent more than one third of the risk taker's total annual remuneration.

(2) (repealed)

(3) ¹Variable remuneration must be adjusted to all current and future risks taken, and it must be ensured that incentives to take risks are balanced by incentives to manage risk. ²This includes both ex ante risk adjustment in the determination of variable remuneration pursuant to section 19 and ex post risk adjustment in the payout of variable remuneration pursuant to section 20, as well as the payout of discretionary pension benefits pursuant to section 22.

(4) ¹Institutions must define the time horizon of the risk and performance measurement in a multi-year framework and align this with the business cycle of the institution. ²In setting the accrual period pursuant to section 19, the deferral period pursuant to section 20 (1) and (2) and section 22 (1) sentence 1, and the retention period pursuant to section 20 (5), institutions must, to an appropriate degree, take into account their business activity and the position of the relevant risk taker.

(5) ¹Negative deviations from agreed targets in terms of the performance contribution of the risk taker, the performance contribution of their organisational unit or the overall performance of the institution or group must be able to result in a reduction of the amount of variable remuneration and also in the complete loss of variable remuneration. ²This applies both to section 19 and for sections 20 and 22 (1) on the basis of the allocation appropriate to the period of the negative deviation to an accrual period. ³Variable remuneration must be lost completely if the risk taker:

1. was involved to a significant degree in or responsible for conduct that resulted in considerable losses, a material regulatory sanction or a material supervisory measure for the institution; or
2. committed a serious breach of relevant external or internal rules relating to suitability and conduct.

Section 19

Determination of variable remuneration (ex ante risk adjustment)

(1) ¹In determining the variable remuneration, the overall performance of the institution or, if necessary, of the group, the performance contribution of the organisational unit and the individual performance contribution must be taken into account to an appropriate degree. ²This must be based on an appropriate assessment period of at least one year (accrual period). ³For risk takers who are members of the management board (*Geschäftsleiter oder Geschäftsleiterinnen*), the accrual period must be at least three years. ⁴Here the deferral period can be counted towards the accrual period, provided it exceeds the minimum level specified under section 20 (2); sentence 2 remains unaffected.

(2) ¹The determination of the individual performance contribution must be based on the achievement of agreed objectives, taking adequate account of both quantitative and qualitative remuneration parameters. ²The remuneration parameters must be established in such a way that the degree of achievement of the objectives can be determined. ³In particular unethical or non-compliant behaviour must not be offset with positive performance contributions but instead must reduce the amount of the variable remuneration.

(3) ¹In order to measure the overall performance of the institution or, if necessary, of the group, the performance contribution of the respective organisational unit and, provided this does not require undue effort, the individual performance contribution, use must be made, in particular, of remuneration parameters that are consistent with the aim of sustainable performance. ²In this context, in particular the risks that have been taken, as well as their time horizons and capital and liquidity costs must be taken into account, with the risk maturities not necessarily having to be mapped.

Section 20

Deferral; entitlement and payout conditions; clawback (ex post risk adjustment)

(1) ¹The payout of a substantial portion, in any event at least 40 percent, of a risk taker's variable remuneration component must be spread over a deferral period of at least four years. ²Depending on the position, duties and activities of the risk taker as well as the amount of variable remuneration and the risks that the risk taker may establish, the minimum length of the deferral period increases to up to five years and the minimum level of the proportion of variable remuneration to be deferred rises to up to 60 percent. ³When determining the length of the deferral period and the proportion of variable remuneration to be deferred pursuant to sentences 1 and 2, the business cycle, the nature and riskiness of the business activities, the expected fluctuations, the ability of risk takers to influence these fluctuations and, where applicable, a higher maximum level of the ratio between the fixed and variable components of remuneration approved pursuant to section 25a (5) of the German Banking Act, must be taken into account.

(2) In the case of risk takers who are members of the management board (*Geschäftsleiter oder Geschäftsleiterinnen*) or members of the management level directly below the management board, the minimum levels pursuant to subsection 1 sentence 2 are five years and 60 percent.

