

# Combined separate non-financial report

Pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB)

The success of the Commerzbank Group is shaped not just by financial factors, but also by a wide range of non-financial criteria. Commerzbank therefore welcomes the EU Directive on the disclosure of non-financial and diversity information as an important step towards putting corporate social responsibility (CSR) at the heart of corporate management and reporting. This directive was implemented in German law with binding effect starting in financial year 2017 pursuant to the German Act on Strengthening Corporate Non-Financial Reporting (CSR-Richtlinie-Umsetzungsgesetz). The law requires a report to cover at least five topics: environmental protection, treatment of employees, social responsibility, respect for human rights and anti-corruption and anti-bribery. Commerzbank has also decided to report on a sixth topic, in the “Treatment of customers” section, as the Group’s customer focus is a key non-financial success factor.

This summary stand-alone non-financial report (hereinafter the “non-financial report”) applies for the Commerzbank Group and for the parent company, Commerzbank AG. Further details on the reporting format are found at the end of this document, in the section “About this report”. The requisite description of the business model is found on page 55 f. of the Group Management Report.

## Environmental protection

Protecting nature and the environment is an important component of the Commerzbank Group’s commitment to corporate responsibility and sustainable business practices. Combating climate change is a particularly critical part of this. However, Commerzbank has the biggest impact in creating a climate-friendly business environment not through its own banking operations but through financial services that promote protection of the environment – for example renewable energy or energy efficiency measures – and through decisions not to finance, or to cease financing, particular business types as a financial institution. For instance, Commerzbank AG is no longer providing finance for coal-fired power stations.

## Environmental criteria in lending<sup>1</sup>

To minimise the impact of its activities on ecosystems, Commerzbank reviews and evaluates transactions, products and customer relationships where the environment plays a prominent role. This is the case, for example, where projects lead to increased pollution of the air, water or soil or could involve overexploitation of natural resources.

Commerzbank AG’s Reputational Risk Management department lays down the prerequisites and limits for the Bank’s activities by evaluating environmental impact, setting environmental conditions in some cases or turning down transactions, products and customer relationships altogether. It places a particular focus on ensuring that lending activity is compatible with the Bank’s sustainability principles, which are set out in published papers and directives, for example on coal-fired power, oil and gas, electricity generation, agricultural commodities, mining and land and forestry. These positions and directives are reviewed regularly and updated as necessary.

Reputational Risk Management works closely with classic Risk Management. The management of reputational risks arising from the potential impact of the Bank’s business activities on the environment is an integral part of Commerzbank’s overall risk strategy (see Group Risk Report, page 131). As a department within the Group Communications division, Reputational Risk Management falls under the direct responsibility of the Chairman of the Board of Managing Directors. The Board of Managing Directors and Supervisory Board are informed of reputational risks in the Bank on a quarterly basis.

To continue developing its reputational risk management, Commerzbank constantly monitors issues of potential environmental relevance and ensures they are embedded in the Bank’s internal processes and evaluation criteria. The credit decision and reporting processes are also reviewed regularly and updated if required. In furtherance of this objective, the Bank take steps to raise awareness internally and also engages in discussions on environmental risks with relevant external stakeholders such as non-governmental organisations. In 2017, Commerzbank AG’s Reputational Risk Management investigated a total of around 6,000 cases (2016: 6,200) involving environmental, social and ethical issues.

<sup>1</sup> Not relevant for comdirect and Commerz Real.

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mBank in Poland operates its own reputational risk management based on its commitment to the United Nations Global Compact. Introduced in 2016, the policy on providing services and financing to entities operating in areas that are particularly sensitive in terms of mBank's reputational risk is designed to implement this commitment and can result in the rejection of particular lending transactions or requests to open bank accounts. mBank's reputational risk strategy is reviewed annually and coordinated with the reputational risk management of Commerzbank AG.

By publishing and rigorously applying its positions and directives, Commerzbank is able both to raise awareness among staff and other market participants and to help reduce and prevent detrimental environmental impacts. This can lead to multiplication effects whereby particular technologies or business types with a significant adverse environmental impact may no longer have access to funding sources in future.

