



# UBS Europe SE

Disclosure Report under Section 16 of the German Remuneration Ordinance for Institutions for Financial Year 2018



# 1. Compensation principles

UBS's approach to employee compensation globally is underpinned by the Total Reward Principles. They establish the framework that balances sustainable performance and prudent risk-taking with a focus on conduct and sound risk management practices. In addition to the Total Reward Principles, UBS Europe SE (UBS ESE) has a dedicated Remuneration Policy that aims to provide sound procedures promoting remuneration practices and policies compatible with appropriate and effective risk management, in accordance with the Total Reward Principles of UBS Group, the German Remuneration Ordinance, its interpretation guidance, the Banking Act, the EBA guidelines on Sound Remuneration Policies as well as any additional local regulatory requirements.

UBS ESE's compensation structure is aligned with the strategic priorities of the entity. The entity operates a compensation framework that applies equally to all employees and encourages them to develop a strong client franchise, create sustainable value and achieve the highest standards of performance. Moreover, it is designed to reward behaviours that help build and protect the firm's reputation – specifically integrity, collaboration and challenge – and does not create incentives for taking disproportionately high risks.

UBS ESE applies a holistic approach to compensation. Its Total Reward approach consists of fixed compensation (e.g., base salary, benefits), reflecting employees' level of skill, role and experience, as well as local market practice, and variable compensation, where applicable, whose level generally depends on the firm's overall performance, the employee's business division, team and individual performance, and behaviour, reflecting the employees' overall contribution to the firm's results. Based on applicable regulatory requirements, variable compensation is limited to 100% of fixed compensation. However, this limit was increased to 200% of fixed compensation at the General Meeting of UBS ESE Stakeholders (Hauptversammlung), and approved for all employees, with the exception of staff in control functions, who, pursuant to the German Remuneration Ordinance, are subject to a 50% limit.

Decisions around remuneration and, specifically, the determination of individual performance awards for the vast majority of UBS ESE employees is based on a rigorous performance measurement process, which constitute the basis of individual performance evaluation. Special consideration is given to individuals in Control Functions<sup>1</sup>, whose compensation is determined independently from the revenue producers they supervise and support and their performance measures are based principally on the achievement of the objectives of their functions. In addition, junior members of staff in Corporate Center are subject to a structured incentive approach, whereby their performance awards are set globally as a percentage of base salary, subject to meeting behaviour and performance conditions and the entity meeting the requirements of section 7 of the Remuneration Ordinance. Finally, where collective labour agreements are in place, the compensation for affected employees is governed by such agreements and details around the way in which the provisions of these collective labour agreements affect the compensation structure are outlined in specific company agreements and policies.

Employees are not significantly dependent on variable compensation. For individuals with Total Compensation exceeding USD/CHF 300,000 (or EUR equivalent), a significant portion of their performance awards is deferred over a period of five years. Deferred compensation is delivered through two plans: (i) the Equity Ownership Plan (EOP), which primarily aligns employee interest with those of our shareholders, and (ii) the Deferred Contingent Capital Plan (DCCP), which aligns employee interest

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<sup>1</sup> As per the German Remuneration Ordinance, the Control Functions include Risk, Compliance, Internal Audit and Human Resources.

with the interests of debt holders. This deferral approach supports alignment of employee and investor interests, our capital base and the creation of sustainable shareholder value.

Further information is available in the compensation report of UBS Group AG.

## 2. Governance structures

The corporate governance structure of the UBS Group ensures that the group's overall global compensation framework is governed appropriately at all levels. This is achieved through the following bodies: Group Executive Board, UBS Group AG Board of Directors Compensation Committee ("BoD CompCo"), UBS Group AG Board of Directors Risk Committee, and the overall UBS Group AG Board of Directors.

In addition to the above, and, specifically, to ensure compliance with the provisions of the German Remuneration Ordinance, the responsibility of the design, implementation and supervision of UBS ESE's remuneration system is split as follows:

- **Management Board**, with overall responsibility for ensuring the appropriate organisation of the remuneration systems for UBS ESE staff and that the annual cycle for compensation and promotion decisions adheres to the compensation principles and framework;
- **Supervisory Board**, that advises and supervises the Management Board and is responsible for the design of the remuneration systems for Management Board members as well as the monitoring of the appropriate structuring of the compensation framework for the employees;
- **Compensation Control Committee**, that supports the Supervisory Board in the design and monitoring of the remuneration system for Management Board members, and in monitoring the appropriate structuring of the compensation framework for employees. The Compensation Control Committee consists of 3 members of the Supervisory Board and includes both employer and employee representatives. In the financial year 2018, a total of 6 meetings of the Compensation Control Committee were held;
- **Remuneration Officer**, who supports the Supervisory Board and the Remuneration Committee in their supervision and monitoring of the remuneration systems for all employees. In the 2018 performance year the Remuneration Officer was involved in the ongoing monitoring of the application and appropriateness of the compensation framework, as well as in the design or review of compensation-related processes or policies;
- **Human Resources**, who are responsible for the design, implementation and monitoring of the compensation framework in compliance with UBS's Total Reward Principles as well as applicable regulatory requirements. The Human Resources function is also responsible for the regular review of the compensation framework and the related Remuneration Policy;
- **Control Functions**, which are appropriately involved in reviewing the compensation framework and the remuneration policy, including through the relevant expert committees. Other corporate functions (e.g., Finance and Legal) are also involved in these reviews as appropriate.

