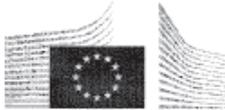


Civil Society/ Other stake- holders	<h1 style="text-align: right;">Questionnaire</h1> <p style="text-align: right;">for civil society organisations and other stakeholders</p>
Purpose	The European Commission (DG JUST) has mandated the institute for financial services to study the remuneration provisions of the CRD IV and assess its effects on risk-taking and the sound management of risk as well as competitiveness. Our report, due in January 2016 will represent an input to the Commission's own evaluation report due by 30 June 2016 according to Article 161 (2) CRD.
Project Team	institut für finanzdienstleistungen e.V., Hamburg (iff) Prof. Udo Reifner (iff), Prof. Doris Neuberger (iff; Rostock), Sebastien Clerc-Renaud (iff), Prof. Giovanni Ferri, Dr. Andreas Nastansky, Prof. Paola Schwizer, Dr. Maria Gaia Soana, Prof. Dorothea Schäfer, Prof. Andreas Stephan, Dr. Idlan Zakaria.
Return to	Please fill out this questionnaire electronically and either return by email or if preferred you may upload it at http://iff-hamburg.de/pdfupload/ (press key F5 to refresh browser if needed). Sebastien Clerc-Renaud iff institut für finanzdienstleistungen e.V. Rödingsmarkt 31/33, D-20459 Hamburg ; Tel: +49 40.309691-24 E-Mail: sebastien.clerc@iff-hamburg.de Please return by 27 November 2015
Data Protection	Assured by iff through its data protection officer (Arne Mauri, arne.mauri@iff-hamburg.de). Confidentiality: Information provided in this questionnaire that should be treated confidentially (please specify this in your answer), will not be published or disclosed individually, and a minimum number of observations will be required for statistics to be displayed in the final report. All responses will be anonymised. The report version made public will contain less than what we submit to the Commission.
How to complete	Use the mouse or Tab key to navigate forward and backwards (Shift + Tab) through the Answer fields. <div style="display: flex; align-items: center; margin-bottom: 10px;"> <input checked="" style="margin-right: 10px;" type="checkbox"/> Click with your mouse or by using the space bar </div> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div style="border: 1px solid black; padding: 2px 5px; margin-right: 10px;">Select ▾</div> Dropdown-Menus - use arrow keys (↑,↓) or mouse. </div> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div style="background-color: #e0e0ff; width: 80px; height: 15px; margin-right: 10px;"></div> Text fields - insert numbers or text. (Please do not use semicolons or return key) </div> <p>Where no answer can be provided please explain in the field for comment. Please annex any additional material to your answers</p>
Order of the questionnaire	The questions are grouped in the following sections: <ul style="list-style-type: none"> • Section 1: Regulation and situation in your country (5 items) • Section 2: Remuneration and Risk (7 items) • Section 3: Effects on recruitment and employment (5 items) • Section 5: Effects and your views on regulation (7 items) • Section 6: Questions specific to remuneration consultants (12 items) <p>A letter of mandate from the European Commission is provided on page 2 and a glossary of terms and definitions is provided on the last page).</p> <p>This questionnaire is addressed to stakeholders such as consumer organisations and other civil society entities as well as recruitment specialists and remuneration consultants and academics. It allows you to contribute you knowledge and views on the subject. Separate questionnaires have also been sent to credit institutions, investment firms, and investment companies.</p> <p>Thank you in advance for your time and efforts informing our Study.</p>



EUROPEAN COMMISSION
DIRECTORATE-GENERAL JUSTICE and CONSUMERS

Directorate A: Civil justice
Unit A.3: Company Law

Head of Unit

Brussels, **19 April 2015**
JUST A3/KKH/mg(2015)3817943

TO WHOM IT MAY CONCERN

In July 2015, the European Commission and IFF concluded a service contract concerning a thorough analysis of a number of relevant items in relation to remuneration provisions applicable to credit institutions and investment firms under Directive 2013/36/EU ("Capital Requirements Directive") and Regulation (EU) No 575/2013 ("Capital Requirements Regulation").

The analysis shall focus on how institutions apply in practice the provisions on remuneration, on the efficiency of those provisions and on the impact of compliance with the maximum ratio between fixed and variable remuneration on competitiveness, financial stability and staff of subsidiaries in third countries.

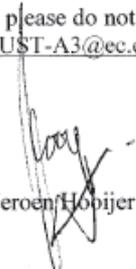
In line with the terms of its assignment as external contractor of the Commission, IFF will conduct an independent survey with a view to collecting relevant information and input from stakeholders.

