Control framework
Embedding high standards

— We have laid strong foundations for long-term cultural change by significantly tightening our control environment.

— The Supervisory Board intensified its oversight of ethics through the creation of an Integrity Committee.

— Our Risk Culture Initiatives program reinforces the importance of employee behaviors.

— An enhanced Reputational Risk Management Program emphasizes individual responsibilities and provides guidance for business managers.

Drawing on the recent experiences in the banking sector, we seek to strengthen our control framework and to continually drive cultural change across the bank. Targeted Risk Culture initiatives bring our Values and Beliefs to life and drive a culture in which everyone takes responsibility for their actions.

Managing non-financial risks, including reputational risks, is intrinsic to our control framework, supplementing more traditional risk management such as credit and market risks. As global challenges evolve, we also increasingly analyze and mitigate environmental and social (ES) risks that may arise in our business. Page 25

Employees are our first line of defense against unethical or inappropriate business practices. We require all employees to act according to the highest standards of integrity in everything we say and do. Compliance with all applicable laws and regulations is a minimum requirement, but we expect our people to go beyond simply what is allowed and do what is right.

Guiding interactions with stakeholders

All employees are expected to act honestly, responsibly and with integrity, abiding by the letter and spirit of the Code of Business Conduct and Ethics. In line with our Values and Beliefs, the Code describes the minimum standards for ethical business conduct and guides all our interactions with internal and external stakeholders.
Any material issues or concerns about conduct must be reported and addressed. We maintain an open and supportive environment that encourages employees to raise questions and concerns, which can be discussed with supervisors or contacts in the bank, including the Compliance, Anti-Money Laundering, Anti-Bribery and Anti-Corruption, Legal or Human Resources teams. Employees also have access to a hotline to report potentially unethical or inappropriate business practices anonymously. We operate an anti-retaliation policy regarding whistleblowers.

Extensive training reinforces our standards. During 2013, 97% of the global bank population completed Compliance, Financial Crime and Risk Culture trainings. Over 300,000 assignments were completed by 83,223 staff across 70 countries and in ten languages.

Our commitment to international standards and initiatives
The Deutsche Bank Code of Business Conduct and Ethics as well as our policies and guidelines reflect our commitment to a wide range of external standards, principles and initiatives, including:

- UN Guiding Principles on Business and Human Rights
- UN Principles for Responsible Investment
- World Bank standards
- IFC Performance Standards
- Oslo Convention on Cluster Munitions
- Roundtable on Sustainable Palm Oil
- German Corporate Governance Code
- International Labor Organization standards
- OECD Guidelines for Multinational Enterprises
- Principles of the UN Global Compact
- Wolfsberg Principles
- OFAC Standards
- Transparency International’s Corruption Perceptions Index
- Financial Action Task Force on Money Laundering
- German Sustainability Code
- ISO 14001

Employees with completed compliance trainings
In %

*Based on 85,696 employees within scope of trainings.
Ensuring robust corporate governance

We ensure the responsible, value-driven management and control of Deutsche Bank through our system of corporate governance. Our system functions in accordance with high international standards, including the German Stock Corporation Act and the German Corporate Governance Code, the rules of the US Securities and Exchange Commission and the New York Stock Exchange.

In 2013, our Supervisory Board intensified its oversight of ethics through the creation of an Integrity Committee. The committee advises and monitors the Management Board on its measures to ensure the economically sound, sustainable development of the company while protecting the resources of the natural environment, maintaining social responsibility and observing the principles of sound, responsible management and corporate governance. It is also concerned with the integration of these aspects into corporate culture. In particular, the committee deals with:

/ Monitoring the Management Board’s measures to ensure the bank’s compliance with legal requirements, authorities’ regulations and the company’s own in-house policies.

/ Regular review of the bank’s Code of Business Conduct and Ethics with a view to fostering ethical and moral conduct within and outside the bank.

/ Precautionary monitoring and strategic analysis of the bank’s legal and reputational risks that could place the entire bank at risk or lead to material claims for damages against current or former Management Board members and regularly advising and monitoring the Management Board with a view to avoiding such risks.