## Products and services with environmental benefits<sup>2</sup>

For the economy to transition successfully to a low-carbon, sustainable future, the financial system will have to play a role. Global efforts to combat climate change call not only for favourable political conditions and new technologies, but also for adequate financial resources. This gives rise to a range of opportunities for Commerzbank due to the growing demand for financing solutions on the one hand and sustainable investment opportunities on the other. As a result, Commerzbank is developing products and services in response to the changes in the demand for financing and new investment opportunities in line with customer needs, while also producing an environmental benefit. In doing so, the Bank is at the same time reducing the risk of under-financing of green technologies or business ideas that could mitigate climate change.

It is the job of the Sustainable Finance Committee, which was founded in 2017, to assist in this process by bringing together departments and activities connected with sustainable finance within Commerzbank AG. Through the work of this committee the Bank aims to actively support international transformation processes and open up new, innovative business areas. Interdisciplinary cooperation enables and promotes the exchange of information across the Group, which supports the development of new products and services with an environmental benefit and the improvement of existing ones.

Corporate and project finance encompassing the entire value chain of renewable energies has been part of Commerzbank AG's portfolio since the mid-1980s. The aim is to contribute to the direct or indirect financing of renewable energy with a minimum of €2.5bn of new business by 2020. In 2017, the Energy Competence Centre's lending totalled around €5.2bn, compared with €5bn in the previous year.

Commerzbank AG also actively incorporates sustainability aspects when developing classic lending solutions by advising its customers on the benefits of public subsidies for these investments and motivating them to implement sustainable projects. This enables customers to realise energy efficiency projects at a relatively modest cost. The advice provided by Commerzbank AG on public subsidies helps customers access the appropriate subsidy offerings. With a share of around 9% in KfW's environmental subsidy programmes, Commerzbank AG is one of the leading banks in Germany in financing such investments by small and medium-sized enterprises.

As a participant in the European emissions trading system, Commerzbank AG is a member of the World Bank's Carbon Pricing Leadership Coalition (CPLC) and is thus able to provide its corporate customers with expert advice on current international developments relating to emissions trading and carbon pricing. Green bonds are a new and growing market segment. Commerzbank AG helps its customers to prepare and place bonds in the renewable energy and energy efficiency sphere. It also participates in industry bodies and similar interest groups. In this way, it makes an active contribution to developing the market for green bonds. The volume of green bond issues managed by Commerzbank AG in 2017 was €5.5bn (€5.2bn in the previous year).

Commerzbank AG and comdirect also distribute successful sustainable funds from various providers to private and institutional customers and thereby help popularise environmentally friendly investment products. According to an analysis carried out by the German business magazine Focus Money, comdirect is viewed by customers as one of the most sustainable providers on the German financial market (rating of "excellent" in the overall ranking, edition 45/2017).

Commerz Real is also playing a part in successfully shaping the energy transition. It launched its first investment in solar energy in 2005 and gave private investors access to many others via funds up until 2013. Commerz Real is now one of the largest asset managers in this segment in Germany with a total investment of around €830m. In addition, the product range for professional investors was broadened in 2017 by adding the option of investing in wind power facilities. An expansion of these investments is planned for the coming years. Moreover, Commerz Real attempts to improve sustainability in managing its real estate assets, for example by obtaining electricity from renewable energy sources. Sustainability criteria are also integrated in the due diligence process when buying real estate. It is now the case that building sustainability certificates have been issued to 24.4% of the properties held by hausInvest, one of the biggest open-end real estate mutual funds in Germany with around €13bn under management at the end of 2017.

<sup>2</sup> Not relevant for mBank.

## Treatment of employees

The keystone of Commerzbank's HR policy is the furthering of a trust-based corporate culture – this is particularly important in times of restructuring, as is currently happening as the “Commerzbank 4.0” strategy is implemented. Dealing with employees fairly and in a spirit of partnership is a prerequisite for long-term success. “Commerzbank 4.0” represents a fundamental further development of the business model through which the Bank wants to reach its targets by 2020 (see Group Management Report, page 55 f.). With this strategy, Commerzbank is responding to the low interest rate environment, growing regulatory demands, the digitalisation of society and the rising expectations of its customers. Higher profitability on a sustained basis and increased competitiveness are essential for Commerzbank's future success. A reduction in headcount at Commerzbank AG is unavoidable in this context. comdirect, Commerz Real and mBank, on the other hand, are not currently seeking to reduce their staff numbers. The most important challenge for HR work in the Group at present is therefore to carry out the reduction in staff at Commerzbank AG in a socially responsible manner and at the same time continue to attract and retain staff in a challenging labour market.