(3) ¹Each institution must, in its organisational guidelines, specify an appropriate threshold for the annual variable remuneration of a risk taker beyond which the proportion of variable remuneration to be deferred in accordance with subsection 1 sentence 1 is increased to at least 60 percent. ²This threshold may not exceed EUR 500,000.

(4) During the deferral period:

1. the entitlement or expectant right to this proportion of the remuneration may not vest faster than on a pro rata basis;
2. risk takers are only entitled to the error-free determination of that proportion of the variable remuneration which has not yet vested as an expectant right or an entitlement, but not to that proportion of the variable remuneration itself; and
3. a subsequent review is conducted in order to assess whether the amount of the variable remuneration originally determined in accordance with section 19 still appears suitable in retrospect; if the results of this review show a negative deviation, the deferred variable remuneration must be reduced accordingly.

(5) ¹Depending on the duties, activities and position of a risk taker, a substantial proportion, and in any event at least 50 percent, of any deferred or non-deferred variable remuneration must consist of a balance of the following components, subject to the availability of instruments as referred to in no. 2 below:

1. subject to the legal form of the institution concerned, shares or equivalent ownership interests or share-based or equivalent instruments that sustainably reflect the value of the undertaking;
2. if available, instruments within the meaning of Commission Delegated Regulation (EU) No 527/2014 of 12 March 2014 supplementing Directive (EU) No 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration (OJ L 148 of 20 May 2014, p. 21).

²The instruments referred to in sentence 1 must be subject to an appropriate retention period, which would normally last at least one year; the relevant portion of the variable remuneration may only be available to the risk takers at the earliest after the expiry of this retention period.

(6) ¹In the cases described in section 18 (5) sentence 3 nos. 1 and 2, the institution must, on the basis of corresponding agreements with the risk takers, apply clawback arrangements to variable remuneration that has already been paid out and withdraw any entitlement to the payout of variable remuneration. ²This applies on the basis of the allocation appropriate to the period of the negative performance contribution to an accrual period for at least a period of time which begins with the payout of the portion of variable remuneration that was not deferred pursuant to subsections 1 and 2 and ends two years after expiry of the deferral period for the variable remuneration component vested most recently in accordance with subsection 4 sentence 1 no. 1.

Section 21

Remuneration in the context of compensatory payments

Remuneration in the context of compensatory payments relating to lost entitlements from previous employment contracts is regarded as guaranteed variable remuneration within the meaning of section 5 (5) and must be aligned with the long-term interests of the institution including the special requirements under sections 20 and 22.

Section 22

Discretionary pension benefits

(1) ¹Discretionary pension benefits which are granted to risk takers in the event of termination, for reasons other than retirement, of an employment contract, agency contract or service contract must, by way of derogation from section 20, consist completely of instruments pursuant to section 20 (5) sentence 1 nos. 1 and 2 and must be deferred by the institution for a minimum of five years. ²Section 18 (5) and section 20 (4) nos. 2 and 3 apply *mutatis mutandis*.

(2) ¹Discretionary pension benefits which are paid to risk takers in the event of termination, for reasons of retirement, of an employment contract, agency contract or service contract must, by way of derogation from section 20, consist completely of instruments pursuant to section 20 (5) sentence 1 nos. 1 and 2 and must be subject to a five-year retention period. ²Risk takers may receive the instruments at the earliest upon expiry of the retention period. ³Section 20 (6) applies *mutatis mutandis*.

(3) With regard to the payment of discretionary pension benefits, section 7 applies *mutatis mutandis*.

Section 23

Remuneration officers in significant institutions

(1) ¹Significant institutions must ensure appropriate, sustained and effective control of their staff members' remuneration. ²For this purpose, the management board (*Geschäftsleitung*), in consultation with the supervisory board (*Verwaltungs- oder Aufsichtsorgan*), must appoint a remuneration officer. ³Remuneration officers must possess the expertise and experience required for their professional activities, especially in the fields of remuneration systems and risk control. ⁴To ensure that remuneration officers maintain the specialist knowledge necessary to perform their professional activities, they must be permitted to participate in training and continuing education courses, the costs of which must be borne by the institution.

