

COMMERZBANK 



/ highlights of commerzbank group /

	2004	2003
Income statement		
Operating profit (€ m)	1,043	559
Operating profit per share (€)	1.76	1.03
Pre-tax profit/loss (€ m)	828	-1,980
Net profit/loss (€ m)	393	-2,320
Net profit/loss per share (€)	0.66	-4.26
Operating return on equity (%)	10.2	4.9
Cost/income ratio in operating business (%)	70.4	73.3
Pre-tax return on equity (%)	8.1	-17.4
	31.12.2004	31.12.2003
Balance sheet		
Balance-sheet total (€ bn)	424.9	381.6
Risk-weighted assets according to BIS (€ bn)	139.7	140.8
Equity as shown in balance sheet (€ bn)	9.8	9.1
Own funds as shown in balance sheet (€ bn)	19.9	19.7
BIS capital ratios		
Core capital ratio, excluding market-risk position (%)	7.8	7.6
Core capital ratio, including market-risk position (%)	7.5	7.3
Own funds ratio (%)	12.6	13.0
Commerzbank share		
Number of shares issued (million units)	598.6	597.9
Share price (€, 1.1.-31.12.) high	16.49	17.58
low	12.65	5.33
Book value per share*) (€)	18.53	17.37
Market capitalization (€ bn)	9.1	9.3
Customers	7,880,000	6,840,000
Staff		
Germany	25,417	25,426
Abroad	7,403	6,951
Total	32,820	32,377
Short/long-term rating		
Moody's Investors Service, New York	P-1/A2	P-1/A2
Standard & Poor's, New York	A-2/A-	A-2/A-
Fitch Ratings, London	F2/A-	F2/A-

*) excluding cash flow hedges

The history of Commerzbank (1870-2005)



An original Commerz- und Disconto-Bank share certificate

On February 26, 1870, a group of merchants and private bankers – most of them from former Hanseatic towns – founded Commerz- und Disconto-Bank in Hamburg. A subsidiary was opened in London in 1873 to handle the Bank's international business. The Bank's focus moved from Hamburg to the capital Berlin in around 1900, after which it evolved into one of Germany's premier big banks.

In the early 1920s, Commerz- und Disconto-Bank embarked on a major programme of expansion, taking over numerous rival banks and building up an extensive branch network. The merger with Magdeburg-based Mitteldeutsche Privat-Bank in 1920 resulted in a change of name to Commerz- und Privat-Bank. In the wake of the 1931 financial crisis, the government ordered the Bank to merge the following year with Barmer Bank-Verein of Düsseldorf. Eight years later, in 1940, the name Commerzbank Aktiengesellschaft – by which the Bank was already generally known – was officially adopted.

Commerzbank was not as quick as some other banks and companies to adapt to the new political environment under the Nazi dictatorship. In recognition of our historical accountability, we have commissioned Berlin historian Ludolf Herbst to research this period in our corporate history in depth. The findings of his research to date are available in the form of a collection of interim reports.



Theodor Wille (1818-1892)

When Germany was carved in two after the War, Commerzbank lost some 45% of its branches. The Allied powers that held sway in West Germany ordered the big banks to be broken up in 1947 and 1948. It was not until a decade later, in 1958, that the institutions into which Commerzbank had been split were all brought together again.

Like many businesses, Commerzbank enjoyed massive growth on the back of Germany's post-war Economic Miracle, especially in terms of private customers. The 1950s saw the Bank turning its attention once again to international business, starting by opening representative offices in various countries. This process continued into the 1960s, when the next step came with the establishment of a number of foreign branches and subsidiaries, including Commerzbank International S.A., Luxembourg in 1969. The New York office, opened in 1971, was the first branch of a German bank in the United States. Since then, Commerzbank has gone from strength to strength, with a global network of foreign subsidiaries, Group companies, representative offices and major holdings spanning more than 40 countries and focusing clearly on the domestic European market.

Commerzbank today ranks among the biggest banks in Europe, with consolidated total assets of € 445 billion. It sees itself as a first-rate provider of financial services for private customers in Germany and the partner of choice for successful SMEs as well as major corporate and institutional customers around the globe. With numerous specialist subsidiaries covering everything from leasing to fund management, real estate and private equity, we have a wealth of expertise at your disposal. Moreover, our Internet-based comdirect bank is Germany's leading online broker. Commerzbank operates a bancassurance partnership with Italian insurance provider Generali, which is represented in Germany by Aachen-Münchener. Commerzbank's business is focused primarily on Germany and Europe, as well as selected parts of North America and Asia. Since the fall of the Iron Curtain, Commerzbank has also been extending its reach into Central and Eastern Europe.



The parent company in Hamburg, circa 1885



A new chapter in corporate reporting at Commerzbank

Corporate responsibility (CR) describes the extent to which a company is aware of – and lives up to – its responsibilities in those areas where its activities have an impact on society, its employees, the environment and the business landscape. As such, CR is something of an umbrella term, encompassing a wide range of topics such as sustainability, corporate governance and corporate citizenship.

The aim of this first Commerzbank Corporate Responsibility Report is to demonstrate the enormous importance that we attach to this issue. The following pages outline our understanding of CR and provide an insight into the measures we have put in place, as well as where our weaknesses lie and areas where there is room for improvement. We very much hope that the Report will also help to promote dialogue with our stakeholders.

As far back as 1996 and 1997, Commerzbank published two environmental performance reports. In more recent years, the Internet has been used for reporting on the subject of sustainability. However, this Corporate Responsibility Report is the first of its kind, covering the economy, the environment, staff and society in detail. Most of the key figures contained in the Report relate to fiscal 2004. In order to keep the Report as up to date as possible, however, a number of figures, CR measures and projects from 2005 are also included. The CR commitments described here relate solely to Commerzbank AG in Germany.

This Corporate Responsibility Report has been produced in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). Wherever possible, we have endeavoured to incorporate the industry-specific social performance indicators as set out in the pilot version of the Financial Services Sector Supplement. While the prescribed reporting framework forms the basis for the Report, we have also widened our scope to include certain aspects specific to our corporate philosophy. Details of our coverage of the GRI criteria can be found at the back of the Report.

In the interests of reader-friendliness, this Report has deliberately been kept short and succinct. Further information can be found on the Commerzbank website under “About us > Bank and society > Sustainability”, in the Annual Report and in the Human Resources Report (*Personalbericht*, available online in German only).



www.globalreporting.org



www.commerzbank.com



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Klaus-Peter Müller
Chairman of the Board of Managing Directors
Commerzbank AG

Foreword

To all our readers
and in particular our valued business associates and customers

Welcome to this, Commerzbank's very first comprehensive report on corporate responsibility. The title "idea-Is" was carefully chosen for its symbolism, representing the synthesis of the two key concepts: *ideas* and *ideals*. In other words, the mission of this Report is to outline our vision and objectives, our commitment to sustainability, our activities in this area and our roadmap for the future.

The topic of corporate responsibility (CR) is a vast one, including sustainability and other aspects, and has long been high on the agenda here at Commerzbank. The time has now come for a systematic, structured approach. This also provides us with a platform for presenting our many achievements and promoting an understanding of the values and other factors that underpin our actions in this field. In today's society, every business must prove its CR credentials. This can reveal a lot about a company's essential character, its ethos and philosophy. We have thus decided to publish the Report in the interests of openness and transparency and to redouble our efforts to set the standard in terms of CR.

We have set our sights high. The first step in this process was to set up a centralised unit for reputation and sustainability management. The next items on our agenda are formulating an overarching CR strategy and fine-tuning the relevant internal rules and regulations. In particular, this means drawing up and systematically implementing a code of conduct and ensuring that sustainability criteria are more firmly embedded in our banking processes. We are also committed to pursuing a more systematic approach to stakeholder dialogue. Indeed, our Annual Report talks of building "solid bridges" to our customers and shareholders. However, we are also keen to build and maintain such bridges to consumer protection organisations, governments and official bodies, NGOs, investors, analysts, journalists and other social groups. We firmly believe that this ongoing dialogue has an important role to play in minimising business risks as well as in identifying and exploiting opportunities.

CR also entails an obligation to our staff – especially when times are hard on the economic front. If we are to rise to the challenges we face both now and in the future, we need well-trained, experienced, highly motivated and dedicated staff. A culture of mutual trust is a vital prerequisite here and something we must work to preserve and strengthen, particularly in uncertain times when restructuring and change are the order of the day.

This Report also deals candidly and objectively with our shortcomings and mistakes. In particular, we comment on the vociferous accusations of money laundering levelled at us in the summer of 2005 and the countermeasures we have taken as a result. We are aware that we are only just beginning to address some of the issues mentioned in the Report. However, true to our motto **/ ideas ahead /** we are facing this challenge head-on. In the following pages, we hope to give you an open and honest account of our activities and achievements to date and details of some of the measures that are in the pipeline. You can judge for yourselves how well we are living up to our responsibilities. We would, of course, appreciate any comments, criticisms or suggestions you may have, which will help us to keep on improving our CR performance.

I hope that you find the Report interesting as well as informative and, above all, that it encourages dialogue on the subject of our "idea-Is"!

A handwritten signature in blue ink, reading "Klaus Peter Aichele". The signature is written in a cursive, flowing style with a large initial 'K'.

Objectives for 2005/2006

1. Publish a Corporate Responsibility Report
2. Carry out the first-ever stakeholder survey
3. Set up an internal control unit
4. Draft a CR strategy

Monitoring of corporate responsibility measures

Following extensive restructuring in 2003 and 2004, the Board of Managing Directors decided at the beginning of 2005 that the Bank should take a more systematic approach to reputation and sustainability management. The publication of this Corporate Responsibility Report marks the first step in that process, providing our stakeholders and the wider public with a more transparent and detailed view than ever before of Commerzbank's commitment to CR.

Organisational matters

As the basis for stepping up the Bank's efforts in this field, a Reputation and Sustainability Management team was put together to centralise control of issues with CR relevance. The new team began work in August 2005 and is supported by the section managers within the respective specialist departments. It is housed within the Communications department, which in turn reports to Klaus-Peter Müller, Chairman of the Board of Managing Directors.

Strategy

Main tasks

- Fine-tuning the management of reputation risks
- Drawing up environmental and social guidelines for lending
- Reviewing the strategic focus of the Bank's corporate citizenship platform
- Developing an internal environmental management system
- Implementing a systematic approach to stakeholder dialogue

The new unit's main role is to devise a binding CR strategy for Commerzbank. To this end, a number of working groups and workshops are planned for the beginning of 2006. On the basis of the resultant strategy, a concrete package of measures will be compiled for each particular issue.

One of the cornerstones of our CR strategy is the comprehensive review – already underway – of our internal rules and regulations, one aspect of which entails drawing up a binding code of conduct. This code of conduct will represent a clear and unequivocal commitment to CR, coexistence based on partnership and the sustainable development of our business. We hope to publish it in the early part of 2006, after which it will be put into practice throughout the Bank.

There are also plans to improve the way in which internal responsibilities and procedures are structured and to take on board the International Labour Organization (ILO) Conventions as part of the review of our in-house rules and regulations.

Communications

This first-ever stand-alone Corporate Responsibility Report is by far our most important communications measure in 2005, aimed at giving interested stakeholders an insight into the Bank's CR activities to date together with its aims for the future. As part of the background work for this Report, a stakeholder survey was conducted for the first time in the summer of 2005. You can read more about the survey in the next section. We plan to publish a Corporate Responsibility Report every two years. Once the proposed CR strategy is up and running, we will look at having the Report independently validated, in keeping with the high standards we have set ourselves as regards the transparency and credibility of our reporting. The Internet will also be more widely used to provide news and information about CR-related topics, and the Bank's website (www.commerzbank.com) is to be revamped in the course of 2006 to include more details of the issues discussed here.

Stakeholder dialogue

When it comes to stakeholder management, the ability to balance the demands of the business with those of the different stakeholder groups is crucial. This delicate balancing act requires open dialogue with the various stakeholders in order to foster an understanding of how the company works and meticulously contain and overcome any conflicts of interests that might arise. With that in mind, we commissioned Hamburg-based Systain Consulting to conduct a stakeholder survey as part of our preparatory work for this Report. We wanted to find out what issues are of particular interest and which we should pay most attention to when drafting a CR strategy tailored specifically to Commerzbank.

The survey revealed that the key CR issues Commerzbank needs to address fall into the economic and corporate citizenship categories. Corporate governance and lending guidelines were cited as top of the agenda on the business front, while responsibility to the community at large was identified as the most important social issue. As expected, the direct environmental impact of the Bank's operations was not felt to be particularly relevant. However, the indirect environmental impact of lending, for example, was a matter of high priority for the stakeholders questioned.

At Commerzbank, we regard stakeholder feedback as a vital source of information that enables us to continue building on our outstanding track record in terms of CR and enhance the Bank's enterprise value in the process. We have therefore set ourselves the goal for the coming year of taking stakeholder dialogue to the next level and ensuring that the fruits of such dialogue are incorporated in the decision-making process wherever possible.

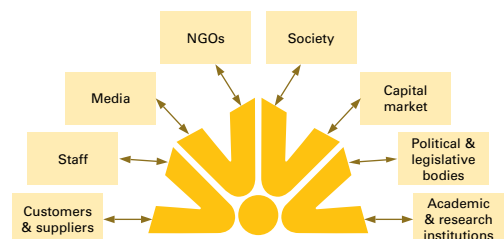
Initiatives

The aim remains to play an increasingly active role in the relevant bodies and to become a member of international networks such as the Global Compact.



www.globalcompact.org

A company's stakeholders – also known as interest groups – comprise everyone who has any kind of direct or indirect relationship with it. Commerzbank's main stakeholders are our customers, shareholders and employees. However, the general public, especially politicians and parliaments, NGOs, suppliers, the media, academia, research institutions and – naturally – the capital market can also be considered as stakeholders.



At Commerzbank, we have always taken pride in our commitment to responsible corporate governance. As such, we wholeheartedly support the German Corporate Governance Code and its aims and aspirations. In keeping with the “comply or explain” principle, Commerzbank declares each year whether it has acted in compliance with the recommendations of the Code and justifies any deviations from the applicable provisions. Within Commerzbank, the Head of Legal Services is the central point of contact for corporate governance matters, with particular responsibility for the implementation of the German Corporate Governance Code.



www.commerzbank.com/aktionaere/governance/

Corporate governance at Commerzbank

On February 26, 2002, an independent commission set up by the German government published the first draft of the German Corporate Governance Code. It sets out key statutory provisions for the management and supervision of German listed companies and embodies nationally and internationally recognised standards for good, responsible governance.

Commerzbank complies with virtually all the *recommendations* of the German Corporate Governance Code, only deviating from them in two respects. The first of these is that risk management has been entrusted to the Risk Committee of the Supervisory Board, which has dealt with the Bank's credit and market risk for many years, rather than the Audit Committee. Secondly, matters relating to the pay of the Board of Managing Directors are dealt with not by the full Supervisory Board, but its Presiding Committee. This system has to date proven extremely effective. Details of the salaries paid to individual members of the Board of Managing Directors were published for the first time in the Annual Report for 2004. Commerzbank thus already meets to a significant extent the statutory obligations regarding disclosure of Managing Directors' pay that come into effect on January 1, 2006. The salaries of the members of the Board of Managing Directors are made up of a fixed remuneration plus a variable bonus based on the achievement of Commerzbank's predefined key business targets. The Supervisory Board additionally uses an instrument called a “modifier”, which allows it to adjust the amount of the variable remuneration component upwards or downwards by up to 20%, thus giving scope, for example, for exceptional contributions with regard to sustainability to be duly rewarded.

