

**Corporate Governance** Principles

# **The Corporate Governance Principles of Deutsche Bank**

These corporate governance principles were approved by the Board of Managing Directors and the Supervisory Board of Deutsche Bank in March 2001. As a voluntary commitment, they go beyond the requirements of law. We are thus submitting a clear set of rules covering all facets of a responsible corporate management and corporate control system driven by value growth. The main subjects dealt with are relations with our shareholders, the tasks and duties of the Board of Managing Directors and of the Supervisory Board, the structure and disclosure of performance-based compensation, and the demands made on reporting and transparency.

The Board of Managing Directors, Supervisory Board and staff of Deutsche Bank identify with these principles.

Frankfurt am Main, March 2001

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## Corporate Governance – A part of Deutsche Bank's identity

The intention of these Corporate Governance Principles are to help achieve responsible, value-driven management and control of Deutsche Bank Group. Their aim is to promote and strengthen the confidence of present and future shareholders, customers, employees and the general public on national and international markets<sup>1)</sup>. The Supervisory Board, the Board of Managing Directors and management staff of Deutsche Bank Group identify with these Principles.

The Supervisory Board, Board of Managing Directors and staff are committed to achieving the goal of a sustained increase in the market value of Deutsche Bank. To conduct its business and grow profitably, Deutsche Bank needs capital from its shareholders. A high return on capital can only be achieved in the long term if customers are satisfied with the bank's performance. To accomplish this, however, excellent services must be provided to clients which, in turn, cannot be done without motivated staff. Sustained business success makes jobs more competitive and thus safer. Finally, the bank's social commitment, expressed in corporate citizenship, creates the necessary basis for being respected as a responsible member of the community. Only when all of these requirements are fulfilled can the sustained increase expected by shareholders in the bank's market value also be achieved.

Corporate Governance covers the entire system of internal and external control and supervision mechanisms. As a voluntary commitment, Deutsche Bank's Corporate Governance Principles go beyond statutory requirements using a two-tier system of corporate control and management.

Compliance with the Principles is monitored by a Corporate Governance Officer appointed by the Board of Managing Directors. A report on compliance with the Principles is made to the Supervisory Board at least once a year. Moreover, the Annual Report includes a report on Corporate Governance.

Corporate Governance must be understood as a continuous process covering all persons involved with the company. Deutsche Bank's Corporate Governance Principles are reviewed regularly in the light of new developments, the provisions of law and changes to national and international standards, and are adjusted accordingly.

<sup>1)</sup> Considering the global networking of economic and social life, Deutsche Bank respects the high degree of responsibility placed on globally-active companies. The observance of criteria in the sense presented by a Global Governance approach, such as that of the UN's Global Compact or that of the sustainability model, will become increasingly important in the opinion and evaluation of Deutsche Bank.

# Relations with shareholders

## Shareholders' fundamental rights

The legal provisions in Germany guarantee the observance of fundamental shareholder rights. They include in particular:

- unrestricted purchase and sale of shares,
- full voting right for each ordinary share (“one share – one vote”),
- participation in general meetings, including the exercise of voting rights,
- election of shareholder representatives on the Supervisory Board, and
- participation in company profits.

It is also ensured that shareholders participate in the basic decisions relevant to Deutsche Bank. This relates above all to amendments to the Articles of Association, the issue of new shares and/or convertible bonds and bonds with warrants as well as important structural changes.

Shareholders are informed in good time about the date and venue of the general meeting, the agenda and the proposed resolutions in each case. At the general meeting, shareholders can ask for information from the Board of Managing Directors on matters relating to the bank. They can exercise their voting rights personally or have them exercised by a proxy of their choice. Instructions on how to exercise voting rights can also be given via electronic media. Deutsche Bank favours increased use of electronic media for the general meeting. This development is supported by the conversion from bearer to registered shares.

The equal treatment of shareholders is mandatory under German law. The Board of Managing Directors and the Supervisory Board are committed to observing this principle in the exercise of their duties. They will also observe the principle of equal treatment of shareholders in the acquisition of own shares pursuant to § 71 (1) No. 8 Joint Stock Corporation Act.