The contractor's report will represent an input to the Commission's own assessment leading up to the report required under Article 161(2) CRD.

I would like to take this opportunity to stress the importance of stakeholders' views for the Commission's final assessment and I would hereby like to thank you for your full cooperation with IFF in this context.

Should you have any questions or concerns regarding the above, please do not hesitate to contact me by using the following Commission e-mail address: JUST-A3@ec.europa.eu.

Yours sincerely,


Jeroen Hobijer

Nr.	Question	Answer
0.1	Name of your organisation	
0.2	Contact person and email	
0.3	Type of organisation	
1	Regulation and situation in your country	
1.1	Provide relevant research <i>(Links to publications on banking, investment services, remuneration)</i>	
1.2	To what extent do you look at remuneration practices and policies in the financial services sector in the course of your work? (Please specify)	
1.3	What is your general view on the CRD IV remuneration provisions? <i>(Please provide any information or views you have on application of the rules (e.g. waivers allowed), identification of staff whose professional activities have a material impact on firm risk profiles, cost impact on firms etc.)</i>	
1.4	How would you assess the level and quality of transparency on remuneration practices and policy (either in annual reports or corporate websites)?	
1.5	Are you aware of the data and findings of the national remuneration benchmarking exercise and what are your views on these?	
A1	Comments	
2	Remuneration and Risk	
2.1	What proportion of financial sector employment is subject to collective agreements?	
2.2	In your opinion, to what extent do you feel the rules on remuneration are intrusive and actually interfere with the right of collective bargaining? <i>(Please provide evidence and specific examples of when social partner negotiation and enforcement powers have been affected)</i>	
2.3	To what extent has fixed pay increased for staff of regulated firms?	
2.4	How have firms improved in their measurements of risk adjustment of performance?	
2.5	How would you assess malus arrangements and clawback schemes?	

2.6	What observations do you have about deferral practices of variable pay (proportions deferred and period of deferral)?	
2.7	What observations do you have about the risk behaviour of firms and staff members? (e.g. views on risk management practices, governance etc..)	
A2	Comments	
3	Effects on recruitment and employment	
3.1	To what extent has firm recruitment and retention changed since the introduction of the bonus cap?	
3.2	Have banks experienced a turnover in top management in the last 3 years	
3.3	Have banks reduced staff over the past 3 years	
3.4	What do you see as the top three main attractive features / advantages of working in the EU / for an EU firm?	
3.5	How sensitive is public opinion to manager pay in banking and finance?	
A3	Comments	
4	Effects and your views of the regulation	
4.1	How would you rate the contribution of remuneration provisions to...	Individual firm stability Overall financial stability Comments
4.2	How would you rate efforts and progress made by firms in establishing remuneration that is consistent with sound and effective risk management and provides an incentive for prudent and sustainable risk-taking?	Efforts exercised by the industry Progress made by the industry Comments
4.3	How would you assess the CRD remuneration provisions in terms of 1) their effectiveness in producing the desired prudential results, and 2) their adequacy in producing benefits that outweigh their cost?	<div style="text-align: right;">Effectiveness Adequacy</div> Deferral for 3-5 years of 40-60% of variable pay Payout in instruments (at least 50%) Malus Clawback Bonus cap Comments