Commerzbank's Board of Managing Directors is responsible for independently managing the Bank. In this capacity, it is committed to acting in the Bank's best interests and sustainably increasing its enterprise value. In order to ensure that Commerzbank is managed in line with its best interests, any conflict of interests pertaining to membership of the Board of Managing Directors must be disclosed. There were no such conflicts of interests in fiscal 2004, nor were there any conflicts of interests involving the Supervisory Board. The Supervisory Board is made up of 20 members and based on the principle of equal representation. In order to ensure effective supervision of the Bank, 11 of the Supervisory Board's members are independent, i.e. they are paid by Commerzbank solely for their role on the Board. The other nine members are Commerzbank employees (including members of the Workers' Council and management representatives) and former members of the Board of Managing Directors.

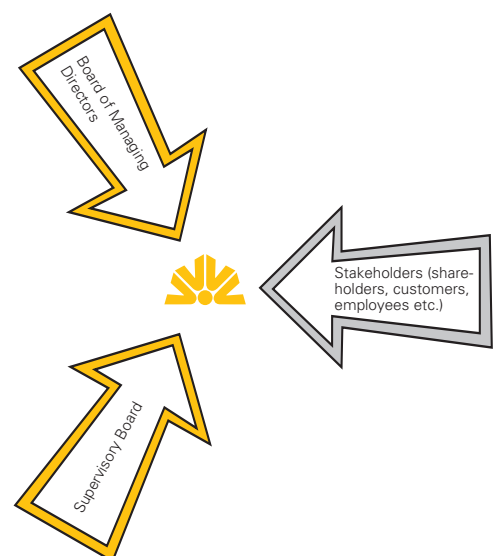
Thanks to the meticulous selection of candidates based on criteria such as academic background, specialist knowledge, professional experience and personal integrity, the Board of Managing Directors and

Supervisory Board are assured of the expertise necessary to carry out their vital strategic and managerial role, including monitoring environment-related risks and opportunities and the whole area of social responsibility. Members of management are also consulted as and when their specific expertise is required, although there is no formal procedure for determining such requirements.

Commerzbank also complies with almost all the *suggestions* of the German Corporate Governance Code, which are less binding than the *recommendations*, only deviating from them in six respects. Firstly, the suggestion that the members of the Supervisory Board should be elected on different dates and for different terms of office, which is not compatible with the German system of co-determination, is not followed. Since all employee representatives have to be elected together for five years, the suggestion could only be applied for shareholders' representatives, resulting in unequal treatment. The Code also suggests that the Chairman of the Audit Committee of the Supervisory Board should not be a former member of the Board of Managing Directors. However, we have elected not to adopt this suggestion in the belief that what matters most is here is appointing a person with the right skills for the job.

Drafting and ensuring compliance with in-house policies and codes of conduct also form an important part of responsible corporate governance, and we are currently in the process of drawing up a "corporate constitution" to this end. This is a huge project that involves defining the very essence of the Commerzbank corporate culture and values, bundling these intangible elements together and deriving from them a set of tangible guidelines, initiatives and tools. The aim is to ensure the visible, lasting establishment of a responsible corporate culture and to foster responsible behaviour on the part of all our staff.

At Commerzbank, we acknowledge that investor relations and stakeholder communication are important elements in the CR framework. As such, we welcome suggestions and feedback of any kind from our shareholders – whether by letter, e-mail or in person. Any written comments are handled by our central Quality Management team. Responses are provided directly at the Annual General Meeting by the Board of Managing Directors or the Supervisory Board. Shareholders also have the opportunity to influence proceedings at the AGM and shape the agenda by tabling a counter-motion or a supplementary motion. An Extraordinary General Meeting can also be convened at the request of the shareholders. In addition to the Annual General Meeting and other conventional forms of reporting – such as press conferences and analyst briefings – Commerzbank is also making increasing use of the Internet for investor relations purposes and as a valuable channel for communicating with our stakeholders.





/ economy / A FUTURE FULL OF PROMISE



About Commerzbank

With total assets of € 445 billion, Commerzbank is one of the largest commercial banks in Germany today. Apart from the parent bank, Commerzbank AG, the Group consists of numerous subsidiaries in Germany and abroad.

Its 32,000 employees, 7,600 of whom work outside Germany, look after almost eight million customers. Within Germany itself, Commerzbank has a network of around 800 branches complemented by the country's largest online broker, comdirect bank. The company's operating business is organised into two corporate divisions: Retail Banking & Asset Management and Corporate & Investment Banking.

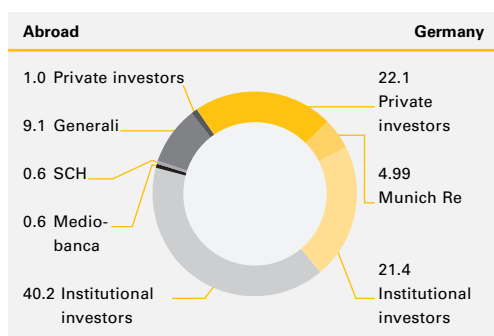
Commerzbank sees itself as an effective provider of financial services for discerning private clients in Germany and the partner of choice for creative relationship banking services for successful German SMEs, major corporates and institutions in Europe, and multinational companies around the globe. Commerzbank intends to expand its market share in these core target groups, and in particular, to establish itself as the premier banking address for middle-market companies in Germany.

In regional terms, Commerzbank concentrates on the German market, where it provides integrated financial services to all client groups and maintains a nationwide branch network for advisory services and sales. In corporate business, it also looks upon Western, Central and Eastern Europe as its core markets. In Asia and the USA, the Bank is active in all the major commercial centres.

The Bank's share capital is widely dispersed amongst roughly 320,000 shareholders in Germany and abroad. Its largest shareholders are the Generali and Munich Re insurance groups, with 9.1% and 4.99% respectively.

Commerzbank's 320,000 shareholders

in per cent, share of capital held
as at June 30, 2005



Commerzbank capital-market ratings

Institution	Rating
Moody's Investors Service New York	Long-term: A2 Short-term: P-1
Standard & Poor's New York	Long-term: A- Short-term: A-2
Fitch Ratings London	Long-term: A- Short-term: F2

As at August 2005

Corporate responsibility ratings

From a capital market point of view, assessment of the sustainability credentials and corporate responsibility performance of listed companies is becoming increasingly important. As such, Commerzbank is assessed annually by various specialist rating agencies in this field. Their findings form part of the basis for inclusion in special sustainability indices such as the Dow Jones Sustainability Index.

Corporate responsibility rating agencies

E. Capital Partners	Rated
EIRiS	Rated
Governance Metrics International (GMI)	Rated
Imug	Rated
SAM	Rated
SiRi (Scoris)	Rated
Vigeo	Rated

Indices		Internet address
Dow Jones Sustainability Index	Not listed	www.sustainability-indexes.com
Ethibel Sustainability Index (ESI)	Listed	www.ethibel.org
Ethical Index Euro	Listed	www.e-cpartners.com

As at August 2005

Risk management

Compliance

In our business, we deal with information and figures of a very sensitive nature. As such, we demand the highest ethical standards from our staff. In particular, we go to great lengths to prevent any conflicts of interest, market manipulation or insider trading.

The financial sector is subject to extremely stringent statutory requirements in this respect. And at Commerzbank we have set out additional rules and regulations to ensure that the conduct of our staff is always utterly beyond reproach, even in difficult circumstances. The most notable rules and regulations include the Compliance Handbook, the Staff Guidelines, which form part of the contract of employment, and various concrete working instructions which are published on the intranet. Formulating the relevant policy guidelines and ensuring that they are adhered to is the job of Compliance and Security, which reports directly to the Board of Managing Directors. A system of Chinese walls helps to ensure that confidential or price-sensitive information is not compromised and potential conflicts of interest are kept to an absolute minimum. Throughout the Group, and particularly in investment banking, Compliance officers are on

hand to advise and assist staff in complying with the relevant external and in-house regulations and to resolve any conflicts of interests that might arise. Meanwhile, transaction monitoring is carried out centrally.

Money laundering and fraud prevention

At Commerzbank, we are unswerving in our commitment to preventing money laundering and fraud at the expense of the Bank. As such, we have a global team in Compliance dedicated to ensuring that the relevant statutory and administrative provisions, along with the corresponding international guidelines as prescribed by organisations such as the Financial Action Task Force (FATF) and the Bank for International Settlements (BIS), are rigorously implemented and followed to prevent money laundering in the Bank.

To this end, several years ago we established the post of Group Money Laundering Prevention Officer, whose job it is to implement the applicable regulatory requirements in this respect, both nationally and globally, and to devise a uniform set of anti-money laundering standards for Commerzbank.

All client-facing staff receive extensive training in this area to ensure that they are fully aware of the issues and equipped to prevent any potential abuse of the Bank's systems. We also have a variety of internal IT and other procedures in place to protect Commerzbank from being misused for money laundering purposes.

Despite our efforts, Commerzbank made the headlines in the summer of 2005 when a number of senior executives came under the spotlight for suspicion of irregular dealings in Eastern Europe between 1996 and 2001. As soon as the allegations came to light, Commerzbank assured the investigating authorities of its full cooperation and offered every possible assistance.

In the meantime, we are forging ahead with the planned fine-tuning of our global anti-money laundering arrangements by constantly tailoring our security systems to the prevailing circumstances and attendant risk.

Risk management and control

Carefully targeted risk-taking and effective, expert control of the ensuing risks serve as the basis for a value-oriented, Group-wide approach to management at Commerzbank. At the heart of our risk management activities lies a strategy founded on using our equity capital to optimum effect in terms of risk and return.

A universal standard for dealing with all the major types of risk forms the basis for all of Commerzbank's risk management activities. As explained in detail in the Annual Report, the Bank's Board of Managing Directors defines risk policy guidelines in the form of clearly formulated risk strategies. The Chief Risk Officer (CRO) is responsible for the implementation of these strategies throughout the Group. The credit risk strategy – as per the "Minimum requirements for lending operations by financial institutions" of the German Federal Financial Supervisory Authority – plays a

key role here. The risk strategy provides the basis for determining the acceptable overall risk in terms of the Bank's risk capacity. All the risk policy guidelines are contained in a comprehensive Risk Manual, which sets out the organisational guidelines, responsibilities and processes for the Bank's overall risk management system. The risk strategy and the Risk Manual are continually reviewed and updated as necessary, in line with changing internal and external requirements. The main risk policy guidelines and procedures, together with the Risk Manual, which applies to the entire Group, are available to all Commerzbank staff on the intranet.

Commerzbank's system for the early identification and monitoring of risk is designed to ensure the prompt, professional identification of all major potential risks and to quantify them as a basis for proactively management and control. We are continually refining and developing methods to measure, manage and aggregate all types of risk, based on best practices. We are continually adapting them to the ever more complex demands of bank management and control systems. Thanks to comprehensive, objective reporting, an up-to-the-minute assessment of the Bank's risk situation is always to hand.

Commerzbank defines risk as the threat of possible losses or lost profits as a result of internal or external factors. All the Bank's quantifiable risks are represented – insofar as methods exist to deal with them – in a distribution function, permitting probability statements about potential losses. Depending on the type of risk, a distinction can be made between expected and unexpected losses. For risk management purposes, the following types of risk are distinguished at Commerzbank, with the CRO essentially responsible for the control and management of all quantifiable risks:

Quantifiable risks

- Credit risk
- Market risk
- Operational risk
- Business risk
- Liquidity risk

Non-quantifiable risks

- Reputational risk
- Strategic risk
- Compliance risk

At Commerzbank, we believe that corporate responsibility extends to all forms of risk. However, reputational risk is of particular importance. By this, we mean the risk of losses, falling revenue or a reduction in the Bank's market value on account of business transactions and other events that erode the confidence that the public, rating agencies, investors or business associates have in the Bank. Reputational risks may result from other types of risk – for example, environmental risk– or arise alongside them.

The Lukoil affair

Commerzbank belongs to a consortium of international banks that granted a loan to the Russian oil company Lukoil in 2003.

Lukoil, Russia's largest oil producer, had built an offshore oil rig in the Baltic Sea that came under scrutiny from environmental organisations. Lukoil has been accused of failing to carry out a cross-border environmental impact assessment and ignoring the environmental risks of drilling for oil at a Lithuanian nature conservation site. The banks in the consortium were also criticised for their role in granting Lukoil a loan without due regard for the environmental implications. In this connection, Commerzbank has held talks with a number of environmental organisations and human rights groups, including the German NGO "urgewald". Today, environmental factors are an important consideration in any Commerzbank loan and an integral part of risk management, but we recognise that we can still learn from such discussions. We are planning to improve our risk management tools further in order to achieve greater transparency and a better basis for decision-making.

Note:

Further information about risk management can be found in the Risk Report, which forms part of the Annual Report.

Reputational risks are not part of the Bank's quantitative concept of economic capital, but are managed by means of a qualitative approach. As part of their business remit, the operational business areas, branches and subsidiaries are directly responsible for any reputational risks that may arise from their activities.

In retail banking, for example, the emphasis is on investment advisory services appropriate to the customer's risk profile. The aim here is to avoid reputational risk by providing expert investment advice specifically geared to the customer's needs and ensuring that the customer is fully informed. The parameters for including environmental risk in the assessment of loan applications in corporate banking and export financing are outlined in the section on lending.

The structured, qualitative control of reputational risk is carried out centrally by analysis of press coverage. In future, this will be undertaken by Reputation Management & Control within Corporate Communications.

Code of conduct for debtor countries and investors

The "Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets" were published at the end of 2004.

The "Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets" are a voluntary code of conduct for debtor countries and investors that were developed by major sovereign issuers in collaboration with the Institute of International Finance (IIF) and other private-sector institutions. These principles aim to prevent future crises by means of timely information and dialogue between borrowers and creditors. If a sovereign issuer should nevertheless default, the principles can contribute significantly to the orderly restructuring of debt and make it easier for the country in question to regain access to the market in due course.

The aim of the principles is to provide guidance on how to avoid crises in the emerging markets and assist with crisis management and debt restructuring. The principles will continually be evolved to ensure that they remain consistent with changing market developments. There are also plans for a retrospective review process, whereby the conduct of both sovereign debtors and investors will be rigorously scrutinised to ensure that they have adhered to the recommended best practices.

Under the auspices of the IIF, Commerzbank was heavily involved in the initial development of the principles and continues to participate in various IIF working groups dealing with the implementation, updating and monitoring of compliance with the corresponding guidelines. Along with other big German banks, Commerzbank is a key advocate of these principles within Germany.