In the event of a capital increase, shareholders generally have a pre-emption right proportionate to their share of ordinary capital. This pre-emption right may be excluded if and insofar this is required in the interests of Deutsche Bank. Board of Managing Directors and Supervisory Board will check carefully in each case whether this precondition is fulfilled. Insofar as authorized capital allows exclusion of the pre-emption right for the purpose of acquiring a company or an equity holding or of placing new shares at a price close to the stock market quotation, the Board of Managing Directors will only use this authorization if the

capital increase does not exceed 10% – or 20% in case of acquisitions – of the respective share capital of Deutsche Bank. Here, the use of repurchased shares for the above purpose will be included.

### **Information**

1. Within the scope of current investor relations activities, the dates of the principal recurrent publications/events (i.e. annual reports, quarterly reports, dates of general meetings) are published in a financial calendar, also printed in the Annual Report, with adequate lead time (one year). The information published by Deutsche Bank is also available simultaneously in the Internet. This comprises additionally the invitation to the general meeting, the agenda as well as any proposals including election proposals from shareholders and any replies given by management. Over and above that, the results of voting are published after the general meeting. All relevant publications are also available simultaneously in English.
2. The provisions of law are observed in the dissemination of information. The principle of the necessary equal treatment of all investors and financial analysts is also complied with (“fair disclosure”).
3. Statements on the anticipated future development of business are included in the Annual Report (Notes). Material deviations from previously published financial and strategic targets are explained.

### **Conduct in connection with company acquisitions**

Deutsche Bank has recognized the voluntary Takeover Code of the Capital Markets Expert Commission of the German Ministry of Finance. This document ensures that rules and procedures involving change of control events are clearly defined and disclosed.

# Board of Managing Directors and Supervisory Board

## Tasks and duties of members of the Board of Managing Directors and Supervisory Board

### Tasks and duties of the Board of Managing Directors

1. According to German stock corporation law, the Board of Managing Directors is bound by corporate interest and policy and the Group's guidelines. The Board of Managing Directors drafts its own Terms of Reference and determines the allocation of business responsibilities among its members.
2. The Board of Managing Directors
  - will publish without delay new facts which have arisen in Deutsche Bank's activities and are not publicly known if, owing to their effects on the asset, liability and financial situation or on the general course of business, they could have a material influence on the prices of Deutsche Bank's listed securities,
  - informs the Supervisory Board regularly, in good time and comprehensively on all important questions relating to the course of business, strategy and corporate planning, revenues and profitability, the risk situation, risk management and risk controlling at Deutsche Bank AG and at the principal Group companies as well as on the principles of personnel policy for the Group Board Management Committee (Konzernführungskreis),
  - informs the Chairman of the Supervisory Board without delay if the business or risk situation at Deutsche Bank changes substantially compared with submitted planning. The Chairman of the Supervisory Board will, if appropriate, convene an extraordinary meeting of the Supervisory Board.
3. The Board of Managing Directors develops the Group's strategy, reviews it with the Supervisory Board and ensures its implementation.
4. The Board of Managing Directors ensures that all provisions of law are observed in the Group. The same applies to these Corporate Governance Principles.
5. The Board of Managing Directors is aware of the extreme importance of detecting at an early stage developments that could threaten Deutsche Bank and of acting accordingly. It therefore imposes high demands on Group-internal risk management and risk controlling.

### Tasks and duties of the Supervisory Board

1. The task of the Supervisory Board is to advise the Board of Managing Directors regularly on the management of business and to supervise it (including the achievement of long-term goals). The Supervisory Board appoints and recalls the members of the Board of Managing Directors and, in cooperation with the Board of Managing Directors, safeguards long-term succession planning.
2. The Supervisory Board may, over and above the regulations of the Articles of Association, make certain types of business dependent on its approval. It determines the information and reporting duties of the Board of Managing Directors.
3. The members of the Supervisory Board maintain silence on the contents of their meetings and on confidential information and secrets of Deutsche Bank. The members of the Supervisory Board ensure that the staff members entrusted with handling the mandate-related work maintain silence accordingly.
4. The Supervisory Board has Terms of Reference.
5. The Supervisory Board issues the audit mandate for Deutsche Bank's Annual Financial Statements and Consolidated Financial Statements to the Auditor of the Annual Financial Statements. Here, the Supervisory Board may determine specific points of emphasis for the audit and/or extend the statutory object and scope of the audit of the Annual Financial Statements. The issuance of the mandate also includes the agreement on the audit fee.