(2) ¹Remuneration officers are appointed for a minimum period of 24 months. ²They may not be put at a disadvantage due to the fulfilment of their duties. ³If a remuneration officer is appointed pursuant to subsection 1 sentence 2, their employment contract may not be terminated during the period of appointment unless circumstances entitle the responsible department to terminate the contract for a compelling reason without

complying with a notice period. ⁴Once a remuneration officer has been relieved of their duties, their employment contract may not be terminated for one year following the termination of their appointment as remuneration officer unless the responsible department is entitled to terminate the contract for a compelling reason without complying with a notice period.

(3) If a new remuneration officer is to be appointed, the supervisory board (*Verwaltungs- oder Aufsichtsorgan*) must be notified and consulted in due time prior to the appointment.

(4) The remuneration officer may not be:

1. a member of the management board (*Geschäftsleiter oder Geschäftsleiterin*) of the institution;
2. the institution's compliance officer; or
3. a staff member of the institution who is or was also responsible for the design of the remuneration systems and is thus involved in a conflict of interests.

(5) In terms of the organisational structure, the remuneration officer must be positioned at a sufficiently high management level below the management board (*Geschäftsleitung*).

(6) A sufficiently qualified deputy, who is also subject to the provisions of subsections 1 to 5 as well as sections 24 and 25, must be appointed for the remuneration officer.

Section 24

Duties of remuneration officers

(1) ¹Remuneration officers must monitor on an ongoing basis the appropriateness of the remuneration systems for staff members who are not members of the management board (*Geschäftsleiter oder Geschäftsleiterinnen*) in accordance with this Regulation, section 25a (1) sentence 3 no. 6 and section 25a (5) of the German Banking Act, the identification of risk takers in accordance with section 25a (5b) of the German Banking Act, and the disclosure of information in accordance with section 16 and Article 450 of Regulation (EU) No 575/2013. ²For this purpose, they must be granted the powers necessary to effectively perform their professional activities and must be integrated into all current processes regarding the remuneration systems. ³This applies both to the conceptual redevelopment and further development and to the ongoing application of the remuneration systems. ⁴In superordinated undertakings, this also applies to the provisions regarding the group-wide remuneration strategy. ⁵Remuneration officers are obliged to act in close coordination with the chair of the remuneration control committee or, if such a committee has not been established, with the chair of the supervisory board (*Verwaltungs- oder Aufsichtsorgan*).

(2) ¹Remuneration officers must also support the supervisory board (*Verwaltungs- oder Aufsichtsorgan*) and its remuneration control committee in performing the monitoring and structuring duties with regard to all remuneration systems. ²They are obliged to provide information to the chair of the remuneration control committee or, if such a committee has not been established, to the chair of the supervisory board (*Verwaltungs- oder Aufsichtsorgan*).

(3) ¹Remuneration officers must produce a report, at least once a year, regarding the appropriateness of the design of the remuneration systems for staff members who are not members of the management board (*Geschäftsleiter und Geschäftsleiterinnen*) (remuneration control report) and submit this report simultaneously to the management board (*Geschäftsleitung*), the supervisory board (*Verwaltungs- oder Aufsichtsorgan*) and the remuneration control committee if such a committee has been established. ²Without prejudice to sentence 1, the supervisory board (*Verwaltungs- oder Aufsichtsorgan*) or the remuneration control committee decides on the frequency with which the remuneration control report is produced. ³If necessary, remuneration officers must also produce reports on an ad hoc basis.

Section 25

Human and material resources of remuneration officers

(1) ¹Institutions must provide remuneration officers with human and material resources that are adequate both in quantitative and qualitative terms. ²The staff members working under the remuneration officer must possess the expertise and experience required for their professional activities, especially in the fields of remuneration systems and risk control. ³Appropriate measures must be taken to ensure that staff members possess the qualifications needed to perform their professional activities.

(2) The staff members working for the remuneration officer pursuant to subsection 1 must be granted the powers necessary to effectively perform their professional activities.

Section 26

Remuneration officers in the organisational guidelines

The duties and organisational integration of remuneration officers must be set out in the institution's organisational guidelines in accordance with section 11.