Lending

Corporate banking

In corporate banking, before a credit facility can be granted, the client must complete a special questionnaire designed to highlight any environmental risks. With every such risk that is identified, the likelihood increases that the borrower will default, for example, as a result of claims for damages or simply damage to their reputation. As such, it is in the Bank's interests to keep environmental and reputational risk to a minimum when granting credit facilities. For companies with a clear environmental dimension to their business – be it direct or indirect – and the risks that entails, the relevant external experts will also be consulted as a matter of course.

Export financing

At Commerzbank, we provide medium and long-term export financing, supporting our customers every step of the way with delivery-linked financing solutions for the export of durable capital goods. The vast majority of the loans that we provide are backed up by export guarantees from the countries in question. The OECD member states recently made it their duty to consider social and environmental factors and development policy as part of the guarantee process. Financing solutions must now meet these criteria. As you would expect, German export support services are of particular importance to Commerzbank. Exports in this category are checked in accordance with the environmental guidelines of the Export Credit Guarantee Scheme of the Federal Republic of Germany, which are based on the OECD Common Approaches. From initial advice through to the credit decision-making process and the application for export credit guarantees, Commerzbank is committed to adhering to these environmental guidelines at all times. Any guarantees issued are subject to detailed material checks by a consortium appointed by the federal government, comprising Euler Hermes Kreditversicherungs-AG and PricewaterhouseCoopers AG.

Project financing

When it comes to project financing, Europe has long been the focus of Commerzbank's activities. Project financing business is checked as a matter of course to ensure that it complies with the relevant national environmental guidelines as part of the due diligence process. In the past, Commerzbank has only been involved with projects in developing countries in exceptional cases. In these cases, the aim of the Bank was – and remains – to work with either supranational institutions such as the IFC or national export credit insurance providers. The standards of the relevant supranational institutions (including environmental impact assessments) or the national export credit insurance arrangements as laid down by the OECD in its Common Approaches thus automatically apply.

Before receiving a loan of any kind, it is vital that prospective borrowers undergo a series of thorough checks. At Commerzbank, this process is focused on the customer's credit rating, though sustainability-related criteria are also taken into account in the case of corresponding liability risks that might have an impact on creditworthiness. As things stand, however, there are no binding internal regulations or guidelines governing the inclusion of sustainability-related criteria in the credit analysis process.

Statement of the Equator Principles

The so-called Equator Principles are the subject of much debate and considerable controversy within the banking community at the moment, and we at Commerzbank are watching events closely to see how they unfold. The Common Approaches, on the other hand, are generally accepted as the OECD-wide industry standard. Against this backdrop, Commerzbank has adopted the OECD's Common Approaches as the standard for its financing business in the developing and newly industrialising countries.

Know-how in the field of renewable energy

Fossil fuels are a limited resource. As such, the use of energy from renewable sources is vital for the environment, business success and indeed the economy as a whole. In order to ensure that we are equipped to assess this market and the corresponding trends as accurately as possible, we brought the relevant Commerzbank experts together under one roof in a special centre of competence in Hamburg, where they have been based since 2001. Indeed, Commerzbank is one of Germany's leading financial institutions for the financing of wind farms and solar installations.

At Commerzbank, we are justifiably proud of our long and distinguished track record of providing financing for renewable sources of energy such as wind, solar and geothermal power, along with processes such as combined heat and power and the use of biogas. We are more convinced than ever that these niche markets have the potential for strong growth in the long run, overseas in particular, where we expect to see an increase of between 15 and 20%. Within Germany, 10% of our energy currently comes from renewable sources and wind power has now knocked water power off the number one spot. All of which serves to illustrate the reasons for establishing the Centre of Competence (CoC) for Renewable Energies in Hamburg at the beginning of 2001. The purpose of the centre is to bring together the wealth of expertise built up by Commerzbank in the field of renewable energy – and wind power financing solutions, in particular – since the 1980s. In this way, corporate and private customers are assured of a supremely professional advisory service. Moreover, we are ideally equipped to respond to developments in the prevailing difficult market environment.

Nose to the wind



This is one industry that knows exactly which way the wind is blowing. Between 1984 and 2000, Germany generated a total of 6,500 megawatts of wind power. That same amount again was produced between 2000 and the end of 2002. Since the boom year of 2002, in which 3,247 MW of new wind power generating capacity came on line, the rate of growth has been more modest. As at the end of June 2005, there were 16,826 wind power plants across the country with a total generating capacity of 17,132 MW. For us, this downward trend is no reason to pull out of financing wind power. To date, we have financed approximately 5,500 MW of generating capacity. In terms of investment volume, Commerzbank has a market share of approximately 20% in Germany. We remain firmly convinced of the potential of renewable energy, and the establishment of the dedicated centre of competence in Hamburg marks a major milestone in this respect.

Towards the sun

At Commerzbank, we are also optimistic about prospects for growth in the field of solar power (photovoltaics).

The economic and environmental benefits of investing in photovoltaics are clear, with one forecast predicting double-digit growth worldwide for the next 15 years. According to the Federal Solar Energy Association, the German market alone is set to grow by 20%, and some solar industry insiders are even forecasting that the figure may be as high as 25%. Turnover for the solar energy and solar heat sectors is currently estimated at € 2.2 billion. Indeed, work is currently under way on the construction of the world's largest single connected solar power plant on a former military site near Pocking in Bavaria. This pioneering project by Shell Solar GmbH is being carried out by special purpose companies set up

Commerzbank ensures a sunny stock market debut

The Hamburg-based solar energy company Conergy has been in business for seven years. With an annual turnover of € 284 million in 2004 – and projected turnover of more than € 500 million for 2005 – Conergy is one of the largest players in this market in Europe. In the spring of 2005, Commerzbank – as Conergy's principal bank for many years – helped the company with its highly successful stock market flotation. By the first quotation, shares in the company were up 31% on the issue price of € 54 and currently stand at around € 82. Since June 2005, Conergy has also been listed on Germany's TecDAX technology index, with a market capitalisation of around € 800 million. The stock market flotation of Conergy represents a major milestone, paving the way for further expansion – both nationally and internationally – and confirming that this industry of the future is on track for lasting growth.



by CommerzLeasing und Immobilien AG, a wholly owned subsidiary of Commerzbank. August 2005 saw the start of construction of this € 40 million plant, comprising approximately 62,500 modules, which will generate 10 MW of power, supplying electricity to around 3,300 homes in Germany. The environmental benefits of this new solar power plant in Bavaria will be considerable, cutting CO₂ emissions by around 10,000 tonnes a year – the equivalent of more than 1,000 hectares of forest.

The ProCredit Bank network (microfinance banks) in South-East Europe

Our involvement began with a single bank in Kosovo back in 2000. From there, we branched out into the countries listed opposite. The shareholders in the banks in the ProCredit Bank network – most of them newly founded – each hold an equal share. Today, Commerzbank has holdings of up to 20% in the respective banks. In addition to microcredit for small and medium-sized businesses, the new banks now also offer support services in respect of international and deposit business, as well as a range of products for retail banking customers. In effect, they operate like a nationwide savings bank.

Initially, credit facilities are granted mainly to small and medium-sized enterprises in order to build up this sector, starting with relatively small, short-term loans. In this way, borrowers gradually learn to manage debt capital responsibly and realise that money comes at a price. Only when the loan has been repaid in full can they apply to borrow larger amounts over a longer period of time. The default rate on loans of this kind is very low – less than 1%. This serves to encourage the sustainable development of SMEs and marks a significant step towards the commercialisation of development aid in the financial sector.

In addition to commitments in Poland, Hungary, the Czech Republic and Russia in the 1990s, since January 2000 Commerzbank has been extending its holdings in Eastern Europe southwards. In Albania, Bulgaria, Bosnia-Herzegovina, Romania, Serbia and Kosovo, Commerzbank is working with other shareholders – such as the KfW banking group, the European Bank for Reconstruction and Development and ProCredit Holding – to promote the sustainable development of small and medium-sized enterprises. These public-private partnerships are underpinned by standards, guidelines and ethical principles. Commerzbank is the only German commercial bank with a stake in the microfinance banks in question.



The shareholders attach considerable importance to the issue of sustainability, which must be firmly embedded in the business strategy, in the agreed principles laid down by the shareholders and in the staff code of conduct. Between them, the ProCredit Bank shareholders have drawn up an Environmental Exclusion List, which sets out clearly defined sustainability criteria and is binding for all Bank contracts and agreements. Examples of the applicable exclusion criteria include child labour, arms production, illegal or non-sustainable forestry, and the production of, or trade in, ozone-depleting substances.

In collaboration with the Frankfurt-based International Project Consult GmbH, which is also providing the management, local staff are receiving training and development on the ground. The aim here is to introduce corporate standards and create a pool of well-trained local staff to fill positions in the constantly expanding national branch network. On starting work at a ProCredit Bank, employees are automatically issued with a code of conduct. The scope and objectives are then explained in a special seminar, and staff are required to sign to confirm that they will comply with the applicable rules and regulations. Thereafter, staff must sign a declaration to this effect each year. This process is continually monitored by an in-house unit.

These guidelines serve as a valuable framework for staff, setting out the aims and objectives of ProCredit Bank and an ethical basis for responsible behaviour and impeccable conduct towards their customers and colleagues. This framework for employee relations is of particular importance in countries characterised by ethnic diversity. The positive working environment evident throughout the ProCredit Bank network is a testament to the systematic implementation of the code of conduct. One key factor here is that these banks offer young people real prospects in their homeland, on both the personal and professional front.

Small and medium-sized enterprises

Commerzbank: the partner of choice for SMEs

Commerzbank is firmly focused on German SMEs as its core business. In the light of the new operating environment and the advent of regulations such as the Basel II Capital Accord, it is vital that we offer middle-market companies – as the engine of a healthy economy – innovative solutions to meet their capital requirements.

At the beginning of 2005, Commerzbank set up a new, dedicated Middle-Market Banking unit with separate management board responsibility to cater for small and medium-sized enterprises with an annual turnover of € 2.5 million or more, providing services of the very highest standard.

This systematic focus on the needs and interests of SMEs is already bearing fruit: in the first half of 2005, Commerzbank acquired more than 7,000 new customers in the sector. This means that almost one-third of German SMEs now bank with Commerzbank.

SMEs and human resources

Small and medium-sized enterprises are a pivotal part of economic life in Germany, employing 80% of the working population. As such, the way in which they manage their human resources is of tremendous importance to Germany as a business location.

Since 2003, the annual BestPers Award has been presented to SMEs in Germany, Austria and Switzerland in recognition of excellence in the field of human resources. To be eligible, companies must employ between 20 and 5,000 staff. The BestPers Award gives companies an idea of how they are doing in terms of their HR activities and how they can improve their performance in this respect. It also serves as a forum in which companies can present the practices and solutions that they have adopted. Commerzbank is proud to support the BestPers Award scheme and is organising the final event at the Commerzbank Tower in Frankfurt.

As the partner of choice for SMEs, Commerzbank is firmly committed to supporting companies in this category in every aspect of their business – including human resources. As such, we are proud to be associated with the BestPers Award.

Smart financing options for SMEs in the wake of Basel II

We know that the Basel II Accord can cause particular problems for small and medium-sized businesses, which are often more tightly stretched than their larger counterparts in terms of capital adequacy and are therefore subject to greater risk of failure. As a result, they tend to suffer from poorer ratings and less favourable risk assessments for lending purposes. The terms and conditions under which loans are granted are also affected by the new risk assessment situation.

Although the capital adequacy requirements laid down by the Basel Committee on Banking Supervision for loans to SMEs are lower than for big companies, at Commerzbank we regard it as vital that we offer a wide range of smart financial products for the benefit of middle-market customers.

As well as expanding our range of lending products and services, since 2004 Commerzbank has offered mezzanine capital for SMEs – a form of financing that improves a company's equity ratio without in any way tying its hands in terms of decision-making. Our advisors also work closely with our customers to find ways of improving a company's creditworthiness and thus its rating. Amongst other things, Commerzbank advisors use comparative scenarios to illustrate the pros and cons of various forms of financing and to examine optimisation potential.



www.commerzbank.com/firmenk/

Private and business customers

A firm focus on the needs of the customer

The Commerzbank advisory approach is based on placing the customer at the heart of all that we do. Because we understand that each customer segment – discerning retail banking customers, private banking and business customers – has its own particular requirements, our services are specifically geared to the customer's personal and financial circumstances. We therefore offer all customer segments not only basic financial services such as accounts, cards, payment operations, savings and consumer credit products, but also tailor-made financial solutions with an emphasis on pension provision, investments and securities, as well as real-estate financing. Market research has also shown that business and middle-market corporate customers have very different needs. With this in mind, Commerzbank has developed an integrated advisory approach for business customers, specifically designed to cater for those – such as freelance professionals, independent contractors, sole traders and the like – whose personal and business finances are often intertwined.

Software solutions for transparency and quality

In response to the demand for a customer-driven advisory approach, Commerzbank has developed a series of software support solutions specifically for this purpose and is constantly investing in training advisors in the use of these tools. In order to ensure that customers' financial needs are promptly identified and met, information about their wishes and objectives is gathered on a regular basis. The specimen portfolio reconciliation report is another tool specially developed by Commerzbank, designed to ensure that the customer's personal investment profile and the Bank's recommendations tally. The ComVor pension advisory system also offers individually tailored, transparent personal pension solutions based on an analysis of the customer's particular circumstances. On the investment front, the Infobroker financial information system provides customers and advisors alike with an up-to-the-minute, in-depth source of product and market data. Together, all these information systems help to ensure a supremely transparent and easily compared range, bespoke solutions for every situation and an advisory service of the very highest standard.

A working relationship based on trust

It is our customers who determine whether we remain in business and continue to succeed. Their satisfaction is the foundation for long-term customer relationships based on mutual trust. It is for this reason, first and foremost, that every year since 1993 Commerzbank has commis-

sioned an annual customer satisfaction and loyalty survey by market research consultants TNS Infratest. The results are broken down by target group and region and analysed accordingly.

When the clear upward trend of the late 1990s gave way to waning customer loyalty between 2000 and 2002 as a result of branch closures and the downturn on the stock markets, it came as a wake-up call. Since then, we have worked hard to restore our good standing with our customers. Over the past two years, we have been able to shore up confidence in the Bank and increase customer satisfaction. Since 2004, Commerzbank has also used the TRI*M system – the world's leading stakeholder management system, according to TNS Infratest – to monitor employee satisfaction. The results are combined with the findings of the customer satisfaction survey and show that there is a clear link between employee satisfaction and customer satisfaction: those areas where staff commitment and morale are good also tend to have the most satisfied customers. When it comes to customer satisfaction, the decisive factors are the standard of service and the personal financial advice provided by our staff.

Customer and employee satisfaction surveys, together with regular mystery shopping throughout the branch network, form a key component of quality management at Commerzbank and the basis of our tireless efforts to improve customer care.

Complaints management

In order to enable our customers to give us direct feedback, we introduced the nationwide Active Complaints Management strategy in 1997. This went hand in hand with the establishment of the Group Quality Management unit and the Customer Satisfaction team at our Call Centre.

Criticism from our customers gives us the opportunity to identify our weaknesses and learn from them.