To ensure the independence of the Auditor, the Supervisory Board observes the provisions of national and international law and takes care

  - that any consultancy fees of the appointed Auditor's corporate group charged to Deutsche Bank Group are not inappropriately higher than the fees attributable to the audit of the Annual Financial Statements. Moreover, the Supervisory Board takes care that the auditing fees are comparable to those charged by a third-party company without additional consulting services,
  - that no auditor is employed on the audit of the Annual Financial Statements who, over the preceding 10 years, has signed the Auditor's Opinion on the audit of Deutsche Bank's Annual or Consolidated Financial Statements in more than 6 years, and
  - that the Auditor of the Annual Financial Statements is not exposed to any conflicts of interest.

6. The members of the Supervisory Board ensure that they have enough time available and exercise their duties carefully and conscientiously. If a member of the Supervisory Board does not take part personally in more than half of the meetings of the Supervisory Board in a financial year, this will be reported accordingly in the Annual Report.

### **Composition of the Supervisory Board**

1. The supervisory board is comprised pursuant to legal regulations of supervisory board members representing the shareholders and the employees.
2. The members representing employees are elected in accordance with the Co-determination Act and the applicable election statutes.
3. In its election proposals to the General Meeting, the Supervisory Board takes care that candidates have the knowledge, abilities and salient experience, also taking into account Deutsche Bank's international activities, as well as the available time needed to fulfil their duties. The Supervisory Board should not include more than two former members of the Board of Managing Directors.
4. With regard to the membership of committees, the determining factor, in addition to the provisions of law, is the salient qualification of members.
5. To respect the needs of continuous change during one term, the election and/or re-election of those members of the Supervisory Board who are to be elected by the General Meeting are at staggered dates. For employee representatives on the Supervisory Board, the present regulation remains in force.

### **Rules to avoid conflicts of interest**

#### **Board of Managing Directors**

1. The members of the Board of Managing Directors, in exercising their corporate management function, pursue no private interests contrary to the interests of the company.
2. Members of the Board of Managing Directors must disclose to the Chairman of the Supervisory Board important personal interests in transactions of Deutsche Bank Group and other conflicts of interest arising in connection with their activities for Deutsche Bank.

3. The terms and conditions of transactions between Deutsche Bank Group and members of the Board of Managing Directors as well as persons or companies related to them must comply with normal industry standards.
4. Credit may only be extended by Deutsche Bank Group to members of the Board of Managing Directors or to persons or companies related to them on the basis of a unanimous resolution by all members of the Board of Managing Directors and only with explicit approval by the Supervisory Board. The resolutions of the Board of Managing Directors and Supervisory Board must be taken before the credit is granted.
5. Members of the Board of Managing Directors use business opportunities attributable to Deutsche Bank AG or to its Group companies neither for themselves nor for persons or companies related to them.
6. Members of the Board of Managing Directors are also forbidden from transacting, outside their activities for Deutsche Bank either for themselves or for persons or companies related to them, business which conflicts with the interests of Deutsche Bank AG or of Group companies.
7. During their activities for Deutsche Bank, the members of the Board of Managing Directors are subject to comprehensive prohibition of competition.
8. The acceptance of Supervisory Board or Executive Board mandates and/or other administrative or similar honorary offices by a member of the Board of Managing Directors must not detract from his duties as member of the Board of Managing Directors or from his time for these duties. The assumption of such a mandate requires the approval of the other members of the Board of Managing Directors and of the Chairman of the Supervisory Board. Members of the Board of Managing Directors do not, in principle, assume the chairmanship of Supervisory Boards outside the Group.
9. The purchase and sale of shares of Deutsche Bank AG and of its Group companies, and of options or other derivatives based on such shares by members of the Board of Managing Directors and the Supervisory Board, are subject to the respective national and international compliance regulations. The Board of Managing Directors ensures compliance with them by comprehensive compliance regulations valid throughout the Group. The Chief Compliance Officer submits a report at least once a year, which is also furnished to the Supervisory Board.

10. Members of the Board of Managing Directors and employees may not solicit or accept payments or other benefits in addition to their compensation either for themselves or for third parties if this could adversely affect the interests of the Group or the customers. In addition, the respective Conditions of Employment apply to employees.