### 3. Compensation of Risk Takers

Pursuant Section 18 paragraph 2 of the Remuneration Ordinance, UBS ESE conducted a risk assessment to identify categories of staff whose professional activities have a material impact on UBS ESE's risk profile, based on the qualitative and quantitative criteria contained in the Commission Delegated Regulation No 604/2014. Under the 2018 Risk Assessment, a total of 88 individuals were identified as Risk Takers over the course of the year (out of a total UBS ESE employee base of 1,885 individuals as of 31 December 2018, as disclosed in the UBS ESE Annual Report based on German Corporate Law provisions).

Pursuant section 20 of the German Remuneration Ordinance, at least 60% of the variable compensation awarded to members of the Management Board, their direct reports or to Risk Takers with variable compensation awards of a particularly high amount is deferred over 5 years. For all other Risk Takers, variable compensation awards are deferred at a rate of 40% over the same time period. Risk Takers whose variable compensation is below the de minimis threshold of EUR 50,000 were not subject to the deferral requirements of Section 20 of the Remuneration Ordinance; however, where their total compensation was above CHF/USD 300,000 (or EUR equivalent), they were still subject to deferrals as determined under UBS's global compensation framework.

For what concerns the delivery of variable remuneration to Risk Takers, at least 50% of any upfront portion of the annual variable compensation award is paid in the form of UBS shares, while their deferred awards are delivered entirely in instruments via the EOP and the DCCP awards. All awards made in instruments are subject to an appropriate post-vest retention policy and no dividends nor interests in relation to outstanding remuneration are paid during the deferral period.

Throughout the vesting period, deferred awards are subject to malus provisions, which foresee the forfeiture of all, or part of, unvested awards in certain circumstances. In addition, the total amount of variable compensation awarded to Risk Takers is subject to clawback, thus giving UBS ESE the ability to recover any variable compensation which is already paid in certain cases of negative performance.

## 4. Significant changes of the remuneration system

Following the identification as a Significant Entity under Section 17 of the Remuneration Ordinance, UBS ESE implemented the provisions of Part 3 of the Remuneration Ordinance, including, inter alia, the requirement to identify Risk Takers, the related requirements around minimum deferrals, post-vest retention, use of instruments and malus/clawback provisions. UBS ESE also employs a Remuneration Officer, in line with the Remuneration Ordinance.

## 5. Compensation data disclosure under Section 16 of the Remuneration Ordinance for Institutions

The tables below provide quantitative data regarding remuneration in relation to the financial year 2018, broken down by Supervisory Board, Management Board and Business Units. The tables include data in relation to individuals employed by UBS ESE subsidiaries (UBS Fiduciaria and UBS Gestión).

Firm-wide remuneration data. All data provided is EUR '000,000 unless otherwise stated.

|  | Supervisory Board | Management Board | Investment Bank | Wealth Management | Asset Management | Corporate Center | Independent control functions |
|--|-------------------|------------------|-----------------|-------------------|------------------|------------------|-------------------------------|
| Number of Members as of 31/12/2018 (Headcount)   | 9                 | 5                |                 |                   |                  |                  |                               |
| Total number of staff as of 31/12/2018 (FTEs)    |                   |                  | 52.90           | 1,134.42          | 14.80            | 575.52           | 114.94                        |
| Total remuneration                               | 0.3               | 6.4              | 20.8            | 144.4             | 2.1              | 49.9             | 11.1                          |
| Of which: variable remuneration                  | 0.0               | 2.7              | 8.7             | 32.8              | 0.6              | 4.1              | 1.4                           |
| Personnel with variable compensation (Headcount) | 0                 | 5                | 52              | 1,090             | 15               | 555              | 112                           |

Information regarding the remuneration of Risk Takers. All data provided is EUR '000,000 unless otherwise stated.