Where staff numbers have to be reduced, this is carried out in close consultation with the employee representatives with the aim of avoiding involuntary redundancies. In doing so, Commerzbank goes beyond the statutory requirements. In 2017, the Bank reached 32 different agreements on the partial reconciliation of interests with the employee representative bodies, which covered a range of HR instruments to ensure a socially responsible redundancy programme. These include termination contracts with severance pay plus special arrangements for employees over age 56, new placement offers, early retirement, part-time working for older employees, assistance for employees changing their place of work, individual reductions in working time and unpaid sabbaticals. Commerzbank's associated restructuring expenses amounted to €808m (see the consolidated notes, page 172).

### Employer attractiveness

Commerzbank aims to offer its staff an environment where they enjoy working and can do so successfully, thereby securing the company's long-term success. To retain staff in the Bank in the long term and make full use of their qualifications to develop the company, their capabilities must be identified and fostered at an early stage. Commerzbank AG takes a holistic approach to this, which also reflects in the HR work of the Group's subsidiaries, with the parent company in the role of “global functional lead”. These efforts start with the recruitment and development of apprentices and encompass the support offered to young graduates

in their first business roles, through to personal development of experienced staff, managers and project managers.

The average age of employees at Commerzbank AG in Germany was 45 in September 2017. With the current limits on the recruiting of graduates, this may lead to demographic challenges for the Bank. Short- to medium-term personnel planning is therefore supplemented with a regular strategic personnel and capacity analysis focused on long-term development. The launch of new trainee programmes focused on international digital banking and compliance are important elements of our commitment to continue attracting graduates in future and to support staff development.

The changing conditions of an increasingly digital working world are being integrated in the Commerzbank Group through changes in the structure of work (mobile technical applications), a de-emphasis of hierarchy, agile project management and flexibility in the location and timing of work. The Group has also been continually strengthening its activities to improve work-life balance for over 20 years and puts the promotion of professional fitness and change at the heart of its personnel development measures. Nowadays, Commerzbank offers its staff a range of solutions tailored to their phase of life: flexible working time models, sabbaticals, easing the return to work after parent leave, arrangements for the care of relatives or childcare on a regular basis or in exceptional cases. For example, comdirect has created special parent-child offices and was recognised with the award for “Best employer for families” by a German parenting magazine in 2017.

Work-related health problems represent an area in which the Commerzbank Group can potentially exert some of the largest impact on employee welfare. The aim of Commerzbank's health management is to support the psychological and physical health and social well-being of all staff on a holistic basis. As part of the Employee Assistance Programme (EAP)<sup>3</sup>, external psychologists and counsellors are available to help staff and managers in difficult personal and professional situations.

In a similar way, comdirect works to improve its employees' health through sport, relaxation and nutrition courses, an employee support programme delivered through EAP service providers offering advice on both physical and psychological health issues, and a company doctor service. In Poland, the employee benefits fund of mBank provides financial help to mBank staff, retirees and their family members in health emergencies.

Up until 2014, Commerzbank regularly collected data on the commitment and motivation of its staff and their willingness to recommend the Bank. Since 2017, surveys have focused on executives and management staff and addressed the issues of digitalisation and the “Commerzbank 4.0” strategy. The plan is to broaden these surveys to include more staff in future and thus devote greater attention to the issue of employee engagement again.

<sup>3</sup> Does not apply to mBank.

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mBank collates a picture of employee satisfaction and the working environment every year in its employee engagement survey. Employees can make suggestions for improvement in the survey and give anonymous feedback on the organisational units they work with.

Data on HR risks such as those related to motivation, resignation and bottlenecks are regularly reported to the Board of Managing Directors (see Group Risk Report, page 132 f.).