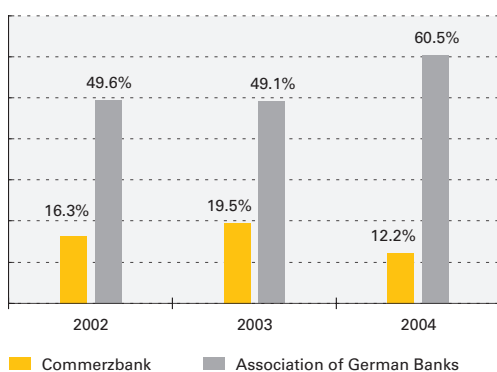
The aim of Active Complaints Management is:

- To encourage complaints
- To revive customer satisfaction
- To boost customer loyalty
- To identify weaknesses and take steps to improve our performance in those areas

Under the motto "Your criticism, our opportunity", there are numerous channels through which dissatisfied customers can complain: directly to their advisor in person, in writing or by fax using the yellow comments card, by calling the Complaints Hotline or by e-mail. Or, if they prefer, customers can complain direct to Head Office or the Board of Managing Directors.

Rulings in favour of the customer

by the German Ombudsman



As at 30 June 2005

Source: The Association of German Banks, 2004

Since 1992, customers have also had the option to refer their complaints to the Ombudsman Scheme of the German Private Commercial Banks. This scheme, set up by the Association of German Banks, has proved enormously successful and is widely accepted by the public. There are currently four ombudsmen, including former German Federal Supreme Court judges, all acting in an honorary capacity, whose job it is to provide an independent, impartial conciliation service. The process is entirely free of charge to customers.

As the diagram illustrates, only 12.2% of complaints by Commerzbank customers were upheld by the Ombudsman in 2004. This is in stark contrast to the industry as a whole, with an average of 60.5% of complaints upheld overall. The positive result is a testament to our employees and the excellent work that they do.

In order to ensure that we know where we stand with regard to general customer satisfaction at all times, TNS Infratest carry out regular evaluations on behalf of Commerzbank. Customers who were entirely satisfied with the way that their complaints were handled typically had a 50% higher TRI*M Index loyalty rating than the average Commerzbank customer in 2004. We have set ourselves the ambitious goal of increasing customer satisfaction further still by continually improving the way in which we deal with complaints.

Product responsibility – data protection

Data protection is of the utmost importance, particularly for banks that deal with all manner of sensitive information. In order to ensure that the personal data in our possession cannot be misused and privacy is protected at all times, Commerzbank has a dedicated Data Protection Officer whose job it is to monitor data processing programs and check that they are being properly used. He is also responsible for ensuring that the appropriate technical and organisational measures are taken with regard to data protection and backup.

All our employees are bound by a duty of data confidentiality. They are required to undertake extensive training in this respect, with the aid of a specially designed web-based training programme specifically geared to the needs of a financial institution. There are also numerous permanent Internet pages dedicated to this purpose, and a special data security initiative has been launched as well.

Despite all our efforts, five complaints concerning a breach of data protection were upheld in 2004. In all five cases, the cause was a minor oversight or slight lapse on the part of a staff member in the hustle and bustle of day-to-day business. We take such complaints extremely seriously indeed and the lessons learned from these incidents are used to

further tighten up our data management procedures. The staff concerned are also expressly reminded of the correct procedures with regard to data protection.

Secure online banking

At Commerzbank, we offer our private and corporate customers a number of home banking options from which to choose:

- Our virtual branch: www.commerzbanking.com
- The HBCI standard

As a matter of course, Commerzbank applications are separated off from generally accessible areas of the Internet by means of a firewall and protected against unauthorised access, i.e. hacking.

A raft of measures has been put in place to ensure that online banking is as secure as possible:

- For online communication between the customer's PC and the Commerzbank servers, the Secure Socket Layer (SSL) protocol is used. In order to ensure maximum security during data transmission, all messages undergo a minimum of 128-bit encryption.
- Customers are required to log in and verify their identity by means of a user number or (or user name) in conjunction with a PIN or password.
- Before a payment transaction can be completed, it must be confirmed by means of a transaction number (TAN). Each TAN can only be used once.
- Transactions will only be accepted within set limits, which can be adjusted on a case-by-case basis depending on usage.

Commerzbank is committed to continually refining and updating its security procedures in line with the latest developments. The iTAN system is to be introduced in February 2006. Under this new system of indexed transaction numbers, the system generates a unique TAN which is only valid for that specific transaction at that particular time. Once the transaction has been successfully submitted for processing, a confirmation code appears. This allows the customer to check that the details have actually reached the Bank. Along with this sophisticated new system, Commerzbank is also introducing graphics-based security features. Alternatively, the **H**ome**b**anking **C**omputer **I**nterface (HBCI) standard uses electronic signatures to verify and submit payment transactions for processing. HBCI provides a standard, secure interface for the customers of all the financial institutions linked up to the system. Information can only be decoded by means of previously exchanged and verified codes (security certificates). Special software is required to use HBCI.

Private and business customers alike value flexibility, and in particular the facility to carry out their banking transactions anywhere in the world, 24 hours a day. As a result, more and more customers are logging in to our virtual branch – www.commerzbanking.com – or via the Homebanking Computer Interface (HBCI).



/ environment / RESPONSIBILITY IN ACTION



Environmental responsibility at Commerzbank

As the first of the big German banks to appoint a dedicated environmental manager back in 1990, Commerzbank was to herald a new era in corporate environmental policy. In the document entitled “Commerzbank’s Basic Principles”, drawn up that same year, the Bank nailed its colours to the mast, making a clear and unequivocal commitment to social and environmental sustainability. In keeping with this commitment, Commerzbank became one of the very first signatories of the United Nations Environment Programme (UNEP) Statement by Financial Institutions on the Environment & Sustainable Development in 1992.

At the beginning of the 1990s, Commerzbank undertook a systematic analysis of the environmental impact of its activities. Environmental coordinators in a cross-section of branches from the respective regions recorded and analysed a variety of environmental performance indicators such as electricity, water and heating consumption and CO₂ emissions. Their findings were duly published in two environmental reports in 1996 and 1997, along with the corresponding measures and objectives. As the Commerzbank environmental commitment was put on a systematic footing, this process was accompanied by a raft of internal communications measures.

It goes without saying that a bank does not have anything like the direct environmental impact of an industrial firm. Nevertheless, its building management activities – water, energy and heating consumption and the use of ancillary products such as cleaning materials – are environmentally relevant. At Commerzbank, we believe that there is a great deal we can do to protect and preserve the environment in terms of the way in which we dispose of our rubbish, waste paper and toner cartridges in particular. We are also careful to ensure that the paper, office supplies, computers and furniture we use are all eco-friendly.

As a result of the financial difficulties that the Bank has found itself in over the last couple of years, systematic environmental management has had to take something of a back seat. Priorities have had to change, meaning that both the highly detailed monitoring of consumption and the publication of the annual environmental report have had to be put on ice for the time being.

Despite this, the various internal guidelines and standards in respect of corporate environmental management – and, of course, the underlying ethos and personal commitment of our staff – remain largely unchanged. As such, any construction or expansion work that we do remains subject to stringent environmental standards, and any building materials, fixtures and fittings that we buy are always eco-friendly. Moreover, the results of the environmental reports produced in the mid-90s continue to shape our buildings and site management arrangements even today. As such, the energy and water consumption of our larger premises continues to be monitored, with a close watch kept for any potential problem areas. Thanks to the use of eco-friendly technology, the Commerzbank Tower in Frankfurt – completed in 1997 – uses around 30% less energy than conventional skyscrapers.

State-of-the art building management in the interests of corporate environmental responsibility

The Commerzbank Tower

The sleek, 50-storey Commerzbank Tower in the heart of Frankfurt, with its 86,000 m² of usable space, is home to around 2,500 employees. Each floor has three wings, two of which provide office space whilst the third opens out onto a "sky garden". A 160-metre-high triangular atrium rises through the entire building from the ground floor, allowing natural daylight to flood in and illuminate the space. Thanks to smart technology, each employee can set the lighting and temperature just how they like it. At the planning stage, great care was taken to ensure that, rather than having the air conditioning system running the whole time, natural ventilation would be possible for at least 60% of the year. Indeed, the Commerzbank Tower is the first building of its kind in Germany where the windows can be opened even on the top floor.

The double-skin façade, the outer layer of which can be opened, allows fresh air to flow into the building through the windows. As such, the office space can be naturally ventilated for more than nine months of the year. On days when the weather outside is particularly inclement, the building management system kicks in and activates the air conditioning. The integral chilled ceilings are fed by an eco-friendly combined heat and power system.

One of the architectural highlights of the Commerzbank Tower is the multi-storey sky gardens. There are nine gardens in total – three facing east, three south and three west – each designed around a different botanical theme. As well as bringing natural daylight and fresh air into the offices in the heart of the building, the gardens are popular places to relax during refreshment breaks or socialise, providing a sense of airiness and space.

The Commerzbank Service Centre

Commerzbank was one of the first major banks in Europe to set up a new-generation service centre, which opened its doors for business in Frankfurt in the summer of 2001.

The complex comprises three relatively low-level buildings, home to some 3,200 employees, with a further 1,400 based in nearby buildings. The Service Centre houses one of the largest trading rooms in Europe, providing the ultimate high-tech working environment for 500 or so forex and securities traders.

Here, too, it is all about smart, environmentally friendly solutions. In the summer, the cooling system utilises waste heat from the combined heat and power system of the Frankfurt-based power company Mainova AG for the cold absorption process, using rainwater for recooling purposes as far as possible. As such, there are no CFC or fluorocarbon emissions.



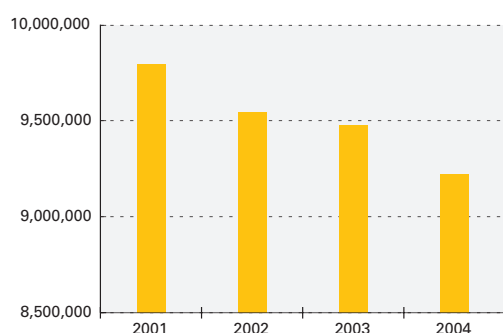
External solar protection ensures the optimum light and temperature, whilst the extensive vegetation on the roof compensates for the ground area now covered by the building.

Use of resources

Electricity and heating consumption

Electricity consumption of the Commerzbank Tower

in kilowatt hours (kWh)

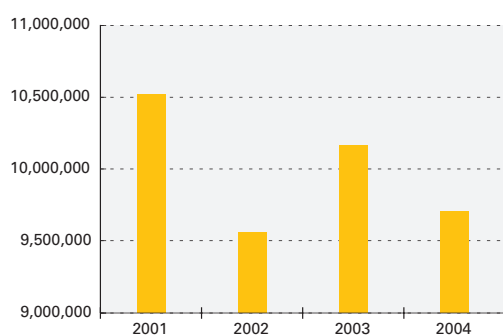


Commerzbank has a total of 1,100 premises in Germany. In 2004, annual electricity consumption at these premises amounted to 141,075 MWh – equivalent to 105 kWh per square metre or 5.675 kWh per employee. Thanks to a variety of energy-saving measures, the figure was down 3.95% on the previous year (2003: 146,647 MWh).

As far as heating energy (gas and district heating) is concerned, nationwide 40% of locations are charged directly via the Commerzbank administrative system. 60% of Commerzbank premises – by virtue of the fact that they are leased – are contractually bound by the terms of the agreement with the owner, which means that heating costs are chargeable in the framework of annual ancillary costs.

District heating figures for the Commerzbank Tower

in kilowatt hours (kWh)



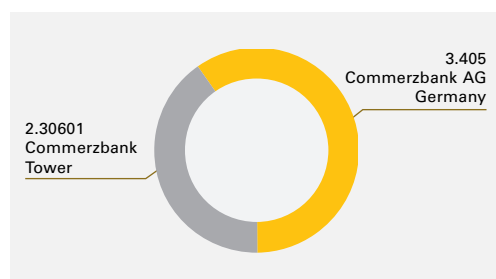
At the current time, approximately 450 locations are directly supplied with district heating or gas. The proportion of premises with a district heating system stands at around 22%. In concrete numerical terms, consumption came in at about 46,089 MWh in 2004. Gas consumption for the 350 locations in question (78% of 450) stood at 34,465 MWh last year.

We are increasingly moving away from reliance on heating oil at the 18 – mostly leased – smaller locations where it is currently in use. At the Commerzbank Tower and the Service Centre in Frankfurt, for instance, cold air, too, is generated using more eco-friendly district heating.

Consumption – of electricity, gas and district heating – is being reduced in close collaboration with the technical and commercial building management teams by means of modernisation and upgrading of the heating and climate control systems. In the framework of the upgrading programme, we always check out environmentally friendly alternatives wherever possible. In keeping with this principle, in the case of leased premises the respective landlords are always urged to take similar environmentally friendly measures.

CO₂ emissions (t/kWh) per employee

2004



More than half the direct heating energy used by Commerzbank – around 57% – is in the form of district heating. This is generated by means of combined heat and power in state-of-the-art, more energy efficient power plants. With its own cogeneration units – which have an efficiency factor of up to 75% – Commerzbank generates enough power and heat to meet the operational needs of its buildings. In 2004, 4 MWh of cooling energy, 123 MWh of heat and 89 MWh of electricity were generated in this way.

Waste management

In common with many other organisations, Commerzbank subscribes to the *reduce, reuse, recycle* approach to waste management. If you don't use it in the first place, then there's nothing to dispose of at the end of the day. So you save on two fronts and the environment benefits, too. But a certain amount of consumption is unavoidable, of course. When it comes to everyday office items, Commerzbank is committed to re-using these wherever possible. Once an item has reached the end of its serviceable life, however, every effort is made to ensure that it is disposed of correctly. The toner cartridges used in laser printers are a prime example of intelligent recycling in action. The empty cartridges are bought by specialist firms, re-filled and then sold on again at a reasonable price. In 2004, Commerzbank provided around 300 kilograms of toner cartridges for reuse in this way.

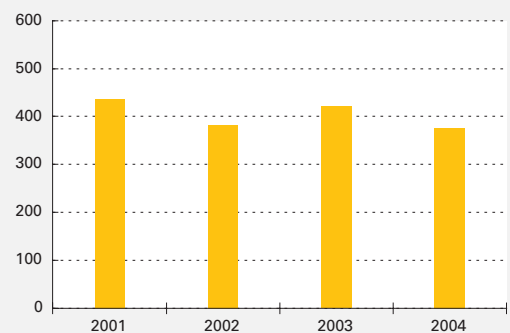
Paper and cardboard account for more than 50% of a bank's waste – far and away the lion's share. As you would expect, at Commerzbank we collect our waste paper separately from our other waste and pass it on to paper mills for recycling. Before it leaves the Bank, the paper is, of course, shredded in the interests of data protection. In 2004, Commerzbank Frankfurt generated a total of 518.7 tonnes of waste paper for recycling.

The total volume of commercial waste compacted in our refuse containers in 2004 was 376.1 tonnes. Most of this waste goes on to thermal recycling. Annual waste generation and disposal statistics are compiled in accordance with the applicable legal requirements.