Acting against money laundering, bribery, corruption and other criminal activities

In 2013, we enhanced the governance, resources and processes of the Anti-Money Laundering (AML) function. Anti-Fraud, Anti-Bribery and Anti-Corruption were consolidated within the existing global AML function, and the new Head of AML & Financial Crime reports directly to the Management Board. The consolidated division is tasked with reinforcing policies, procedures and controls as well as communicating our zero-tolerance stance on bribery and corruption to all employees, clients and third parties.
Deutsche Bank is dedicated to complying with all applicable anti-fraud, anti-bribery and anti-corruption laws and regulations of the countries in which we operate. We do not tolerate fraud, bribery or any form of corruption, and we do not provide or accept improper inducements in the course of our business dealings. All of our employees as well as third parties that act on Deutsche Bank’s behalf are strictly prohibited from having any involvement in acts of fraud, bribery or corruption. If we cannot obtain or retain business without improper conduct, then we do not engage in that business.

The Anti-Fraud, Anti-Bribery and Anti-Corruption program is strengthening policies, procedures and controls to address operational business risks. As part of this initiative, we have commissioned an assessment of global fraud, bribery and corruption risk in all divisions. Approximately 180 risk assessment workshops have taken place across all our major hubs, and the outputs will enhance our fraud, bribery and corruption risk management framework.

Adherence to anti-money laundering regulations is absolutely fundamental to all Deutsche Bank entities regardless of geographic location. Each entity is required to adhere to minimum standards based on the German Banking Act, the German Anti-Money Laundering Act and the current guidelines of the German Federal Financial Supervisory Authority as well as further guiding principles on anti-money laundering.

To familiarize staff with the relevant laws and regulations, as well as our policies and procedures to detect money laundering, we conduct training courses, including those stipulated by the German Anti-Money Laundering Act. All new employees receive this training and take refresher courses at least every two years.

The 2013 training program concentrated on information protection and interest rate submissions as well as creating new training modules on sanctions, anti-money laundering, anti-bribery and anti-corruption. We are rolling out training on financial crime to all staff globally in 2014.

Knowing our customers
Effective action against money laundering relies on adequate and up-to-date information on client relationships. Know-Your-Customer (KYC) is an ongoing process, from the adoption of the client throughout the life of the relationship. Deutsche Bank’s KYC policies cover new client adoption as well as regular reviews and screening of existing client relationships against internal and external lists of negative information. These policies provide a framework for governance, management oversight, risk assessment and escalation of potential risks to senior management.
As part of a group-wide KYC program, we performed a detailed assessment of existing KYC standards across business divisions and infrastructure functions in 2013 to identify effective measures to further strengthen the bank’s defenses. We have begun an in-depth review of the adherence of operations in 48 countries to Deutsche Bank principles. We will also establish a KYC Center of Excellence as a dedicated unit within the Anti-Money Laundering organization. This will bring together relevant subject-matter expertise and will provide central oversight and advice, including guidance on KYC best practices.

Building a strong risk culture

Our Risk Culture Initiatives program reinforces the importance of employee behaviors for the bank’s long-term success. This program emphasizes five behaviors that employees need to demonstrate:

— Being fully responsible for the bank’s risks
— Being rigorous, forward-looking and comprehensive in assessing risk
— Inviting, providing and respecting challenge
— Trouble-shooting collectively
— Placing Deutsche Bank and its reputation at the heart of all decisions

The importance of adhering to these behaviors is communicated through a variety of channels across all levels of the organization.

The program also identifies and supports the implementation of mandatory Risk Culture training for all employees. In 2013, 82,028 employees enrolled in at least one Risk Culture course, covering topics such as fraud awareness, risk awareness and MaRisk (minimum requirements for risk management).

Using “Red Flags” to monitor risk-related behavior

The Risk Culture program’s Red Flags initiative uses objective measures to assess employees’ adherence to risk-related policies and processes. It allows senior managers to address risks more effectively and creates a stronger link between behavior and reward.