4.4	<p>Please rank the following measures on the basis of how much impact they have had on the firms in your country (1 is the most, 8 is the least effective)</p>	<p>Ensuring independent and effective oversight of pay policies (Rank)</p> <p>Linking pay to the firm financial condition and future prospects (Rank)</p> <p>Ensuring pay doesn't limit firm ability to strengthen its capital base (Rank)</p> <p>Making the size and allocation of bonus pool reflect full risk range (Rank)</p> <p>Increasing the usage of deferral, pay-out in instruments and malus/clawback to better align long-term incentives (Rank)</p> <p>Enhancing public disclosure and transparency of pay (Rank)</p> <p>Better involvement of risk management function in pay policy (Rank)</p> <p>Strengthening governance arrangements affecting pay (Rank)</p> <p>Comments</p>																					
4.5	<p>Based on the effects that you have observed, to what extent do you agree with the following statements about CRD IV remuneration provisions and effects on risk:</p>	<table border="0"> <tr> <td></td> <td style="text-align: right;">Staff risk-taking behaviour</td> <td style="text-align: right;">Firm risk</td> </tr> <tr> <td colspan="3"> <p>Linking of individual variable pay to:</p> <p><u>firm-level</u> criteria has reduced...</p> <p><u>business area</u> criteria has reduced...</p> <p><u>individual-level</u> criteria has reduced...</p> </td> </tr> <tr> <td colspan="3"> <p>Pay-out in</p> <p>shares and other equity</p> <p>equity-linked instruments</p> <p>other types of instruments</p> <p>is negatively related to...</p> </td> </tr> <tr> <td colspan="3"> <p>The use of deferral is negatively related to..</p> </td> </tr> <tr> <td colspan="3"> <p>A deferral portion of 40-60% of variable pay is sufficient to change...</p> </td> </tr> <tr> <td colspan="3"> <p>A deferral period of ...</p> <p>3 years</p> <p>5 years</p> <p>7 years</p> <p>is sufficient to change ...</p> </td> </tr> <tr> <td colspan="3"> <p>Comments</p> </td> </tr> </table>		Staff risk-taking behaviour	Firm risk	<p>Linking of individual variable pay to:</p> <p><u>firm-level</u> criteria has reduced...</p> <p><u>business area</u> criteria has reduced...</p> <p><u>individual-level</u> criteria has reduced...</p>			<p>Pay-out in</p> <p>shares and other equity</p> <p>equity-linked instruments</p> <p>other types of instruments</p> <p>is negatively related to...</p>			<p>The use of deferral is negatively related to..</p>			<p>A deferral portion of 40-60% of variable pay is sufficient to change...</p>			<p>A deferral period of ...</p> <p>3 years</p> <p>5 years</p> <p>7 years</p> <p>is sufficient to change ...</p>			<p>Comments</p>		
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<p>Comments</p>																							

4.6	<p>Based on the effects that you have observed, to what extent do you agree with these additional statements about CRD IV and CRR remuneration provisions:</p>	<p>The introduction of malus..</p> <ul style="list-style-type: none"> reduces risk-taking incentives reduces misconduct <p>The introduction of clawback..</p> <ul style="list-style-type: none"> reduces risk-taking incentives reduces misconduct <p>A higher share of variable pay leads to..</p> <ul style="list-style-type: none"> higher amounts of applied malus higher amounts of applied clawback <p>Risk-taking is better able to follow the firm's target risk appetite if there is..</p> <ul style="list-style-type: none"> strong supervisory oversight of remuneration policies transparency on remuneration policies <p>Comments</p>
4.7	<p>To what extent do you agree with the following statements about CRD Article 94(1)(g) on the 'bonus cap':</p>	<p>The introduction of the bonus cap..</p> <ul style="list-style-type: none"> lowers variable pay and thus lowers staff incentive to take excessive risks has increased fixed pay in the firm has made working for EU/EEA firms in the EU/EEA less attractive for talent has made working in non EU/EEA firms more attractive for talent has reduced the firm's ability to adjust costs in case of downside events or financial distress to an extent that it endangers the soundness of the capital base or has a significant effect on the ROE <p>Staff leaving the firm after the implementation of the bonus cap is likely to..</p> <ul style="list-style-type: none"> go to firms outside the EU/EEA to go join companies that are not CRD-regulated in the EU <p>EU firms operating in non-EU countries are disadvantaged in recruitment and retention as they are restricted by bonus caps</p> <p>Comments</p>
A4	<p>Comments</p>	
<p>5 Specific questions for Executive Recruiters and Compensation Consultants</p>		
5.1	<p>How are staff candidates: a) identified/courted, b) shortlisted, c) interviewed, evaluated once identified? <i>(Please specify common incentives to move that are given e.g. relocation costs, free housing, private schooling for children etc...)</i></p>	

5.2	How are firms with poorly performing executives approached with a view to replacement/renewal?	
5.3	How is an initial offer settled upon? <i>(Indicate the comparator groups and whether you see the market for CEO/material risk takers as national, European or global)</i>	
5.4	In revisiting the initial pay offer what are metrics of performance used (e.g. EPS, total shareholder value, turnover etc.)?	
5.5	How is poor performance of CEO/staff addressed, sanctioned and pay expectations managed down?	
5.6	How do you see the balance between equity incentives, option, restrictive equity, etc. evolving relative to more balanced incentives, LTIPs? <i>(Specify any observed changes in CEO/MRTs behaviour in response to changing incentives and whether they sort themselves based on their preferences for different incentive types)</i>	
5.7	If you have done repeat business with a CEO how do you ensure independence from them and a focus on shareholder needs?	
5.8	Does your organisation provide other consulting services (say tax or strategy advice) to the firm you provide compensation advice to? <i>(Describe how you build "Chinese Walls" between these offerings)</i>	
5.9	What are the 3 most common performance benchmarks used (EPS, total shareholder reward, turnover) and what is the evaluation period typically used (annual, 3-year average)?	
5.10	How do you usually evaluate performance, earnings, total shareholder value, turnover and over what periods?	
5.11	In evaluating CEOs with longer tenure (say over a decade) are specific measures adopted to ensure independence of Remuneration Committee and the advice it receives?	
5.12	What role (if any) do you have in invoking disciplinary, dismissal procedures for staff who struggle?	