**Mandates of members  
of the Board of  
Managing Directors on  
supervisory boards and  
similar bodies**

1. Where members of the Board of Managing Directors of Deutsche Bank AG or members of the management bodies or senior executives of Group companies have mandates on supervisory boards or similar supervisory bodies at companies outside the Group, they act in the interest of the respective company. The respective mandate holder is personally responsible for the exercise of the rights and duties arising from such a mandate.
2. The respective mandate holder is obliged to maintain silence on all confidential information obtained within the framework of the mandate. This also applies in his relations with Deutsche Bank. By the same token, the mandate holder must also observe his duties of confidentiality towards the bank and its customers in the exercise of the mandate.
3. Where a mandate holder uses the services of bank employees to support him personally in the exercise of a mandate, these employees are subject to the same duty of confidentiality as the mandate holder. The respective employees may not pass on confidential information obtained in this connection either inside or outside the bank.
4. In the exercise of the mandate, the mandate holder must endeavour to avoid conflicts of interest. In particular, he must ensure, as far as possible, in accepting a mandate that conflicts of interest cannot arise from its exercise. If unavoidable conflicts of interest arise from the exercise of a mandate, the mandate holder, while protecting the interests of the company, must abstain from participating in deliberations and votes on matters which are the basis of his conflict of interest or resign from the mandate.

The Group Board Management Committee [at present forty members] is made up of the Group Board and senior executives nominated by the Board of Managing Directors. The above rules on the avoidance of conflicts of interest (cf. sections “Board of Managing Directors”<sup>1)</sup> from page 8 onwards and “Mandates of members of the Board of Managing Directors...” on page 10) also apply to all members of the Group Board Management Committee.

### Group Board Management Committee (Konzernführungskreis)

1. Members of the Supervisory Board must disclose mandate-related conflicts of interest to the Chairman of the Supervisory Board (the Chairman to the Chairman’s Committee). If unavoidable conflicts of interest arise from the exercise of a mandate, the mandate holder, while protecting the interests of the company, must abstain from participating in deliberations and votes on matters which are the basis of his conflict of interest or resign from the mandate.
2. In the exercise of their office, members of the Supervisory Board pursue no private interests or interests of persons or companies related to them which conflict with the interests of Deutsche Bank AG and Group companies.
3. Members of the Supervisory Board use business opportunities attributable to Deutsche Bank AG or to its Group companies neither for themselves nor for persons or companies related to them.
4. Terms and conditions of all transactions between Deutsche Bank Group and members of the Supervisory Board as well as persons or companies related to them must comply with normal industry standards.
5. Credit extended by Deutsche Bank Group to members of the Supervisory Board or to persons or companies related to them may only be granted on the basis of a unanimous resolution by all members of the Board of Managing Directors and only with explicit approval by the Supervisory Board. The resolutions of the Board of Managing Directors and Supervisory Board must be taken before the credit is granted.
6. Members of the Supervisory Board may not solicit or accept payments or other benefits, either for themselves or for third parties, in connection with their activities. This applies in particular insofar as it could damage the interests of the Group or of its clients.

### Supervisory Board

<sup>1)</sup> Except for 4. – extension of credit – and 8. – acceptance of mandates –, which are regulated in the Terms of Reference of the Board of Managing Directors.

## **Committees of the Supervisory Board**

### **Chairman's Committee**

The Chairman's Committee has a consultative function vis-à-vis the Board of Managing Directors and prepares the decisions to be taken by the Supervisory Board. It also has functional responsibility for concluding, amending and terminating the employment and pension agreements of members of the Board of Managing Directors. The Committee also decides on the approval of the Supervisory Board for transactions with members of the Board of Managing Directors and Supervisory Board and with persons and companies related to them.

### **Audit Committee**

The Audit Committee has functional responsibility for questions concerning reporting and the audit of the Annual Financial Statements and Consolidated Financial Statements of Deutsche Bank AG and the Group respectively, including the internal monitoring system. The Audit Committee resolves on the audit mandate to the Auditor of the Annual Financial Statements, where necessary stating specific points of emphasis in the audit. It prepares the audit of the Annual Financial Statements and Consolidated Financial Statements by the Supervisory Board. Here, the Committee brings in the Auditor of the bank's Annual Financial Statements. Furthermore, the Committee resolves on the Auditor's compensation. It also arranges to receive reports from Internal Audit on points of emphasis in and the results of the audit.