One of the biggest challenges for any bank is how to destroy and dispose of data storage media such as expired ec cards and the like. Sensitive client data must, of course, be protected at all costs. As you would naturally expect, at Commerzbank these plastic cards are disposed of in an environmentally friendly manner and strict data protection is observed at every stage of the process.

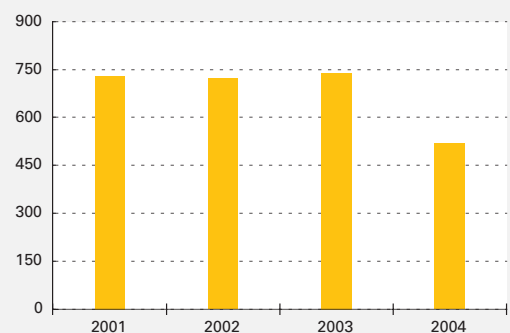
Commercial waste from the Commerzbank Tower and Service Centre

in tonnes



Paper and cardboard waste from the Commerzbank Tower

in tonnes

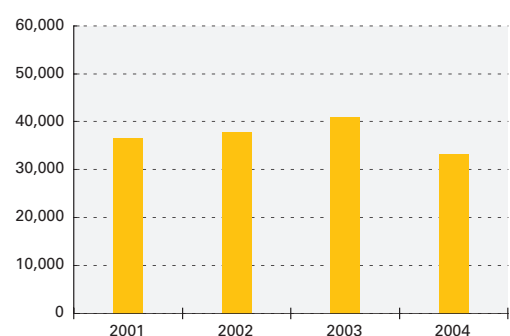


Water consumption

Water consumption records are currently only kept for the biggest users in the Frankfurt region, namely the Commerzbank Tower and the Service Centre. Together, they used 76,500 m³ of water in 2004. One point worth mentioning in particular is the use of green technology at both these premises. In the Commerzbank Tower, for instance, cooling water from the air conditioning system is re-used for flushing the toilets; whilst over in the Service Centre, rainwater is collected in a cistern and piped in to the toilets and the cooling system, as required.

Water consumption for the Commerzbank Tower

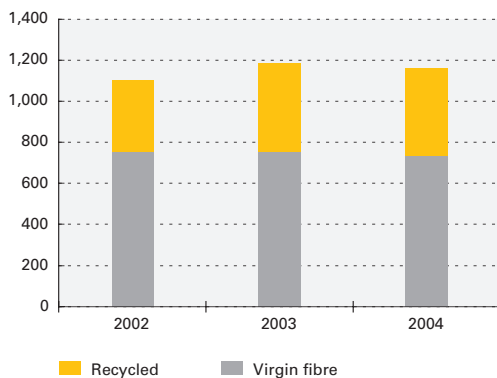
in cubic metres



From forms, letters and envelopes to account statements, paper is a vital medium for any service-based organisation.

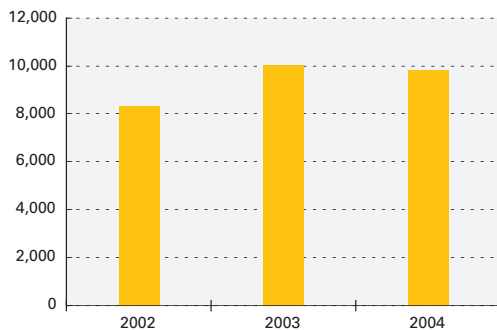
Paper consumption

in tonnes



Paper consumption per employee

no. of A4 sheets



Paper consumption

With around 800 branches and numerous offices, Commerzbank uses a lot of paper. Consequently, we go to great lengths to ensure that the paper we buy is as environmentally friendly as possible. The majority of the paper that we use for internal communication purposes, for instance, is recycled. For client communications, we use mainly paper made from virgin fibre, sent in 100% recycled envelopes. This goes a long way towards protecting the environment, given that Commerzbank sends out something like 70 million letters a year.

Over the last few years, we have been able to reduce significantly the amount of paper that we use thanks to the introduction of electronic forms. Under this new system, we are now saving around 95 million A4 sheets of paper – or € 4 million – each year. Since switching to electronic circulars in 2003, we have been able to save a further 23 million A4 sheets of paper each year.

Our staff are also urged to use paper sparingly as a matter of policy. After all, we want to continue in our efforts to keep the environmental impact of our activities to an absolute minimum by reducing the amount of paper that we use.

Further schemes & initiatives: energy saving week in Frankfurt

In the winter of 2003/2004, a voluntary energy saving campaign was held at the Commerzbank Tower in Frankfurt, the aim being to get staff to change their behaviour and thus reduce their energy consumption. The campaign was a success, with energy savings of 9% – equivalent to an annual cost saving of € 13,000.

Staff communications & campaigns

The Bank produces a wide range of intranet-based material on this and other aspects of sustainability, designed to inspire staff to adopt a more environmentally friendly approach and make a lasting change for the better. The staff newsletter "Commerzielles" also features regular information on this subject.



The 192 staff who took part in Business Cleaning Day on 10 June 2005 are a testament to the environmental commitment of everyone who works at Commerzbank. As the financial institution with the most participants on the day, Commerzbank was proud to be awarded first place. The aim of the initiative – the brainchild of the Ministry of the Environment for Hesse – was to promote environmental awareness on the part of the people of Frankfurt and to get the city spick and span, ready for the FIFA Confederations Cup 2005.

Commerzbank is also supported in its environmental commitment by the Hamburg-based German Environmental Management Association (Bundesdeutscher Arbeitskreis für Umweltbewusstes Management, or B.A.U.M.), of which it has been a member since 1988.

EUROPARC Germany – partner of Commerzbank

"Germany is home to 14 national parks, 15 biosphere reserves and more than 90 regional parks. These are the country's natural heritage. In Germany, environmental conservation is a matter for the individual federal states. However, nature knows no boundaries, so co-ordination between the respective states is vital. This is where EUROPARC Germany – founded in 1991 – comes in. As well as being the umbrella organisation for Germany, it serves as the national section of the Federation of Nature and Natural Parks of Europe, or the EUROPARC Federation as it is more commonly known.

EUROPARC Germany provides a forum in which professionals from Germany's major protected areas can come together to formulate common policy positions and implement joint initiatives. The environmental ethos that we espouse is a dual-track one: be environmentally aware in all that you do, but leave nature to its own devices whenever you can.

With this in mind, we regard education and public awareness as a vital part of the work that we do. In the summer months, we therefore offer our members 50 or so places on the inspirational "Praktikum für die Umwelt" internship programme, funded by our long-term partner Commerzbank.

On behalf of our members, we at EUROPARC Germany would like to take this opportunity to thank Commerzbank for its tremendous commitment to this most important of causes. We look forward to continuing to work together to protect and preserve the nation's natural landscapes for many years to come."

Dr. Eberhard Henne (former Environment Minister of the State of Brandenburg)
Chair

EUROPARC Germany
Head Office
Friedrichstrasse 60
D-10117 Berlin



Dr. Eberhard Henne



www.europarc-deutschland.de/pagese
E-Mail: info@europarc-deutschland.de





/ employees / UNLEASHING THE POWER OF VISION





Rainer Dahms

Interview with Rainer Dahms, Head of HR Policy

Mr Dahms, could you briefly outline how the Bank's views the issue of corporate responsibility and the principles under which it operates in this field?

Every business operates in a constantly changing society. The businesses that do best are those that look beyond the purely economic aspects of their activities, ensuring that

the social and environmental dimension is given equal consideration in the decisions that they make. It was this that shaped our thinking as we set about reformulating our guiding principles at the end of the 1990s. As a result, we now have a corporate mission statement designed to "give every employee of the Commerzbank Group a clear understanding of the roadmap and confidence in the future". These guiding principles define our corporate culture, which sets the tone for all that we do. They also set the benchmark by which we wish to be judged by our customers and the society in which we live.

What specifically does corporate responsibility mean for employees of Commerzbank?

The companies that excel in terms of corporate responsibility are those that place their employees firmly at the heart of the process. Particularly for a service provider such as Commerzbank, the employees are paramount. A good benefits package, training and development measures, and facilities such as company crèches all serve to foster a sense of loyalty by creating a working environment in which staff feel valued. This ethos of social responsibility is vital to a motivated workforce, dedicated to cultivating good customer relations.

Looking at Commerzbank's many and varied commitments on the personnel front in particular – in the form of its diversity programme, the staff survey, flexible working hours, training and qualifications, the "Kids & Co." scheme, the guarantee of a secure pension, to name but a few – what do you believe are the benefits to the company?

As I mentioned earlier, all these things help to create a working environment in which employees are able to identify with the company and their role within it. This commitment to our employees also pays off from a financial point of view. The "Kids & Co." scheme is a prime example. If it weren't for this scheme – which provides staff with emergency childcare – the Bank would lose countless days as a result of staff absences. The costs involved would far exceed the costs of providing this vital service, so everyone benefits.

What, in your opinion, will be the main focus of activity in the future as far as employees are concerned?

As time goes on, competitive pressure and the pace of change will only increase. As part of their corporate responsibility, employers will have to play an active role in helping their staff to come to terms with the new challenges that they face. As a result, we shall need to step up our activities in the areas of management, staff development and the work-life balance, which will become more important than ever. In the light of growing cost pressure, however, these activities will have to pay off in terms of cost optimisation and improvements in efficiency.

How does Commerzbank propose to deal with future demographic trends such as the ageing population and the skills gap?

Demographic changes will revolutionise the social and economic landscape in Europe over the next few decades. To ensure that we are well prepared for whatever the future may hold, we have set up a special project team to look at the social changes ahead and their implications for Commerzbank. As a first step, we have undertaken an analysis of the current situation and made some projections as to how the staff structure is likely to change over the next 20 years. Based on this, we have identified those areas of human resources where we now need to go on and draw up concrete proposals for a plan of action. Our initial analysis suggests that, in fact, there is no need for any action in terms of attracting suitably qualified staff at the current point in time. However, we shall be working to maintain and build on our reputation as an attractive employer in order to ensure that we are able to attract the next generation of key people ten years from now.

How do you go about building staff loyalty when continually changing jobs is seen as the way to move up the career ladder?

As a company, it is obviously very much in our interest to hold on to good employees. One of the main ways in which we are able to do this is by offering opportunities for development and a competitive pay package. At the same time, we recognise that a certain amount of staff turnover is a good thing because it brings new know-how into the organisation.

Does Commerzbank have any plans to relocate back-office functions to low-wage economies – moving IT to India, for example?

There is no question of us switching any of our processes or services to traditional low-wage economies such as India or Thailand at the moment. However, we have carried out some initial trials of so-called nearshoring models over the last few years. For example, a number of units from our transaction bank have been moved to Prague, where our experience has been extremely positive in terms of the quality and efficiency of the work and the motivation of the new employees. Consequently, we may well consider other nearshoring opportunities in the future – though always bearing in mind our social responsibilities.

How does Commerzbank handle the sensitive issue of job losses?

As a result of increasing pressure on the cost front, we have cut our administrative expenses dramatically over the last few years. Amongst other things, this has meant that we have had to downsize. For the most part, however, we have managed to achieve this by means of voluntary measures and mutual agreement, thus largely avoiding the need for redundancies for operational reasons.

What incentives does Commerzbank offer its employees to encourage them to do their bit for society?

As a society, we depend heavily on volunteers – people who are willing to volunteer their time in a good cause. At Commerzbank, we actively encourage our employees to give something back to the society in which we live, over and above their work-related commitments, – through voluntary work and contributing in all kinds of honorary capacities. We also ensure that we give them the scope to do just that. For instance, we support the “Volunteers

in Sport” project, and give employees the opportunity to tell us about their activities in the staff newsletter. After all, what better advertisement for volunteering than the personal example of someone we know?

From the point of view of someone in HR, if you were to cast a critical eye over Commerzbank’s sustainability record so far, where would you say there was room for improvement?

On the social front, in particular, we have set up numerous projects and programmes designed to support a sustainable approach to human resources over the last few years. We shall continue to keep a close eye on social trends and assess what steps we need to take in order to provide a working environment in which our employees can put their skills to the best possible use in the interests of the company. In future, initial investments in particular will have to be carefully assessed in terms of the cost/benefit ratio.

What effect do you expect the publication of this Sustainability Report to have, as far as human resources policy is concerned?

The public are keen to know how willing companies are to live up to their responsibility for creating a better world, and rightly so. I would expect this Report on our social and environmental performance to enhance our image and boost the market value of Commerzbank. The staff-related topics, in particular, should open up all sorts of new opportunities when it comes to recruiting the key people of the future and staff integration. A Sustainability Report of this kind should also create new impetus in terms of customer relations.

Could you give us an insight into what 2006 has in store on the sustainability front, from your point of view? What will be the main topics on the agenda?

In the summer of 2005, we conducted a major staff survey throughout the Group. The results of that survey will serve as an invaluable basis for the review and strategic realignment of our HR activities from a sustainability perspective, extending into new areas as and where necessary.



Diversity management – practising what we preach

Diversity enriches our lives in every respect, not least in our day-to-day work. For us, this means recognising and appreciating the diversity of our employees as a valuable asset and making the most of the opportunities it brings.

Whatever form that diversity may take – be it visible, physical attributes such as age, gender or ethnicity, or more subtle, imperceptible distinctions such as religion, sexual orientation or lifestyle – it is this unique melting pot that gives us our rich and varied corporate culture. This diversity is a tremendous source of strength, benefitting not only our employees, but also our customers, shareholders and partners. Accordingly, we have been committed to promoting individuality through dialogue for more than 15 years. This process began back in the late 1980s, when a staff survey revealed that employees felt that many of the development opportunities within the Bank were simply not open to them. As a good half of the workforce was female at that time, the “Women in Modern Banking” scheme was launched with the aim of getting more women into senior specialist and managerial positions. One of the key elements of this initiative was a proper strategy to help women juggle the demands of work and family.

However, it soon became clear that the equal opportunities process needed to be extended to include men, too. So Commerzbank set about creating new job profiles that would allow employees to combine work and family life in a way that could be tailored to their individual needs and skills, regardless of social conventions.