|   | Supervisory Board | Management Board | Investment Bank | Wealth Management | Asset Management | Corporate Center | Independent control functions |
|---|-------------------|------------------|-----------------|-------------------|------------------|------------------|-------------------------------|
| Number of Risk Takers as of 31/12/2018 (Headcount)  | 9                 | 5                |                 |                   |                  |                  |                               |
| Number of Risk Takers as of 31/12/2018 (FTEs)   |                   |                  | 11.00           | 37.53             |                  | 4.70             | 18.00                         |
| Of which: Risk Takers in senior management positions (FTEs)                                   |                   |                  | 4.00            | 10.00             |                  | 5.00             | 6.00                          |
| <b>Total fixed remuneration</b>   | <b>0.3</b>        | <b>3.7</b>       | <b>6.1</b>      | <b>9.3</b>        | <b>0.0</b>       | <b>1.2</b>       | <b>2.7</b>                    |
| Of which: in cash   | 0.3               | 3.7              | 6.1             | 9.3               | 0.0              | 1.2              | 2.7                           |
| Of which: in instruments  | 0.0               | 0.0              | 0.0             | 0.0               | 0.0              | 0.0              | 0.0                           |
| <b>Total variable remuneration</b>  | <b>0.0</b>        | <b>2.7</b>       | <b>5.1</b>      | <b>6.2</b>        | <b>0.0</b>       | <b>0.4</b>       | <b>0.7</b>                    |
| Of which: in cash   | 0.0               | 0.4              | 0.8             | 1.8               | 0.0              | 0.2              | 0.4                           |
| Of which in shares / share linked instruments   | 0.0               | 1.5              | 2.9             | 3.3               | 0.0              | 0.2              | 0.2                           |
| Of which in instruments acc. to sec. 20 para 4 InstitutsVergV                                 | 0.0               | 0.7              | 1.4             | 1.2               | 0.0              | 0.1              | 0.1                           |
| <b>Total amount of variable remuneration which has been deferred</b>                          | <b>0.0</b>        | <b>1.8</b>       | <b>3.5</b>      | <b>2.9</b>        | <b>0.0</b>       | <b>0.2</b>       | <b>0.2</b>                    |
| Of which: in cash   | 0.0               | 0.0              | 0.0             | 0.0               | 0.0              | 0.0              | 0.0                           |
| Of which in shares / share linked instruments   | 0.0               | 1.1              | 2.1             | 1.7               | 0.0              | 0.1              | 0.1                           |
| Of which in instruments acc. to sec. 20 para 4 InstitutsVergV                                 | 0.0               | 0.7              | 1.4             | 1.2               | 0.0              | 0.1              | 0.1                           |
| <b>Total amount of outstanding deferred variable remuneration awarded in previous periods</b> | <b>0.0</b>        | <b>4.7</b>       | <b>8.6</b>      | <b>4.5</b>        | <b>0.0</b>       | <b>0.2</b>       | <b>0.2</b>                    |
| Of which: vested, not yet paid portion  | 0.0               | 0.1              | 0.2             | 0.0               | 0.0              | 0.0              | 0.0                           |
| Of which: unvested portion  | 0.0               | 4.6              | 8.4             | 4.5               | 0.0              | 0.2              | 0.2                           |
| <b>Total amount of deferred variable compensation awarded in previous periods, that</b>       |                   |                  |                 |                   |                  |                  |                               |
| vested in during the fiscal year  | 0.0               | 0.1              | 0.2             | 0.1               | 0.0              | 0.0              | 0.0                           |
| paid out during the fiscal year   | 0.0               | 0.1              | 0.1             | 0.0               | 0.0              | 0.0              | 0.0                           |
| reduced during the fiscal year through performance adjustments                                | 0.0               | 0.0              | 0.0             | 0.0               | 0.0              | 0.0              | 0.0                           |
| <b>Sign-on payments made during the fiscal year</b>   | <b>0.0</b>        | <b>0.0</b>       | <b>0.0</b>      | <b>0.0</b>        | <b>0.0</b>       | <b>0.0</b>       | <b>0.0</b>                    |
| <b>Severance payments made during the fiscal year</b>   | <b>0.0</b>        | <b>0.0</b>       | <b>0.0</b>      | <b>0.0</b>        | <b>0.0</b>       | <b>0.0</b>       | <b>0.0</b>                    |
| <b>Severance payments awarded during the fiscal year</b>                                      | <b>0.0</b>        | <b>0.0</b>       | <b>0.0</b>      | <b>0.0</b>        | <b>0.0</b>       | <b>0.0</b>       | <b>0.0</b>                    |

The number of staff<sup>2</sup> whose compensation in the financial year 2018 was 1 million EUR or more is shown below. The Company is unable to make a more detailed disclosure due to the small number of individuals concerned and the subsequent risk that individual compensation could be disclosed.

|                                   | Number of individuals |
|-----------------------------------|-----------------------|
| Between EUR 1m and under EUR 1.5m | 7                     |
| EUR 1.5m and above                | 4                     |

<sup>2</sup> including Management Board members