### **Credit and Market Risk Committee**

The Credit and Market Risk Committee monitors the management of market risks and the credit matters of the Group. It deals with credits requiring approval and submitted transactions made subject to its approval. The Committee also takes receipt of reports from the Board of Managing Directors on credit portfolios, markets and techniques which are of special importance owing to the related risks or obligations, or for other reasons.

### **Mediation Committee**

The Mediation Committee makes personnel proposals to the Supervisory Board if the necessary two-thirds majority for the appointment and recall of members of the Board of Managing Directors has not been obtained. This Committee is prescribed by the German Co-Determination Act.

# Performance-related compensation

## Structure

The Supervisory Board determines the size and structure of the compensation of members of the Board of Managing Directors. Here, the total compensation is to be proportionate to the duties of the members of the Board of Managing Directors and to the overall situation at Deutsche Bank AG. The Board of Managing Directors determines the compensation of the other members of the Group Board Management Committee.

The compensation of members of the Group Board Management Committee of Deutsche Bank incorporates, in adequate measure, performance incentives reflecting the contribution to long-term value creation and in line with international industry standards. They include stock option programmes and performance-related incentives based on the development of the share price and on Deutsche Banks' continuing profitability. When stock options and similar rights are granted to members of the Board of Managing Directors and to employees of Deutsche Bank, the following points are observed: rights under a stock option programme or similar programmes may not be exercised until two years have elapsed. Within the scope of the individual target agreements with the Board of Managing Directors, the Supervisory Board determines criteria for appraising the performance of the individual members of the Board of Managing Directors.

The members of the Supervisory Board receive a fixed remuneration component and a remuneration component oriented to the company's results.

## Disclosure

The structure, total volume, exercise prices and exercise periods of stock options and comparable instruments created by Deutsche Bank as well as allocations of such options and rights in the reporting period must be published in the Annual Report (Notes) in total for all members of the Board of Managing Directors. Suitable measures, such as the imposition of black-out periods, must be followed to ensure that the requirements of the insider laws are observed.

Transactions by members of the Board of Managing Directors in Deutsche Bank AG shares or derivatives are announced without delay.

The total compensation of the members of the Board of Managing Directors of Deutsche Bank is reported according to fixed and variable components in the Annual Report (Notes).

# Reporting and transparency

## Content and dissemination of information

1. Regular financial reporting (annual reports, quarterly reports) takes place on an up-to-date basis. Deutsche Bank publishes, within six weeks of the end of the reporting period, interim (quarterly) reports which contain segment information and earnings per share figures in accordance with internationally accepted accounting principles.
2. The Annual Report (Notes) includes information on the size of the shareholdings (including existing option rights) of the Board of Managing Directors and Supervisory Board in Deutsche Bank AG and its Group companies as well as on changes compared with the previous year.
3. In the Annual Report (Notes), the Board of Managing Directors reports all equity shareholdings exceeding 5% of capital. Exceptions only apply in case of equity shareholdings which are of minor importance for the bank's asset, liability, financial and profit situation, or where such information could be substantially detrimental to Deutsche Bank or the other company. The Notes must also contain information on all equity shareholdings in non-consolidated companies which exceed 5% of capital; sentence 2 applies mutatis mutandis.
4. The Notes to the Annual Report also name the owners of all notified holdings of 5% or more of the voting rights of Deutsche Bank.
5. As soon as Deutsche Bank is notified or learns in some other way that, by purchase, sale or in some other way, another party's holdings exceeds or falls below 5, 10, 25, 50 or 75% of the voting rights of Deutsche Bank, this fact is publicized without delay by the Board of Managing Directors.

## **Auditing and controlling**

1. Deutsche Bank issues financial reports in accordance with internationally accepted accounting principles. The audit of the Consolidated Financial Statements by the auditors mandated by the Supervisory Board is carried out in accordance with the International Standards of Auditing.
2. Deutsche Bank attaches particular importance to the risk management system, also in the interests of its shareholders. The effectiveness of this system is reviewed continuously. The risk management system is commented on separately in the Notes.

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