## Diversity and equal opportunities

Diversity and inclusiveness are firmly integrated in Commerzbank's corporate culture. Diversity is about recognising and promoting the diverse backgrounds of our employees and customers. Inclusiveness refers to an environment where diversity is acknowledged and everyone has the opportunity to develop in accordance with their abilities and interests. Commerzbank is committed to a working environment that is free of prejudice and in which all employees feel accepted. Diversity Management is responsible for achieving this aim. It focuses on six different dimensions; age, gender, sexual orientation and identity, ethnic origin and nationality, religion and world view, and disability. Particular emphasis is given to equality of the sexes and people with disabilities, as well as the promotion of cultural diversity. The main forums for developing policy on these matters are firstly the Global Diversity Council headed by Commerzbank's board member responsible for HR, who leads and manages the Group-wide activities on the issues of diversity and inclusiveness. Secondly, Diversity Management advises and supports the nine employee networks currently within Commerzbank AG, in which more than 1,500 staff are involved in Germany and abroad.

Commerzbank is pursuing the Group-wide aim of increasing the proportion of women in leadership positions to 35% across all management levels below the Board of Managing Directors by 2021. In 2017, this proportion stood at 30.7% (previous year: 29.8%). At the end of the year under review, women held 28.6% of leadership positions in Commerzbank AG in Germany (previous year: 28.5%). Details on the proportion of women on the Supervisory Board and Board of Managing Directors and at the first and second levels of management can be found in the Corporate Governance Report (page 24 f.).

Discrimination or harassment of employees is not tolerated at Commerzbank. This includes both verbal and physical attacks as well as sexual harassment or abuse of any kind. The threat of harassment or the creation of an intimidating atmosphere is equally unacceptable.

Commerzbank guarantees its staff, customers and suppliers that it will react quickly and appropriately in the event of legitimate complaints. Staff have the freedom to use the complaints procedures without fearing that they will be singled out for retaliation. The employees affected are also entitled to use the Employee Assistance Programme (EAP).<sup>4</sup> The works agreement on fair treatment at work contains comprehensive information and guidelines for managers and staff of Commerzbank AG and comdirekt on how to deal with discrimination. mBank has an anti-bullying policy, which informs and protects employees. Employees of the Group who are found guilty of misconduct can expect Commerzbank to examine all of its options under labour law. In particularly serious cases where a criminal offence may have been committed, Commerzbank will refer the case to the authorities. There was no such case in 2017.

## Social responsibility

The Commerzbank Group also considers itself to have a responsibility to positively impact society. Banks exert influence in particular through the provision of financial infrastructure and through the effects of financial services on the economy (see also the sections on the environment, treatment of customers, respect for human rights and combating bribery and corruption). Their role as an employer and taxpayer is important for society. Moreover, the properties in the investment and special funds of Commerz Real offer new living space, particularly in conurbations and for student accommodation. Commerzbank AG and the Group subsidiaries also engage in extensive voluntary work for charitable purposes, for example through numerous cooperation and sponsoring projects and the support of staff in such projects. To better assess and manage the societal benefit of its voluntary work, donations and foundation activities, Commerzbank has set itself the target of developing a method of quantifying this value contribution by 2020.

## Social commitment

In terms of social commitment, the Commerzbank Group engages in a variety of ways with its environment. Numerous projects and initiatives developed together with political, economic and social partners contribute to resolving current problems. Many of these programmes could not be carried out without this support, and their added value to society would be lost if Commerzbank did not remain committed to them. Although social commitment is not regarded as material for purposes of mandatory CSR reporting, Commerzbank places great importance on the positive social impact it is able to achieve.

<sup>4</sup> Does not apply to mBank.

One example here is the environmental internship launched by Commerzbank AG and the German national parks back in 1990. The internship provides students with practical experience in the areas of environmental education and PR work in national parks throughout Germany. The Bank organises and finances the environmental internship, while the national parks provide the practical and theoretical training. Almost 1,600 students have taken part in the programme since it began. After completing the programme, the graduates then bring their experience to bear in business, politics, society and environmental protection.

The “green band” initiative (“Das Grüne Band”) has been going even longer – for over 30 years. Together with the German Olympic Committee, Commerzbank AG awards a prize of €5,000 to 50 sports clubs annually that have made outstanding contributions to promoting talent and youth sport. To date, over 500,000 children and young people in more than 1,800 sports clubs have benefited from the initiative.