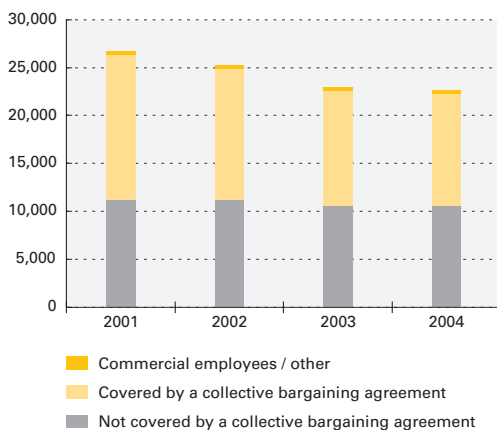
And so it was that in 1998 the “Women in Modern Banking” scheme gave way to the “consensus” project, with its three key objectives:

- To support and promote the professional development of women
- To help parents to combine work and family life
- To create transparency with regard to the various career and life options open to men and women

The focus of the project soon widened to encompass diversity in the workforce. Here, Commerzbank spent three years devising a strategy to entrench diversity throughout the entire company. There are four main strands to the strategy:

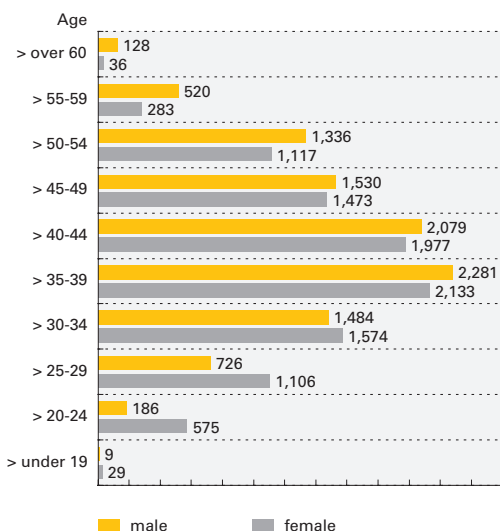
1. The introduction of flexible, supportive working conditions, enabling employees to work productively
2. Support for employee networks
3. Projects designed to highlight the benefits of diversity and promote co-operation in keeping with the Bank’s objectives and values
4. The external communication of our diversity-related activities

Employees



Demographic structure

2004



The individual elements of our diversity programme

Work and family life

"Comeback plus" – getting back to work after a career break

At Commerzbank we are committed to doing whatever we can to make it easier for our staff to combine work and family life, over and above our statutory obligations and the parameters of the collective bargaining process. To this end, we undertook to help our employees get back to work after a career break to raise a family. And so the "Comeback plus" scheme was born.

Advice and information – a family-based service

The Family Service is a free, national service available to all employees of Commerzbank, providing advice and information on childcare and caring for elderly relatives.

Childcare subsidies

Commerzbank provides a subsidy package to help its employees with the cost of childcare. The sum they receive is linked to how much they earn.

"Kids & Co."

"Kids & Co." provides professional childcare for the children of Commerzbank employees in an emergency. Under this scheme, employees are entitled to a maximum of 30 days' emergency childcare completely free of charge at any of the "Kids & Co." centres, which can be found in Frankfurt and eleven other locations across Germany. In 2004, a day nursery was also opened in Frankfurt, providing regular childcare for babies and children up to kindergarten age.

Women in the Bank

Mentoring programmes

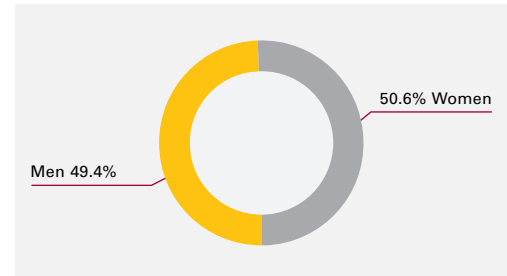
For many years now, we have offered women employees with potential the opportunity to take part in external mentoring programmes. Under this scheme, women earmarked as the key employees of the future get the chance to spend a year shadowing experienced top managers from other companies.

Seminars and workshops

We run a variety of seminars and workshops on topics of particular interest to our female employees, including assertiveness training, self-promotion, competition and conflict.

Headcount

2004

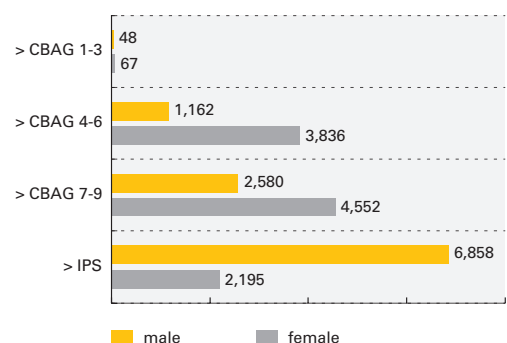


The Commerzbank childcare scheme is designed to help women, in particular, in their professional development.



Pay structure

2004



CBAG = collective bargaining agreement group;
IPS = individual pay scale

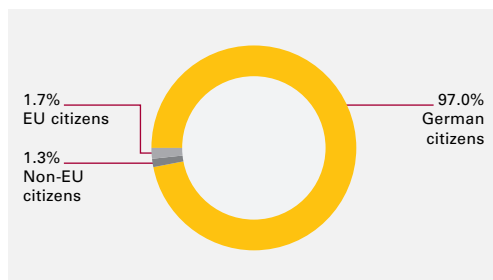


Total E-Quality

The TOTAL E-Quality Award is presented to businesses, organisations, universities, scientific and research institutions whose HR management policies are designed to ensure equal opportunities. Commerzbank has received this prestigious award a total of three times.

Nationality of Commerzbank employees

2004



Other aspects of diversity at Commerzbank

Support for employee networks

Alongside all our other activities in this field, we actively support the following employee initiatives:

- "Courage" – the Commerzbank women's network
- "arco" – the Commerzbank gay and lesbian network
- "Focus on Fathers" – an initiative dedicated to career and family issues from a father's perspective

These networks serve as a forum in which participants can come together and exchange ideas, as well as linking up with other groups from outside the Bank.

Age diversity – co-operation across the generations

The process of demographic change is set to have a profound impact on human resources over the next few years. Co-operation across the generations therefore forms part of our diversity agenda.

The initial results of a survey on this topic will be used to develop future measures to raise awareness of the issue within the Bank.

Fairness in the workplace

We regard it as only right and proper that we should do everything in our power to ensure that bullying, sexual harassment and other forms of discrimination have no place within our organisation.

Human Resources and the Full Works Council therefore worked together to draw up a formal agreement to this effect. Complaints procedures have been established, the HR team, members of the Works Council and management have all received training in this area, and employees can access the relevant information on the intranet.

Internal and external communications

We routinely report on all aspects of diversity in the staff newsletter, on the intranet and at in-house events. We also provide additional information for specific target groups. Since 2004, a variety of seminars, workshops and discussion sessions on the subject of diversity have been organised as part of the **| diversity forum |** – a series of events for employees. Commerzbank is also actively involved in various external networks, working groups, associations and foundations devoted to diversity.

The way forward ...

Commerzbank intends to build on its existing diversity platform, stepping up its activities in respect of co-operation across the generations and cultural diversity, for example. We also plan to work towards closer collaboration with the respective business areas within the Bank.



www.commerzbank.com/karriere/diversity/

Selected highlights of the Commerzbank diversity programme, in chronological order

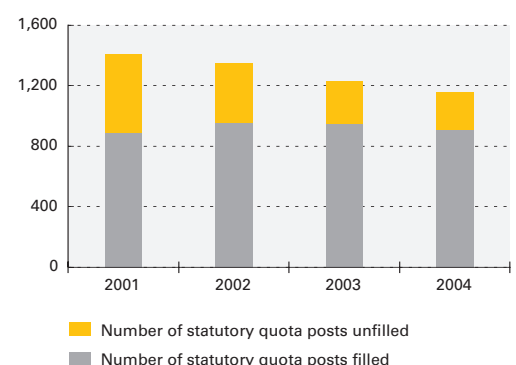
1989	"Women in Modern Banking" scheme
1990	First formal agreement to help parents get back to work after a career break
1992	Formal childcare agreement
1992	Second formal agreement to help parents get back to work after a career break – the "Comeback" programme
1995	In-house symposium on "Co-operation between Women and Men at Commerzbank"
1996	Cosmopolitan Award for Germany's most family-friendly company
1997	TOTAL E-QUALITY Award – received again in 2000 and 2003
1998	Launch of the "consensus" project
1998	Start of the cross-mentoring programme for women
1998	Third formal agreement to help parents get back to work after a career break – "Comeback plus"
1998	Foundation of the "Courage" network for female employees
1999	"Kids & Co." – emergency childcare
2000	Awarded the basic certificate in the Work & Family Audit (2000) by the non-profit Hertie Foundation
2002	Establishment of the "arco" network for gay and lesbian employees
2003	Awarded the final certificate in the Work & Family Audit (2003) by the non-profit Hertie Foundation
2004	"Focus on Fathers" project
2005	Special community award in the framework of the "Women in Business" Forum / national "Family-Friendliness as a Factor of Success" competition
2005	Opening of the day nursery in Frankfurt, with crèche and kindergarten facilities

Working together – learning from one another

Commerzbank actively supports and encourages the integration of employees with disabilities. Through our disability strategy we aim to dispel fear and prejudice and provide our disabled colleagues with the help and support they need within the workplace. Measures such as these serve as the basis for equality and equal opportunities, mutual awareness and understanding at Commerzbank. After all, disabled employees are highly motivated and just as capable as their able-bodied colleagues.

There are a significant number of severely disabled people amongst our employees. In 2004, some 904 of the 1,154 posts demanded by law were occupied by people with a disability – equivalent to 3.92% of the total workforce. Despite only limited recruitment at the current point in time, Commerzbank is endeavouring to meet the statutory 5% employment quota for those registered as disabled, rather than pay compensation for every post unfilled.

Number of disabled employees



Modern human resources management

The new opportunities and challenges of flexible working

Flexible hours are an integral part of modern working culture. In order to enable skilled staff to balance the demands of family, social life, training and education with their professional commitments, Commerzbank offers a wide variety of working patterns:

Part-time working

The classic part-time model, based on working half a day, is well known. In recent years, however, more and more flexible, part-time working patterns have been developed, allowing staff to work less than the standard 39-hour week. Examples include part-time arrangements based on a cyclical roster system, with so many days on followed by so many days off. Other alternatives include job sharing, working a four-day week and various other ways of reducing the standard contractual working week by as much as two-thirds. Official breaks from work are also becoming increasingly popular. These allow part-time employees to build up time in lieu by working full time for a while, then take the time that they are owed in a block. In some cases, these breaks can even be taken in advance, with staff making up the time later. More and more employees are now taking advantage of the range of flexible working patterns available at Commerzbank to achieve the best possible work-life balance.

Flexitime and variable working hours

In addition to traditional flexitime, based around set core hours, variable working hours – a form of flexitime in which there are no core hours – are becoming increasingly common, offering staff enormous flexibility.

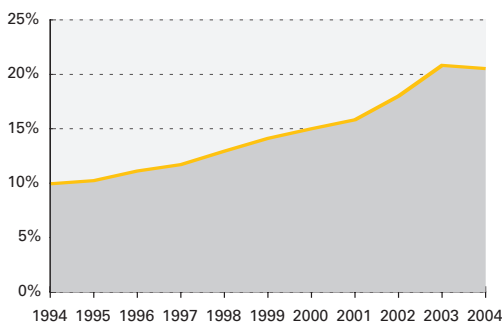
"Traffic light" scheme – pilot project to begin in 2006

The so-called "traffic light" scheme will revolutionise the way in which staff manage their working hours, matching working hours more closely to the volume of work occurring at a given time. Staff will keep a running tally of the number of hours they have worked, thus enabling them to organise their time more efficiently. The basic principle is that any plus or minus hours that an employee has worked are categorised according to a "traffic light" system – green, amber or red. Within each colour-coded category, employees have considerable flexibility in terms of how they organise their contractual 39-hour working week. In this way, they can choose how they divide up their working week – in consultation with the relevant line manager, where necessary.

Teleworking

The "alternating teleworking" model has been in use at Commerzbank since May 1998. Under this model, employees work primarily from home, only coming into the workplace on a limited basis. Teleworking arrangements – involving the setting up of a home office – are voluntary, by

**Percentage of part-time employees:
year-on-year trend**



● e.g. ± 0-30 hours

Employees can organise their working hours as they see fit, subject to the operational requirements of the business area in which they work.

● e.g. ± 30-50 hours

The employee informs his or her line manager of the situation and together they agree on how the employee will get the number of hours worked back into the green zone.

● e.g. ± 50 hours

The employee and his or her line manager agree a plan of action and timetable for getting the number of hours worked back within acceptable limits.

mutual agreement between Commerzbank and the employee, and benefit both parties in a variety of ways.

The advantages for the employee:

- Better balance between work and family life
- Greater flexibility and the ability to manage one's own time
- Makes it easier to get back into work after a career break to raise a family, for instance

The advantages for Commerzbank:

- Greater operational flexibility
- Operational savings in terms of premises and energy costs

Pre-retirement part-time working

Pre-retirement part-time working is designed to ease the transition from working life to retirement for employees aged 55 or over. To be eligible, the employee must have worked for Commerzbank on a full or part-time basis for at least three out of the five previous years. There are two different forms of pre-retirement part-time working on offer at Commerzbank:

- A permanent model, whereby staff always work half days
- A block-based model, whereby staff work full time for a while to build up their hours, then take a block of leave

As people work longer and retire later, so the age at which staff can opt for pre-retirement part-time working will have to change, too, on a case-by-case basis. Where relevant, the threshold will have to rise from the current 55, depending on the age at which the employee is scheduled to retire.

The vital importance of internal communication

The future of HR is about advice, not administration

"We are there for you!". That was the pledge we made to our employees and our management team. With the "Future of Human Resources" project, we have honoured that pledge – in word and deed. We have also significantly improved cost efficiency. There are four main strands to our HR activities at Commerzbank, as follows:

- On the intranet, "HR Online" offers a variety of practical services, available to all our employees at any time. Now, staff can access up-to-date personnel details whenever they need.
- In the three "HR Direct" communications centres in Berlin, Düsseldorf and Hamburg, a team of trained specialists are available to help staff with personnel-related matters over the phone.
- Around 100 Commerzbank HR advisors are on hand to assist management with any personnel issues of an unusual or more complex nature.
- Within Human Resources, there are five dedicated Key Account Managers, responsible for providing systematic, strategic support for top management from the respective business areas and sectors.

For us, the key to effective personnel management lies in constant dialogue with our employees, because a well-informed, highly motivated workforce is essential if we are to achieve our corporate objectives. At the end of the day, our employees are fundamental to the success of our business.

Interview on the integration of SchmidtBank with Angela Bier, Private Banking customer advisor, Commerzbank Hof

Ms Bier, you have officially been a member of the Commerzbank team since June 2004. How do you feel now, more than one year on?

I've been in banking for almost 30 years, 28½ of those with SchmidtBank. But I feel at home here now, well and truly part of the Commerzbank team.

What has changed for you since last May?

For me personally, very little, actually, except that before I was in retail banking and now I'm in private banking. I applied for the new job because I wanted to further my career and I was accepted in no time.

What has been your experience of the integration process, positive and negative?

On the whole, it went extremely smoothly. We were given thorough training in preparation for the new systems. It was only in the first team I worked with that it took us a while to put what we had learnt into practice and get to grips with the new IT system. Of course,

switching over all the accounts was a huge challenge. SchmidtBank had a substantial market share in the region, so a large number of customers were affected by the changeover. A lot of time and effort went into relationship management during the transition phase – after all, the aim was to strengthen the loyalty of former SchmidtBank customers, not jeopardise it as a result of problems during the switchover. It was vital that there were no job losses, as Commerzbank readily acknowledged. At the end of the day, our customers have benefitted because they now have access to the wider range of products on offer at Commerzbank, which means that we are better equipped to provide them with solutions tailored to their individual requirements.

How do you see your prospects with Commerzbank?

This has opened up all sorts of possibilities – as my new job in private banking goes to show. I'm also responsible for supporting trainees now, which I thoroughly enjoy.

Change management

If we are to engage our employees and secure their support for change, then they must be familiar with the new strategies and processes and be convinced of their merits. That represents an enormous challenge for Human Resources, whose job it is to provide the relevant support services to accompany the process of change and ensure that every last one of our 33,000 employees is on board.