Definitions

Remuneration provisions refers to the rules on remuneration contained in Articles 74 to 76, Articles 92 to 96, Article 104, Article 109, Article 141(8)(d)(iv), Article 162(3) and in recitals 62 to 69 of the CRD (Directive 2013/36/EU), as well as the those rules contained in CRR, Article 450 and recital 97.

Firm is used to refer to credit institutions and investment firms as defined by the CRD. It is also meant to refer to an institution on a consolidated prudential level (as specified in CRR Art 18).

Risk appetite is the aggregate level and types of risk a firm is willing to assume within its risk capacity (the maximum level of risk the firm can assume before breaching constraints) to achieve its strategic objectives and business plan.

I. IDENTIFIED STAFF – Material risk-taking staff classification

The identification categories are based on the EBA RTS on identified staff and the Guidelines on remuneration benchmarking:

'Identified staff' are staff whose professional activities have a material impact on the institutions risk profile.

MB Supervisory function: Members of the management body in its supervisory function; this includes non-executive directors of any board in the scope of consolidation, according to CRD Art 3(1)(8) and includes attendance fees as remuneration.

MB Management function: Members of the management body in its management function according to CRD Art 3(1)(7) who have executive functions within the management body; this includes all executive directors of any board in the scope of consolidation.

Investment banking: Including corporate finance advice services, private equity, capital markets, trading and sales.

Retail banking: Including total lending activity (to individuals and enterprises)

Asset management: Including portfolio management, managing of UCITS and other forms of asset management.

Corporate functions: All functions that have responsibilities for the whole institution at the consolidated level and for subsidiaries with such functions at the solo level, e.g. Human Resources, IT.

Independent control functions: Staff active in the independent risk management, compliance and internal audit functions.

All other: Staff who cannot be mapped into one of the other business areas.

Identification criteria for risk materiality: Based on EBA RTS on identified staff. Risk managers: Management body (Articles 3(1)–(3)); Risk manager and direct reports, except those identified solely due to committee membership (Art. 3(4)–(5),(7), (10); Heads of material business units and their direct reports Art.3(6), 3(8); Heads of functions Art. 3(9); Managers of risk-taking MRTs Art. 3(13), 3(15); All other Material Risk Takers (not listed above), individuals... exposing firm to credit risk Art.3(11); exposing firm to trading book/market risk Art.3(12); approving introduction of new products Art 3(14); on local risk committee Art.3(10); identified solely under quantitative criteria if subject to managerial oversight Art.4(1)

II. Variable Pay

Fixed remuneration are non-discretionary payments or benefits which do not depend on performance or other contractual criteria, unless they form part of routine employment packages for staff - includes payments, proportionate regular (non-discretionary) pension contributions, or benefits (where they are without consideration of any performance criteria).

Variable remuneration is all remuneration which is not fixed (monetary and non-monetary benefits) – it includes additional payments or benefits depending on performance or, in exceptional circumstances, other contractual elements but not those which form part of routine employment packages. Amounts should be reported gross, without any reduction due to the application of the discount rate for variable remuneration.

Deferred remuneration in accordance with CRD Article 94(1)(m). Amounts should be reported gross, without any reduction due to the application of the discount rate for deferred variable remuneration for the categories of total deferred variable remuneration, deferred variable in cash, deferred variable in shares and share-linked instruments, and deferred variable in other types of instruments- instruments referred to in CRD Article 94(1)(l)(ii).

Malus is an arrangement that permits the institution to prevent the vesting of all or part of deferred variable remuneration based on ex-post risk adjustments.

Clawback is an arrangement under which the staff member has to return ownership of an amount of variable remuneration paid in the past or which has already vested to the institution under certain conditions.

Deferral period is the period after the award of the variable remuneration and before the vesting of the variable remuneration during which staff is not the legal owner of the remuneration awarded.

The **'award'** of variable remuneration means the granting of the amount of the variable remuneration for a specific accrual period, independently of the actual point in time where the amount is paid.