Part 4

Additional Provisions for Groups

Section 27

Group-wide remuneration rules

(1) ¹The superordinated undertaking within a group must establish a group-wide remuneration strategy that sets out the principles for appropriate, transparent and gender-neutral remuneration systems geared towards the group's sustainable development. ²The group-wide remuneration strategy must implement the requirements under section 25a (5) of the German Banking Act and sections 4 to 13 of this Regulation in regards to all staff members of group undertakings, whereby in subordinated undertakings both section 1 of this Regulation and section 2 (7) to (8b), (9a), (9e), (9g) and (9h) of the German Banking Act apply *mutatis mutandis*, subject to the provisions of subsections 2 and 4. ³The superordinated undertaking must meet the disclosure requirements under section 16 at the consolidated level. ⁴Where a subordinated undertaking domiciled abroad is subject to stricter requirements under the law of the respective country than under domestic law, the superordinated undertaking must take this into account when determining the group-wide remuneration strategy and must endeavour to ensure that the subordinated undertaking complies with the stricter requirements.

(2) ¹If the superordinated undertaking is regarded as significant within the meaning of section 1 (3c) of the German Banking Act, it must identify the group risk takers on the basis of a group-wide risk analysis applying section 25a (5b) of the German Banking Act *mutatis mutandis*. ²In determining the group-wide remuneration strategy in accordance with subsection 1, the superordinated undertaking must implement the requirements under section 25a (5) of the German Banking Act as well as the requirements pursuant to section 18 (1) and (3) to (5) and under sections 19 to 22 with regard to the group risk takers in addition to the requirements under subsection 1 with regard to group risk takers. ³Institutions as defined in section 1 (3) sentence 2 must identify group risk takers pursuant to section 25a (5b) sentence 1 of the German Banking Act and meet the requirements under sentences 1 and 2, with the exception of the requirements under section 19 (1) sentences 3 and 4 and section 20 (2).

(3) The requirements under subsection 1 sentence 2 and subsection 2 do not apply to the following subordinated undertakings:

1. undertakings established in the European Union where they are subject to specific remuneration requirements in accordance with other European Union legal acts;
2. undertakings established in a third country where they would be subject to specific remuneration requirements in accordance with other European Union legal acts if they were established in the European Union.

(4) By way of derogation from subsection 3, it must be ensured in the group remuneration strategy that the requirements under subsection 1 sentence 2 and subsection 2 apply to staff members who are employed at a subordinated undertaking that is either an asset management company (*Kapitalverwaltungsgesellschaft*) pursuant to section 17 of the German Investment Code (*Kapitalanlagegesetzbuch*), an EU management company pursuant to section 1 (17) of the German Investment Code or a foreign AIF management company pursuant to section 1 (18) of the German Investment Code, or at an undertaking that provides the investment services and activities listed in points (2), (3), (4), (6) and (7) of Section A of Annex I to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173 of 12 June 2014, p. 349; OJ L 74 of 18 March 2015, p. 38; OJ L 188 of 13 July 2016, p. 28; OJ L 273 of 8 October 2016, p. 35; OJ L 64 of 10 March 2017, p. 116; OJ L 278 of 27 October 2017, p. 56), which was last amended by Regulation (EU) 2019/2115 (OJ L 320 of 11 December 2019, p. 1), if the professional activities of those staff members have a direct material impact on the risk profile or the business of at least one CRR credit institution within the group.

(5) ¹The superordinated undertaking must ensure compliance with the group-wide remuneration strategy by the subordinated undertakings. ²Where necessary, the superordinated undertaking must endeavour to ensure that a remuneration control committee which meets the requirements under section 25d (12) of the German Banking Act and section 15 of this Regulation is established in the subordinated undertaking.

(6) ¹The duties of the remuneration officer under section 24 may be performed centrally by the remuneration officer of the superordinated undertaking. ²In the case of subordinated undertakings that are not significant

institutions within the meaning of section 1 (3c) of the German Banking Act, the review pursuant to section 12 (1) may also be performed centrally by the superordinated undertaking.

Part 5 Final Provisions

Section 28 (repealed)

Section 29 Entry into force, expiry

¹This Regulation enters into force on 1 January 2014. ²The Remuneration Regulation for Institutions of 6 October 2010 (Federal Law Gazette I, p. 1374) expires on the same date.