The Commerzbank Feedback System (CFS)

To get the most out of the process of change, we established the Commerzbank Feedback System (CFS). Under this system, employees have the chance to give feedback to their managers. Then, in follow-up workshops, they get together to shape communications and collaboration within the team.

The future of idea management

At Commerzbank, we recognise the importance of input from our employees. In order to provide them with a vehicle through which they can share their ideas on how best to approach new tasks, save time and boost efficiency, streamline processes, improve customer service and cut costs, we created "Comidee". Introduced in 1998, the purpose of this suggestion scheme is to inspire staff to come up with innovative ideas and proposals. Each year, around 2,400 ideas are submitted in this way.

Since 1998, by acting on all the successful suggestions submitted, Commerzbank has benefitted to the tune of around € 5 million, based on the first year of implementation alone. The actual figure is much higher as most ideas continue to bear fruit over a number of years.

Staff training and qualifications

High standards for the benefit of our customers

We are constantly updating our sales training to ensure that our employees are able to meet the many and varied needs of our customers at all times and provide them with advisory services of the high standard they have come to expect of Commerzbank. Part of that rolling programme has included the successful integration, in 2004, of our new colleagues from the former SchmidtBank.

“Junior Key People” initiative 2005

For our Junior Key People in particular, our training concepts have been brought right up to date and our various career tracks revamped, making them clearer and more attractive than ever. The number of new trainees taken on in 2005 is up almost 40% compared with 2003. This is a testament to our commitment to meeting our social responsibilities, even in difficult economic times, and providing as many young people as possible with the opportunity of a training programme leading to a recognised qualification.

Training the managers and specialists of tomorrow, today

In 2004, our trainee programme was given an overhaul to better reflect the role of management in years to come. New standards were also set for the selection of the managers of the future.

This new programme offers those embarking on the first rung of the career ladder a universal development concept and an insight into the job opportunities available within a bank. There are currently two different types of programme on offer: one designed to prepare trainees for work in a branch, the other geared to a central-office role.

Management circles

At Commerzbank, we offer three different levels of management circle, depending on how high the employee hopes to rise within the company: Management Circle A for top management, Management Circle B for middle management and Management Circle C for group or branch management.

At Commerzbank, we attach enormous importance to training and qualifications and development opportunities for all our employees, not least the key staff of the future. We recognise that our employees are at the heart of all that we do, and a vital factor in the success of our business.



- In 2004, 518 trainees began their professional life at Commerzbank. In 2005, almost 600 new trainees were taken on.
- In 2004, around 250 interns got an insight into working life at Commerzbank. More than 500 will follow in their footsteps in 2005.
- Around 300 students currently take part in the Commerzbank Study Circle. Under this scheme, students – mostly former Commerzbank trainees – receive additional training of a practical nature alongside whatever programme of study they may be following.
- Since 1990, 350 students have successfully graduated from the Business School of Finance and Management in Frankfurt with support from Commerzbank.
- Each year, approximately 250 graduates take part in a Commerzbank trainee programme.
- In 2004, 300 Junior Key People had the opportunity to join the Bank directly.

Prospective managers attend specially designed events, seminars and numerous workshops, and take part in planning-based games, all geared to the relevant management level.

"ComSkill" skills management

Skills management aids employees with their personal career planning and helps management to identify potential and systematically set the wheels in motion with regard to staff training and qualifications.

Each employee brings their own, unique blend of knowledge, skills and qualities to the Bank. Facing them are some 800 or so possible job profiles. Against this backdrop, "ComSkill" was developed to ensure that the right employee is matched to the right job.

"ComSkill" is an online-based system, in which employees and managers voluntarily give a self-assessment of their personal and professional skills using prescribed criteria.

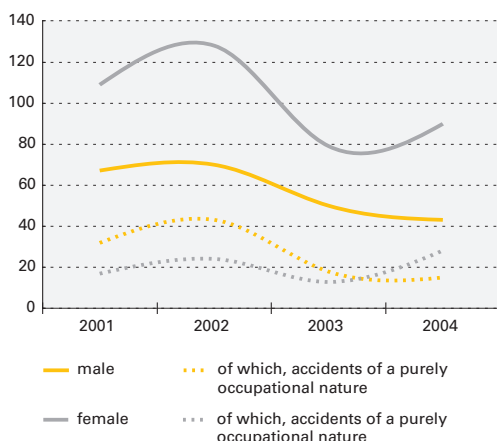
The resultant skill profile – available in digital format – is governed by a formal agreement, which only allows the data in question to be accessed by a member of management or HR advisor.

Health & safety and "ProFit" at Commerzbank

For several decades now, the familiar issue of health and safety in the workplace has been a matter of the highest priority at Commerzbank, over and above the statutory requirements in this respect. During that time, a highly trained team of dedicated specialists in this field have ensured rigorous health and safety standards.

Accident statistics

Accidents within the meaning of the German Social Code (all accidents resulting in absence from work for a period of more than three days)
No. of cases



The transition from classic health and safety to sustainability-based corporate health management

It is plain to see that dramatic changes in the financial services industry have increased the burden on staff enormously. Today, staff must be more flexible, more mobile, more willing to learn and more open to change than ever before. To meet these challenges, Commerzbank has embarked on a rolling programme designed to develop its healthcare arrangements into a sustainability-based corporate health management system.

Since 2001, we have been working with the external consultants DB GesundheitsService, who have taken on the provision of occupational health services. With their support, we have enabled numerous employees to stay fit and healthy and able to keep working, and helped many others get back to work.

Computer users

Under the terms of the new federal Video Display Terminal Regulations ("Bildschirmarbeitsverordnung"), companies are required to assess their working conditions for any potential risk to employees' eyesight. In order to meet its obligations in this respect, Commerzbank has devised a scientifically based risk analysis survey designed to identify not only physical but also any psychological health risks that its employees may face.

Eliminating stress

Constant stress is extremely bad for the health, but there are strategies for dealing with it which we can all learn. With this in mind, the "ProFit" health circle took the initiative and set about organising a series of stress management seminars. In future, we plan to give all our employees the opportunity to attend one of these enormously valuable seminars.

Bullying

There is no place for behaviour such as bullying, sexual harassment or discrimination at Commerzbank. The Bank has a zero-tolerance policy on such issues, as set out in the "Formal Agreement on Partnership and Fair Conduct in the Workplace" and the corresponding guidelines. In the event of problems, there are various sources of advice and support available to employees, including medical officers and occupational psychologists from DB GesundheitsService and 40 or so specially trained colleagues from within the Bank.

Preventative healthcare

At Commerzbank, we offer our employees a range of preventative healthcare services in various locations, such as flu vaccinations, cancer screening and eye examinations (including "Glaucoma Day", for the early detection of this relatively common condition).

Psychological support in the event of a bank raid

In the unlikely event of a bank raid, Commerzbank has put in place systems to ensure that the staff and customers involved receive the appropriate psychological support. These arrangements are designed to come into effect without delay, providing professional counselling by specially trained members of Human Resources and psychologists.

Outlook

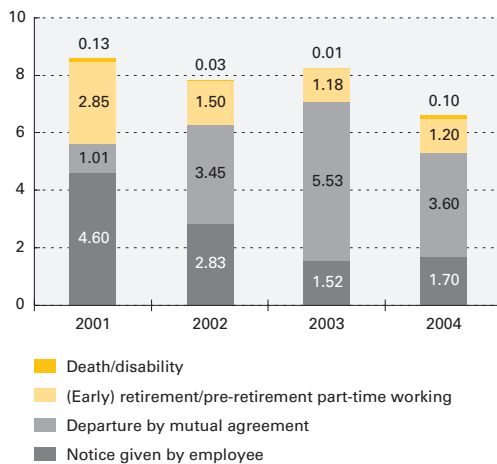
The "ProFit" health circle will be central to the development of the Bank's corporate health management system in the coming years. One of the next steps will be the launch of an anti-addiction campaign, details of which will be announced once it has been agreed by the Full Works Council. There are also plans to run short training courses for junior managers, as they will have a key role to play in the future in terms of health and safety within the Bank.

Sport at Commerzbank

Commerzbank has had a corporate sports programme since the 1950s. Indeed, last year marked the 50th anniversary of our very first sports association, founded by the staff of Commerz- und Disconto-Bank, as it then was, in Hamburg in 1954. Today, around 6,000 employees in 130 towns and cities take part in more than 30 different sports. Their activities are funded by the sportsmen and women themselves and the Bank.



Staff turnover, according to reason for leaving
in percent



Outplacement – out of crisis comes opportunity

Outplacement advice and support is designed to help employees whose jobs have become obsolete as a result of restructuring and who cannot be found alternative employment within the company. In total, 470 employees have taken advantage of this service – which forms part of the Bank's redundancy scheme – to help them find a new job or change career.

The need to cut costs made downsizing, in particular, a necessity. Working with an external service provider, Commerzbank developed an outplacement concept based on an initial week-long seminar followed by individual support over a period of three months. The aim was to provide employees with extensive training aimed at helping them embark on the next phase in their career, be it moving on to pastures new or starting up their own business.

The fact that 72% of those who received outplacement advice went on to find a new job in the course of the programme – in some cases, taking an entirely new direction – is a testament to the success of this concept.

The modern Commerzbank company pension scheme

As of January 2005, new pension arrangements came into effect for all Commerzbank employees. Staff who joined the Bank on or before 31 December 2004 are covered by the company pension scheme, whilst anyone joining from 1 January 2005 onwards will be covered by a unit-linked capital plan. These new contribution-based arrangements should ensure greater transparency when it comes to calculating the employee's future pension entitlement.

In the past, pension entitlement was largely calculated on a final salary basis. Now, a more modern, modular approach is used. Under this new system, each year a fixed percentage of the employee's annual salary is converted into a pension module and paid into a retirement savings account. By adding up these annual modules, one can calculate the employee's pension entitlement. Thus, the new system offers greater transparency in terms of both the pension entitlement and the capital component. Thanks to a simple account statement, employees always know exactly how much is in their pension fund at any given time. With the help of an online pension calculator, available on the intranet, members of the Commerzbank company pension scheme can project how much their pension will be worth when they reach 65.

By entering details of their expected entitlement from the basic state pension and the industry scheme – the "Bankenversicherungsverein" or BVV, the largest German pension scheme for companies in the financial services sector – employees can get an overview of their total pension from these three sources. This should give them a clearer idea of whether or not they need to take out an additional personal pension. Both the company pension scheme and the capital plan are funded entirely by the Bank and are available to all employees, in addition to the basic state pension and BVV industry scheme.

Uwe Tschäge, Chairman of the Full Works Council

“Corporate responsibility is a difficult subject for Works Councils because the extent to which they are able to get involved in the corporate decision-making process is pretty limited. They only have a say over the implementation and implications. Time and again of late, this situation has meant that it has taken a huge amount of effort on the part of Commerzbank, as the employer, and the Works Council to find solutions. So far, we have always been able to reach a consensus; though not to everyone’s complete satisfaction, unfortunately. In these difficult economic times – with the resultant job losses, restructuring and pay cuts – things are not getting any easier for Works Councils. With little sign of change on the economic front any time soon, we take the view that it is up to the Bank to show the staff the bright future and opportunities that await them and, in so doing, re-establish and strengthen confidence in Commerzbank.”



Uwe Tschäge

The Works Council

It is vital to the success of a company that the employees’ representatives and management work together constructively and responsibly.

Throughout Germany, Works Council members, representatives of senior employees, spokesmen and women for the disabled and youth delegates are all actively engaged in representing employees in their locality. As such, they have a vital role to play in balancing the economic interests of the Bank and the many and varied interests of the employees.

The members of the Full Works Council represent the employees at the level of the Bank as a whole, working as a plenary body and in seven committees. Under the terms of the German Labour-Management Relations Act, there are various ways in which they can influence events within the company.

The right of consultation, for instance, gives the Works Council the right to express its opinion, though the employer is not obliged to take that opinion into consideration. In the case of the right of veto, however, the employer must obtain the consent of the Works Council. The right of initiative, meanwhile, allows the Works Council to request – and, in some cases, insist upon – certain formal operating agreements. If agreement cannot be reached, there is the option to enlist the services of an independent mediator, whose job it is to arbitrate in the matter and impose a settlement.

First and foremost, the various Commerzbank committees serve as forums for dialogue, whose purpose is to strike a balance between the interests of all concerned.



| society | REALISING IDEALS

Donations

Breakdown of how the money donated has been spent so far

Recipients:

- Residential training centre for skilled textile workers; providing 300 young people from Aceh in Indonesia with a means of supporting themselves € 100,000
- Improving the living conditions of around 100 orphans in Aceh, Indonesia € 100,000
- The construction of 80 homes in India € 108,000
- The reconstruction of a maternity clinic in Galle, Sri Lanka € 50,000
- The reconstruction of nursery schools and vocational training facilities in Aceh, Indonesia € 95,000
- Reconstruction of 30 schools in Nias, Indonesia € 250,000

as at September 2005

A joint effort to help the victims of the Asian tsunami

The devastating tsunami that struck parts of Asia on Boxing Day 2004 was one of the greatest natural disasters in human history. The exact death toll may never be known, but as many as 300,000 people are estimated to have lost their lives and tens of thousands more have been left with no means of supporting themselves.

In the wake of the devastating events in Indonesia, the clients and staff of Commerzbank donated approximately € 440,000 for sustainable reconstruction in the region, with the Bank itself contributing a further € 500,000. In order to ensure that the money was used wisely, the Bank worked with its representatives on the ground to examine a series of project proposals.

On the island of Java, Commerzbank is providing support for a six-month vocational programme run by the German Garment Training Center (GGTC), dedicated to producing skilled staff for the textile industry. Thanks to this programme, 50 young people from the province of Aceh whose families lost their livelihoods – and, in many cases, their lives – as a result of the tsunami now have the chance of a future once more. The money donated was used to help build a new accommodation block for 50 students, named the Commerzbank Dormitory. Enough money was also raised to pay for the training of some 250 young people in total over the next two-and-a-half years. To date, this inspirational project has received funding to the tune of € 100,000. In collaboration with the humanitarian aid agency Mercy Relief, the Muhammadiyah orphanage for girls in Meulaboh is being rebuilt. This was one of the worst-hit towns in Aceh, with around 80% of the buildings destroyed, including both the orphanages. This project, too, has received € 100,000 for this vital reconstruction work.

In order to ensure transparency with regard to how donations are allocated, the funds in question have been placed in a trust account with the Commerzbank Group company P.T. Bank Finconesia.

Sponsorship

Sport keeps you fit and volunteers help make it possible

To mark its 50th anniversary in 2000, the German Sports Federation teamed up with Commerzbank in a joint initiative to promote the role of volunteers in sport. Under the motto “Thanks to all the volunteers in sport”, the aim of the initiative is to raise awareness of the hard work and dedication of the voluntary officials, coaches and others who make such a valuable contribution to the society in which we live. It is hoped that it will ensure greater recognition of the work of volunteers and encourage more people to get involved.