The companies of the Commerzbank Group also place particular emphasis on corporate volunteering as part of their social commitment. Staff are encouraged and enabled to volunteer, for example by being granted leave or being provided with infrastructure. This personal commitment by staff benefits society and improves the living conditions of disadvantaged people. At the same time, volunteering raises morale in the workplace and promotes mutual understanding among staff. Over 750 employees of Commerzbank AG were active in volunteering in 2017. Staff can become involved in a whole range of projects. In Germany, for example, they can help prepare disadvantaged youth for working life or assist in refugee integration, non-profit sports projects and other areas of social engagement. In Poland, mBank and mFoundation also jointly support the further education of primary school teachers in the fields of economy and finance.

Various foundations run or supported by the Group make an important contribution to the sustainable development of society. Within Commerzbank, various foundations are active in the areas of education, science, art and culture and social engagement: The Commerzbank Foundation supports key facilities and exemplary projects related to scientific, cultural and social activities throughout Germany, providing incentives for young researchers, cultural mediation and social participation. The Jürgen Ponto Foundation has been promoting young artists in Germany for around 40 years, in music, the visual and performing arts and literature. In addition, six social foundations have been established to provide financial support to the Bank’s employees in unforeseeable emergencies.

The common aim of all the foundations is to make a long-term contribution to social development and sustainability. In 2017, Commerzbank AG supported these foundations with a total of €1.17m, which funded staff, workplaces and other operating costs, for example.

comdirect is involved together with the Stuttgart stock exchange in a maths foundation (“Stiftung Rechnen”) that promotes the importance of mathematics as a fundamental part of our culture and the improvement of maths skills in Germany. The mFoundation in Poland has a similar objective. For the period from 2014 to 2020, it has put an emphasis on its “m for mathematics” strategy, which works with schools, universities and libraries to strengthen maths skills across the country. In 2017, the cost of the statutory responsibilities of the mFoundation amounted to around €860,000.

Commerzbank AG also made charitable donations of €432,000 in the past financial year.

## Respect for human rights

Commerzbank is committed to respecting human rights on the basis of internationally accepted norms such as the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and the core ILO labour standards. As a German company, Commerzbank is also bound by the OECD Guidelines for Multinational Enterprises and acknowledges the Guiding Principles for Business and Human Rights of the United Nations. Both Commerzbank AG and mBank are signatories of the United Nations Global Compact and, as such, have voluntarily undertaken to respect human rights in their sphere of influence. As a result, Commerzbank is making a contribution to the promotion and respect of human rights in its area of influence.

### Human rights criteria in lending<sup>5</sup>

Commerzbank also takes account of human rights issues when conducting business with its customers. This may relate to a customer’s neighbours, employees or people indirectly affected, for example in the disposal of raw material waste in developing countries or cotton production. Commerzbank AG and mBank have each formulated their own positions and guidelines that are applied to all decisions taken by Reputational Risk Management and which, simply by virtue of their existence, increase staff awareness of the business relevance of non-financial issues.

<sup>5</sup> Not relevant for comdirect or Commerz Real.

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Commerzbank AG has also formulated a detailed position on the observance of human rights, which is available on its website. On the basis of this policy, transactions and business relationships where human rights play an important role are carefully researched and analysed by Reputational Risk Management and evaluated on a different basis from standard transactions. This can lead in some cases to the refusal of the transaction in question or the rejection or termination of a business relationship.

Reputational Risk Management at Commerzbank AG reports non-quantifiable risks to the Risk Committee of the Supervisory Board on a quarterly basis. Decisions with a significant or high reputational risk – including those with a human rights impact – are also reported quarterly to the CFO and the board members responsible for the relevant business segments.

Following the signing of the UN Global Compact in 2015, mBank published a policy for its own reputational risk management relating to customer services in sensitive business areas (see the “Environmental protection” section). It is designed to prevent mBank from conducting business with customers connected in any way with the use of child or forced labour, serious environmental damage or the destruction of world heritage sites.

In addition, Compliance Management in the Commerzbank Group monitors compliance by the Bank and its business partners with national and international laws and guidelines. This includes compliance with embargoes and sanctions, in particular the implementation of UN sanctions relating to the protection of human rights and the prevention of money laundering and terrorist financing.

## Combating bribery and corruption

Compliance with the law and applicable guidelines is the foundation of corporate responsibility. The focus of Commerzbank’s compliance activities is on combating money laundering and terrorist financing, insider trading, fraud, corruption and other criminal activities wherever the Bank does business. In order to stay ahead of the constantly increasing complexity of national and international legislation and regulations, the Group is continually developing its compliance risk management and bringing it into line with current developments and challenges. Further information on the material issue of compliance, beyond the combating of bribery and corruption, can be found in the Group Management Report, page 59, and the Group Risk Report, page 130.

