



European X-Ray Free-Electron Laser Facility GmbH

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Germany

Procedure for performance-based pay of the Scientific Directors

Approved by the Council at its 11th meeting on 13–14 June 2012

Concept for performance-related remuneration of members of the Management Board (Directors¹) of the European XFEL GmbH

a) Principles

There is an increasing trend to include a performance-related pay component in the employment contracts of new Board members at research institutions that are financed primarily from federal funds. Performance-related pay is expected to make such posts more attractive to top-quality candidates from research institutions abroad or from the business sector.

Certain Directors of the European XFEL GmbH are paid a fixed salary plus a performance-based variable pay component. The fixed salary is laid down in the Directors' employment contracts; the variable pay component is based on the target agreements supplementing the contracts, up to the maximum amount laid down in the employment contracts. The target agreements are geared to the structure and objectives of the research facility.

The Directors bear joint responsibility for the success of the project, particularly during the construction phase of the European XFEL. Therefore, all target agreements generally include the same central strategic performance criteria, particularly relating to the construction of the facility; they are supplemented by individual criteria referring to the Directors' individual responsibilities. The performance criteria are designed in keeping with the duration and provisions of the individual employment contracts:

“The conditions for the one-off payment are set out in target agreements, which are concluded for the first and second half of the five-year appointment period. If a target agreement is concluded for a shorter period, the maximum amount (...) is reduced accordingly. A lump-sum compensation may be agreed for part of the duration of the first target agreement.”

¹ At present, only the contracts for the Scientific Directors who are not Managing Directors contain performance-based pay components. The present guidelines are kept as general as possible to allow for future flexibility.

The level of achievement of the central strategic criteria is to be evaluated jointly for all Directors insofar as this is possible with contracts that have potentially different starting and ending dates.

b) *Success rate based on the target agreement*

The target agreement establishes the performance criteria and their respective weighting and defines specific, verifiable targets that are to be achieved by the end of the agreement period; in addition, it identifies starting values that reflect the situation at the beginning of the agreement period.

The actual amount of the performance bonus depends on the level of success achieved by the Director by the end of the agreement period. The success rate is established by assessing the successes achieved compared with the targets agreed beforehand:

- The success rate for quantitative targets is usually defined as the quotient of the results achieved and the set target (possibly compared to the starting values). It can be neither less than 0% nor more than 100%.
- As regards qualitative targets, there are four possible levels of assessment to which specific success rates are assigned:

Assessment levels for qualitative targets	Success rate
Largely achieved	50%
Mostly achieved	75%
Nearly achieved	90%
Fully achieved	100%

The target agreement can include indicative criteria for qualitative targets that facilitate an assignment to the possible levels during the performance assessment.

The overall success rate is established on the basis of the individual success rates and the weighting of the applicable performance criteria. The arithmetically calculated overall success rate can be adjusted by up to 10 percentage points on the basis of all criteria in order to obtain a more consistent overall assessment if so required. The overall success rate can be neither less than 0% nor more than 100%.

The amount of the performance bonus is the product of the overall success rate and the contractually agreed maximum performance-related one-off payment.

c) *Conclusion of the target agreement, procedure for performance assessment*

The target agreement is concluded between the respective Director and the Chairperson of the Council of the European XFEL GmbH or the Chairperson of the Council in association with the highest-ranking Federal Government representative in the German Council delegation as long as the German shareholder is also the majority shareholder (hereinafter referred to as the “partners to the target agreement”). The partners to the target agreement determine the level of achievement for all agreed targets at the end of the agreement period and determine the success rate. They will be advised by a committee of the Council in discharging these functions. The partners to the target agreement and the committee of the Council shall aim to reach a consensus regarding the level of achievement; however, decisions cannot be taken against the vote of the Federal Government representative, if partner to the target agreement.

Each Director shall provide a written self-evaluation report on the level of success achieved no later than six weeks before the end of the agreement period. Based on this report, the level of achievement and the final success rate shall be determined in a meeting with the partners of the target agreement no later than six weeks after receipt of this report. The performance bonus is paid immediately after completion of the assessment and determination of the success rate.

When appointing a new Director, the target agreement should be negotiated together with the employment contract; the partners to the target agreement advised by the committee of the Council are to be involved in these negotiations as appropriate.

The target agreement covers half of the appointment period. It must refer to a future period. Only in duly justified exceptional cases can a short-term target agreement be concluded with retroactive effect; otherwise, a lump-sum compensation will be paid for the past period (cf. employment contracts).