Employees in breach of an applicable policy or process receive a Red Flag. All Red Flags are risk-weighted depending on the severity and frequency of the incident. Aggregated Red Flag scores are taken into account in reviews of performance, pay and promotion.
Since its inception, the Red Flags process has been rolled out to Corporate Banking and Securities, Global Transaction Banking, Deutsche Asset and Wealth Management, Risk and the Non-Core Operations Unit. Further roll-outs are planned throughout 2014.

Some Red Flag categories, such as overdue mandatory training and unauthorized employee trading, are relevant to all divisions and functions. Other categories, such as unauthorized crossings of “Chinese walls” or credit limits are specific to each division’s risk profile. Red Flag categories are reviewed on a regular basis – new indicators may be added, old ones retired or existing ones amended as appropriate.

The system is designed to promote compliance, and where possible we help employees to avoid Red Flags. For example, employees receive automated e-mail reminders when they are enrolled in mandatory training or when they need to take mandatory time away. Supervisors are also able to access information on risks and policy breaches in their business areas.

Since introducing Red Flags, the number of breaches has decreased steadily, indicating a positive change in risk-related behaviors.

**Ensuring new products are appropriate**

We are committed to providing only products and services that create value for clients and shareholders through meeting the clients’ needs. Our New Product Approval (NPA) processes provide the scrutiny necessary to achieve these aims and to ensure that we can confidently offer clients our products and services.

NPA processes apply to all new product offerings, including variations to existing products. All product developments must be approved by key control functions, including Compliance and AML. NPA committees at the regional and divisional levels must approve developments considered “material,” including new risk factors or businesses. In addition, any features causing concern, such as potential reputational impact on the bank, are escalated to the relevant management approval committees, such as the Regional or Group Reputational Risk Committees.

Web-based training is provided to ensure that all employees understand the NPA processes and is required for all relevant staff members. Failure to comply with these processes is covered by the Red Flags initiative.
Managing reputational risk

Operating responsibly while serving diverse stakeholder interests also means weighing the risks against the value created. Our business model is built on public trust, so it is essential that in addition to standard risk inherent to our business, we avoid risks that can undermine trust.

Effective risk management fundamentally stems from employees internalizing their responsibility for the bank’s success and its reputation. We provide guidance and procedures to help employees meet this responsibility, such as the Reputational Risk Management Program Policy (RRMPP).

The RRMPP lays out consistent standards for dealing with reputational risk issues that may arise from transactions with our clients. It requires reputational risks to be adequately identified, addressed, and escalated to a more senior level when necessary.

As part of the RRMPP, a reputational risk analysis guide provides specific questions for business managers to consider regarding the client profile, the nature and terms of the transaction and any potential reputational impact.
The guide includes questions such as:

— Is there any negative market intelligence relating to this client, the client’s management team or principals?
— Could the transaction be viewed as having no valid business purpose or economic substance?
— Could the transaction be viewed by some as promoting activities considered contrary to the “public good”?
— Are there any non-standard terms, or terms inconsistent with market norms?
— Does the transaction raise any actual or potential conflicts of interest?
— Does this transaction pose any significant environmental, health or safety risks?

If our business managers identify any reputational risk, a further evaluation is required with more senior-level input.

Guidelines for specific sensitive topics or industries (such as defense equipment, pornography, betting and gambling) support this evaluation. The bank’s control groups (e.g. Compliance, AML & Financial Crime, Group Sustainability, Legal) are available for consultation and have a say on whether it is reasonable for the bank to pursue the business.

Doing the right thing leaves room for discretion and may result in a variety of views. Thus, a case can ultimately be escalated to the Group Reputational Risk Committee (GRRC). The GRRC is a subcommittee of the bank’s Risk Executive Committee and is co-chaired by two members of the Management Board. Page 32

Reputational risk management in practice
One of our teams in the EMEA (Europe, Middle-East and Africa) region had the opportunity to purchase an interesting portfolio of non-performing real-estate loans (NPL) in a country that suffered from the real-estate crisis. The banking sector was heavily criticized by the public for mismanagement during the crisis. The transaction itself would have provided a meaningful revenue opportunity for Deutsche Bank, was well structured and would have increased the bank’s market share in that region significantly. The NPL transaction was reviewed, however, due to strong concerns regarding public perception and regional reputation, the transaction was not approved.