## Anti-corruption

As a fair market participant, Commerzbank is committed to fighting bribery and corruption. The companies within the Group adhere to the OECD’s Guidelines for Multinational Enterprises and comply with the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Moreover, Commerzbank AG and mBank have undertaken to adhere to the ten principles formulated in the UN Global Compact – including combating corruption.

These external standards are supplemented with internal guidelines. Together they form the framework for Compliance Management for combating corruption. This includes binding codes of conduct that provide a framework for correct and ethically appropriate conduct in the day-to-day working environment. Furthermore, the Commerzbank Board of Managing Directors has published the Global Anti-Bribery and Corruption Policy (ABC Policy), which applies throughout the Group and clarifies and supplements the existing rules and processes – for example on gift-giving or conflicts of interest.

Bribery and corruption can lead to direct financial losses. They can have a whole series of negative effects, ranging from reputational damage and deterring investors through to the payment of fines. Alongside economic costs, the social and environmental costs of corruption can be considerable – for example, if funds intended for government spending are diverted or social inequality is exacerbated. Moreover, beyond infringing on the law, every form of corruption raises serious moral and political concerns, undermines responsible corporate management and economic development and distorts national and international competition.

Commerzbank has introduced central prevention systems for the Group in order to identify, monitor, mitigate and ultimately avoid bribery and corruption risks and thus ensure compliance with the ABC Policy. These systems comprise risk analysis, due diligence reviews of third parties, training, mandatory time away<sup>6</sup>, compliance checks including an evaluation of their effectiveness, the Global Code of Conduct (revised in 2017), the integrity clause, internal controls, the business keeper monitoring whistle-blowing system and reliability checks of potential employees.

<sup>6</sup> Does not apply to mBank.

Potential compliance risks are evaluated and mitigated on the basis of risk analysis. It is carried out Group-wide once a year and applies to all Group companies, branches and companies otherwise affiliated in Germany and abroad that are deemed to be relevant for compliance purposes. The analysis includes a dedicated section on corruption and assesses the relevant risks and control activities carried out by these entities. The Bank regularly reviews the prevention measures implemented as a result of the risk analysis and supplements them as needed.

Commerzbank's ABC Policy seeks to combat bribery, undue preferential treatment and other forms of corruption: It applies both within and outside the Group and in dealings with trade organisations, public officials and anyone who has a relationship with the Bank. The prohibition on any kind of bribery or corruption applies not just to employees, but also to "related persons" such as agents and intermediaries. Special ABC training has been developed to support employees in implementing the policy. It is mandatory for all staff and managers to complete this training every year. Business and functional units with heightened risk profiles and individuals in functions at Commerzbank that have an increased risk of bribery and corruption receive additional needs-based training. In addition, an anti-corruption team is available for questions at any time. Both employees and external persons can access a whistle-blowing platform on the internet to report suspected cases anonymously.

Business partners and service providers of Commerzbank AG are systematically analysed for any indications of corruption as part of the due diligence process and may continue to be reviewed after the business relationship has been initiated. All newly signed contracts with Commerzbank AG contain a binding integrity clause. As business processes are always evolving and new legal requirements coming into force, Commerzbank is constantly striving to optimise all compliance-relevant processes. The Compliance division has wide-ranging authority and escalation rights, including powers to obtain information and carry out investigations.

Corruption or other criminal action by staff is explicitly not tolerated by Commerzbank. The Bank has a zero-tolerance approach to criminal offences. Any employee who is proven to have breached this principle will face the full consequences under employment, civil and criminal law. We are not aware of any cases of corruption in the Commerzbank Group in 2017.

## Treatment of customers

The Commerzbank Group can only be successful on a sustained basis if its customers are satisfied. Our products and services are therefore designed to serve the interests of customers, and the Bank treats customer satisfaction as one of the most important metrics in evaluating its business success.

### Transparency and fairness in customer relationships

If advice is not based primarily on the interests of customers, if unsuitable products are suggested or poor recommendations are made, this can have a serious impact on customers' affairs. As a result, fairness and competence are among the guiding values for the Commerzbank Group companies – both in dealing with customers and when designing products.

For example, Commerzbank AG meets its objective of providing fair and competent advice with its "Customer Compass", financial planning software that has received a number of awards. Using this software, Commerzbank's advisors are able to analyse the individual needs of their retail and business customers and jointly create holistic solutions and financial plans. Moreover, Commerzbank has in recent years introduced new products and services that are particularly beneficial to customers. These include free current accounts, business accounts with a satisfaction guarantee and retail mortgage financing with a free choice of supplier.

The willingness of Commerzbank's customers to recommend the Bank plays an important role in the remuneration system of Commerzbank AG and comdirect. The benchmark we use in the Private & Small-Business Customers segment is the net promoter score (NPS)<sup>7</sup>, an internationally recognised standard for measuring customer satisfaction. Around 12,000 customers of Commerzbank AG are asked in a brief telephone interview every month whether they would recommend their branch to others. The resultant information is used to improve customer service and thereby achieve a lasting increase in customer satisfaction. The proportion of private and small-business customers with a high willingness to recommend the Bank ("promoters"), stood at over 60% in 2017, as determined by Commerzbank AG's NPS survey. That is a very high level, which is reflected in the growing number of new customers. In Germany alone, the segment gained 500,000 new customers in 2017. The majority of comdirect customers are also satisfied enough with their bank that they would be willing to recommend it to others (56% promoters).

<sup>7</sup> Does not apply to Commerz Real.

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Customer satisfaction is also a priority for mBank. Projects such as “mSatisfaction” are designed to further strengthen customer loyalty. mBank measures satisfaction with the relationship in general and with particular products and processes in retail and corporate banking via the NPS. In retail banking, the NPS rose in 2017. Among corporate customers, too, customer satisfaction has markedly improved since mBank started measuring NPS in 2014. In September 2017, the magazine Forbes published its ranking of the best banks for corporate customers in Poland. mBank won the competition for the second time in a row and was found to be the bank that best meets the requirements of small and medium-sized companies in Poland.

In Commerzbank AG’s corporate customer business, data is gathered from an average of 7,000 corporate customers annually to provide information on how satisfied customers are with the service they receive in this segment and what expectations and suggestions they have for the relationship. The corporate customers cite the commitment of advisors and the quality of advice as clear strengths, alongside market, industry and company expertise and professionalism in the provision of trade finance. This is reflected in a consistently high level of customer retention. According to the results of the recent customer survey, 94% of corporate customers intend to continue their business relationship with Commerzbank and 87% are prepared to recommend Commerzbank to others. Customer satisfaction is an element of the targets set for sales staff and sales-supporting departments in the Corporate Clients segment.

The Group’s companies actively engage with customers so as to fulfil the interests of customers in the best way possible: Experts engage with customers in various forums to ensure that their ideas and suggestions are taken into account when developing products and services. As digitalisation offers new opportunities for direct client participation, Commerzbank AG is currently planning and testing new formats for engaging with its private customers. For example, the Bank launched the Customer Solution Lab in 2017. Here, the objective is to involve customers in the development of innovative products and services. New concepts are presented as prototypes or in advisory meetings and discussed constructively. This gives Commerzbank immediate, concrete ideas for bringing its product range as closely as possible into line with the needs of its customers. comdirect customers can get involved in the “comdirect community”, an internet platform where customers and others with an interest in the financial market can discuss products and other financial issues with their bank.

The Corporate Clients segment of Commerzbank AG regularly conducts issue-specific customer surveys in order to develop its product and service range. This provides important information on customer needs and preferences, which can be used in the design of products and processes. The Bank’s aim is always to base product optimisation and innovation on the benefits provided to customers, e.g. in the field of digitalisation. In the same way, Commerz

Real uses regular surveys of the tenants of its properties to integrate the needs of this important customer group in the development of its product range.

Protecting personal data also has the highest priority in the treatment of customers. The company’s data protection officers provide assistance to the Bank’s business units in Germany and abroad and monitor adherence to data protection provisions, guidelines and procedural instructions in compliance with the law. In 2017, 158 complaints about the handling of customer data were received Group-wide. This is a very low figure relative to more than 18 million private and small business customers and over 60,000 corporate customers. Nonetheless, Commerzbank energetically pursues every single case. In most cases, the complaint was that customer data had been subject to unauthorised use or had been obtained by third parties. Some of the complaints were forwarded directly to the data protection authority.

Measures to prevent payment fraud and the resultant losses are of great benefit for customers, as they make it possible to identify fraud attempts early on, minimising losses. Commerzbank AG is taking action to combat a form of fraud known as “CEO fraud” that tricks corporate customers into making payments, which has recently been on the rise. Commerzbank AG’s efforts include launching an extensive range of courses for customers in Germany and selected European locations to address this issue. In August 2017, comdirect’s high security standards were recognised by the German magazine Focus Money, which awarded comdirect the title of “most secure online bank”.

## About this report

Under the German Act on Strengthening Corporate Non-Financial Reporting (CSR-Richtlinie-Umsetzungsgesetz), Commerzbank is obligated to prepare a non-financial report (Art. 340a (1a) of the German Commercial Code). With this non-financial report, Commerzbank hereby satisfies this requirement pursuant to Art. 340i (5) in conjunction with Art. 315b (3) and Art. 298 (2) of the German Commercial Code.

For the purposes of this 2017 non-financial report, we analysed the topics addressed here on a materiality basis. This identified the non-financial issues required to understand the development, results and performance of the business and where Commerzbank’s business activities could have a significant impact. Unless stated otherwise, the information in this report relates to the Group. Alongside the parent company, Commerzbank AG, the main subsidiaries according to the risk inventory were included, i.e. comdirect bank AG, Commerz Real AG, mBank S. A. and Commerzbank Finance & Covered Bond S. A. (CFCB). In many areas – anti-corruption, HR management and reputational risk management, for example – the guidelines of Commerzbank AG apply to the entire Group by way of the “global functional lead” role. If

arrangements in the subsidiaries differ from those of the parent company, this is indicated in the report. CFCB, which only had 10 staff at the end of 2017 and was in charge solely of a workout portfolio, did not have any additional information to contribute on non-financial issues in 2017 and is included in the information on Commerzbank AG.

The option provided by law of using a reporting framework has not been adopted, in the interest of providing focused information for the readership of our financial reporting. Detailed information on the corporate responsibility strategy of Commerzbank AG, the objectives of its sustainability programme and other non-financial indicators can be found in the GRI report (Global Reporting Initiative) and the declaration of compliance with the German Sustainability Code published on the Group's corporate responsibility web page (<https://www.nachhaltigkeit.commerzbank.com>). References to information beyond the parent company and Group financial statements and the (Group) Management Report is considered to be supplementary and not an integral part of this non-financial report.

Beyond the presentation in the Group Risk Report (page 99 ff.), application of the net method is not associated with any material risks either from the Bank's own business activities or in connection with business relations, products or services that would be highly likely to have a severe negative impact on the above-mentioned non-financial aspects, now or in the future.

This non-financial report was subject to a business audit to obtain limited assurance, performed by the auditing firm PwC, in accordance with ISAE 3000 (Revised). The unqualified certification of the business audit is found on page 303.

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# Independent Practitioner's Report

## on a Limited Assurance Engagement on Non-financial Reporting<sup>1</sup>

### To Commerzbank AG, Frankfurt/Main

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 340a Abs. (paragraph) 1a in conjunction with (hereinafter "icw") 289b Abs. 3 and 340i Abs. 5 icw 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Commerzbank AG, Frankfurt am Main, (hereinafter the "Company") for the period from 1 January 2017 to 31 December 2017 (hereinafter the "Non-financial Report").

#### Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 340a Abs. 1a icw 289b Abs. 3 and 340i Abs. 5 icw 315b Abs. 3 HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

#### Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer; BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis; IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

<sup>1</sup> PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the Non-financial Report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 340a Abs. 1a icw 289b Abs. 3 and 340i Abs. 5 icw 315b Abs. 3 HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the (consolidated) financial statements and in the (group) management report
- Evaluation of the presentation of the non-financial information

## Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 340a Abs. 1a icw 289b Abs. 3 and 340i Abs. 5 icw 315b Abs. 3 HGB.

## Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt/Main, 5 March 2018

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Hendrik Fink  
Wirtschaftsprüfer  
[German public auditor]

ppa. Nicolette Behncke  
Wirtschaftsprüfer  
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