One of the cornerstones of the initiative – which does not come under the heading of sport sponsorship, but is a long-term social commitment on the part of Commerzbank – is the website www.ehrenamt-im-sport.de. Here you will find details – currently in German only – of other key elements of the initiative, including the annual Volunteer’s Prize and the Jury’s award. A further part of the initiative is the distribution of the annual “thank-you package”, benefitting around 30,000 sports clubs and associations each year.

The Teachers’ InfoClub

The Teachers’ InfoClub is a free, online resource set up by Commerzbank to provide teachers and other educationalists with up-to-date, practical teaching resources on subjects such as business and the economy, money and finance, banking and the stock market for use in secondary schools, colleges and universities.

Once they have registered on the website, teachers can access all sorts of material, including information packs on a wide range of economic and banking-specific topics such as alternative financing options and loan approval criteria. The site also contains a host of information aimed at giving young people a good grounding in financial matters. By providing a downloadable budget planner, Commerzbank aims to introduce young people to the basics of money management in a way that is specifically geared to their needs, with a few tips and tricks thrown in along the way. There are also various industry reports – on the retail and consumer electronics industries, for instance – for downloading, too.

“Schools on the Move”

Under the slogan “Schools on the Move”, Commerzbank – in conjunction with three other companies and the Culture Ministries of Bavaria, Baden-Württemberg, Hesse and North Rhine-Westphalia – has been running a national competition for schools for the last five years.



Volunteer’s Prize 2004 award ceremony.



The "Schools on the move" prize-giving ceremony in Frankfurt am Main.

The aim of the competition is to get schoolchildren in grades 7 to 10 and their teachers from across Germany to come up with innovative projects and follow them through – from initial concept to realisation. In this way, they get to practise valuable skills, such as project-based teamwork, which are becoming increasingly important in modern working life. The competition is also designed to foster links between schools, business and finance.

In 2005, Commerzbank was responsible for organising the closing event, at which the best projects were showcased before a large audience and the prizes awarded to the worthy winners. Commerzbank is proud to be associated with "Schools on the Move", which is a testament to our commitment to meeting the socio-political challenge of promoting new and exciting ways of teaching and learning. To this end, we contribute € 25,000 to this worthwhile cause each year.

The environmental internship



The environmental internship was established in 1990 in conjunction with EUROPARC Germany – the umbrella organisation for Germany's major conservation areas. The programme offers students from all disciplines the opportunity to spend three to six months working in one of Germany's national parks, areas of outstanding natural beauty or biosphere reserves, getting to know the kind of conservation and education work that is done there.

Since the programme was first launched 16 years ago, some 7,500 students have applied for a place and 950 have been selected. Thanks to their hard work and dedication, a great many projects of huge importance to Germany's conservation areas – from nature trails to training materials, school environmental awareness days or weeks, and special publicity campaigns – have come to fruition.

The country's conservation areas benefit enormously from the energy, enthusiasm and wealth of ideas that the interns bring to the programme. For their part, the interns are able to gain valuable experience and get a much clearer idea of their own future career path. This project has been – and remains – a resounding success, as recognised by the Sponsorship Association for Germany and Switzerland, which awarded it the prestigious International Sponsoring Award 2000.



www.europarc-deutschland.de/pagese

Business "Knowledge Manager of the Year" Award

For more and more businesses, integrated knowledge management is becoming increasingly vital to their survival in a fiercely competitive market environment.

In today's knowledge society – with ever more ways of gathering, correlating and using information – it is becoming increasingly difficult to control the flood of data and derive any meaningful knowledge from it. For this reason, easy, reliable access to knowledge has become one of the key determinants of success in the cut-throat global marketplace. The huge importance of knowledge as a resource places additional demands on the business community.

Knowledge management may be the subject of vigorous debate in many companies, but it is rarely implemented in a comprehensive manner. Tapping into the reservoir of knowledge that is in employees' heads and making it available to others in a useful way is an enormous challenge for every company and its management. That is why Commerzbank – in conjunction with the business journal "impulse" and the Financial Times Germany – has set up an initiative to recognise and reward ideas of particular merit.

**wissens
manager**
DES JAHRES



"Knowledge Manager of the Year" 2005 prize-giving ceremony.

For the past three years, the co-founders have been honouring the pioneering businessmen and women who have grasped the vital importance of knowledge management to the success of their companies and their ability to face whatever the future may hold. In recognition of their exemplary work in the field of integrated knowledge management, these inspirational men and women are presented with the "Knowledge Manager of the Year" award for business.

The recipients of this prestigious accolade are decided by a panel of judges comprising business leaders, eminent academics and representatives of various organisations under the auspices of the Federal Ministry of Economics and Labour. The prize money of € 30,000 is intended to support and promote academic projects in the field of knowledge management.

50 years of SOS Children's Villages Germany

Founded on February 8, 1955, SOS Children's Villages Germany ("SOS-Kinderdorf e.V. Deutschland") can look back with pride on 50 years of providing a stable home and security for children who – for whatever reason – are unable to grow up in their own family. In Germany alone, the association provides help and support for more than 21,000 children, teenagers and young adults, offering them a much-needed social fabric and real hope for the future.



Together, Commerzbank and the Commerzbank Foundation have been patrons of this worthwhile cause for more than 25 years, through regular donations and branch-based support for local Children's Villages.

Commerzbank is proud to be actively associated with SOS Children's Villages Germany in this, its anniversary year. The anniversary is being widely publicised and clients and staff alike are being asked to participate in the nationwide campaign to mark this special occasion. Here at Commerzbank, we have been doing our bit in various ways. One of the highlights for us was the 2005 JPMorgan Chase Corporate Challenge in June, in which 1,166 Commerzbank employees ran on behalf of SOS Children's Villages, all of them sporting t-shirts emblazoned with the charity's logo.



The society in which we live naturally has certain expectations of Commerzbank as a business; but it also demands that we meet certain standards in terms of social responsibility. This is something that we take very seriously indeed and we are firmly committed to sustained investment in the advancement of the common good. One of the cornerstones of this commitment is the Commerzbank Foundation.

In addition to the examples presented, we have also supported other initiatives and institutions over the years such as:

- Aktionsgruppe Kinder in Not e.V. (Children in Need action group) in Windhagen, Germany
- The Alois Alzheimer Prize at the Johann Wolfgang Goethe University, in Frankfurt am Main, Germany
- Deutsche Blindenstudienanstalt e.V. (self-help for the blind) in Marburg, Germany
- The German Foundation of Musical Life in Hamburg, Germany
- Kunsthalle in Emden (art gallery), Germany
- The doctoral prize for outstanding young scientists at the Georg-August University in Göttingen, Germany
- Stiftung Hoher Dom zu Mainz (Mainz cathedral foundation) in Mainz, Germany

The Commerzbank Foundation

The Commerzbank Foundation was established in 1970 to mark the Bank's centenary, with endowment capital of DM 5 million. Over the past three decades, the foundation capital has been increased to € 30 million. Since the Foundation was first established, it has distributed around € 15.5 million, with all proceeds going direct to the various good causes without any deductions whatsoever.

According to its statutes, the Commerzbank Foundation is free to fund activities of a non-profit-making nature in any field. In the 35 years that it has been operating, the Foundation has focused primarily on the following key areas:

- The promotion of higher education
- The advancement of science and research
- Education, development and vocational training
- Charitable organisations
- The advancement of culture
- Architectural conservation and environmental protection

In 2004, the Commerzbank Foundation provided funding to the value of € 1.3 million. That funding was divided up as follows:

	Breakdown of funding in 2004	Total funding since 1970
Higher education	40%	For education & science combined: € 7.5 million
Research institutions	21%	
Culture	17%	€ 3.6 million
Architectural conservation & environmental protection	11%	€ 1.7 million
Churches, charitable causes & healthcare	8%	€ 2.7 million

Examples of projects funded by the Foundation:

Science and research

The Endowment Association for German Research

Commerzbank has been providing financial support for the Endowment Association for German Research ("Stifterverband für die Deutsche Wissenschaft e.V.") – the most important business organisation of its kind for the advancement of research and scholarship in Germany – since 1949: in all, around € 6 million to date. The Commerzbank Foundation has long been involved with the Association, donating in the region of € 150,000 a year for initiatives in the field of higher education through this channel. The Commerzbank Foundation also funds endowment professorships at various institutions such as the International University of Bremen, the Bucerius Law School Hamburg and the Institute of Law and Finance (ILF) at the Johann Wolfgang Goethe University in Frankfurt am Main.



The Young Academy

The Young Academy was co-founded by two of Germany's oldest and most prestigious academic institutions, namely the Berlin-Brandenburg Academy of Sciences and Humanities and the German Academy of Natural Scientists Leopoldina. The object of the initiative is to provide support for up to 50 of the most gifted young German scientists and scholars at the highest international level. The Young Academy gives up-and-coming scientists and scholars the freedom to design and conduct their own research, thus enabling them to work independently and on an interdisciplinary basis. In that spirit, the Commerzbank Foundation is proud to provide € 9,000 in prize money for the Academy's annual Prize Question.

Charitable organisations

The Christian Association of Youth Villages

The Christian Association of Youth Villages ("Christliches Jugenddorfwerk Deutschlands e.V.") is a German youth, education and social work charity dedicated to providing training, advice and support for young people and adults in all sorts of circumstances. A team of 8,000 dedicated staff in more than 150 locations across Germany help almost 100,000 people each year. As part of this valuable work, the Commerzbank Foundation recently provided funding for a rehabilitation centre for young asthmatics and an integrated day nursery for gifted children, children from inner-city areas and children with disabilities. The Commerzbank Foundation has been supporting the Christian Association of Youth Villages since 1973, providing a total of € 350,000 to date.



The Christian Association of Youth Villages' Christophorusschule has been educating gifted children in Brunswick since 1977 under the motto: "Not the same for all, but for each the best".

Culture

The German Youth Philharmonic Orchestra

The German Youth Philharmonic Orchestra ("Junge Deutsche Philharmonie e.V."), based in Frankfurt am Main, is one of the most established ensembles in the German and international music world, drawn from the cream of Germany's music academies. Our support for the German Youth Philharmonic Orchestra dates back to 1994. The Commerzbank Foundation – in co-operation with the Friends of the Old Opera House – also sponsors the orchestra's various concerts.

The Bach Archive and St. Thomas's Boys' Choir, Leipzig

The Bach Archive in Leipzig is widely recognised as the leading international research and editing facility for the collected works of Johann Sebastian Bach. As well as researching the life and work of J.S. Bach and his family and running the Bach Museum, since 1950 the Bach Archive has hosted the International J.S. Bach Competition – one of the highlights of the international music calendar for young musicians aged 16 to 34. Around 20% of the annual budget has to be found from new sources each year and in 2005 the main concert of the Bach Festival in Leipzig was sponsored by the Commerzbank Foundation. With a history spanning 790 years, the St. Thomas's Boys' Choir



Petra Roth, Mayor of Frankfurt am Main



Petra Roth

„Commerzbank – with its wide-ranging activities in all areas of society – has a high-profile presence in Frankfurt am Main. Indeed, its acquisition of the naming rights to the Commerzbank Arena, as it is now known, is a very clear indication of the firm’s special links with the city, which is home to its head office. Another case in point is the Commerzbank Foundation, which supports vocational training in higher education through its funding for a six-year guest professorship at the Institute of Law and Finance at Frankfurt’s Goethe University. These two examples clearly illustrate that – through its community involvement – Commerzbank is looking to the long term in Frankfurt and is here to stay. For that, I should like to thank Commerzbank and, in particular, the Chairman of the Board, Klaus-Peter Müller.“



Martin Stadtfeld plays Bach.

is Leipzig’s oldest cultural institution. The choir – comprising around 100 or so boys aged between 10 to 18 – is primarily dedicated to the works of Johann Sebastian Bach. The choirboys receive their board and education entirely free of charge – at a substantial cost to the local authority in Leipzig. Since 1992, however, the Commerzbank Foundation has been proud to support the St. Thomas’s Boys’ Choir, helping to secure the future of this prestigious school and ensure that it maintains the high standards for which it is renowned. From the outset, a large proportion of that financial support went on renovating and equipping the boarding school, and that is still the case today. However, we have also helped to pay for the restoration of some of the historic books and manuscripts in the school library. Thanks to this support for both the Bach Archive Leipzig and the St. Thomas’s Boys’ Choir, the Commerzbank Foundation is now one of the major benefactors in this most important area of Leipzig’s cultural heritage, donating a total of € 460,000 since 1992.

The Literacy Foundation

The OECD Programme for International Student Assessment (PISA) is not alone in finding that interest in reading and standards of literacy in general are on the decline amongst children and young people. Long before the topic hit the headlines, however, the Literacy Foundation was campaigning tirelessly to promote literacy in Germany. Since 1988, the foundation has been engaged in devising systematic strategies to that end, building up a network of project partners, rallying support for the cause and consulting with movers and shakers from the voluntary sector and various agencies. Today, the Foundation is Germany’s leading authority on literacy and the educational theory surrounding it. In conjunction with the Commerzbank Foundation, the Literacy Foundation came up with the idea for the national The Best prize to promote literacy as part of World Book Day. The last time the competition was held, it attracted well over a hundred entries – a testament to the enthusiasm and inspiration of individuals and organisations throughout Germany. Since 1994, the Literacy Foundation has received around € 220,000 from the Commerzbank Foundation.

Architectural conservation

The German Foundation for Monument Protection

Established in 1985, the German Foundation for Monument Protection has more than 140,000 regular supporters. The Commerzbank Foundation has been a supporting member since 1987. In 1999, a “drawing fund” was set up to provide support for specific initiatives in accordance with the provisions of the Commerzbank Foundation and as voted for by the German Foundation for Monument Protection. In most cases, the German Foundation for Monument Protection will top up whatever the Commerzbank foundation donates – around € 300,000 in total to date. That money has helped to fund numerous worthwhile projects, including the restoration of the Possen Tower in Sondershausen, Thüringen – at 45 meters high, Europe’s tallest half-timber tower – which was continued in 2002 and completed in 2004.



The Commerzbank Think-Tank – promoting basic financial awareness

In the early part of 2003, Commerzbank launched a new initiative – the Commerzbank Think-Tank. Its aim is to provide independent experts from the academic world, business and society with a forum in which to address specific issues of relevance to the future of our society and formulate ideas, strategies and solutions. The goal is for the experts to analyse the various topics from different perspectives, devise solutions to any problems they may identify, and draw up a plan of action.

In the dark when it comes to money matters

In the summer of 2003, the Commerzbank Think-Tank commissioned NFO Infratest to look into basic financial awareness in Germany. In the subsequent poll, a representative sample of more than 1,000 people aged between 18 and 65 were asked about their knowledge of funds transfers, loans, personal pensions and investments. The results made sobering reading: when it comes to personal finance, many Germans have serious gaps in their knowledge.

The current focus of attention for the Commerzbank Think-Tank is basic financial awareness.

Commerzbank – promoting transparency

This basic lack of financial awareness is detrimental to the individual, the economy and the development of the financial services market. Accordingly, the Commerzbank Think-Tank has set itself the task of

- Drawing public attention to the problem
- Persuading political and social decision-makers to take action and
- Promoting basic financial awareness in Germany.

/ the key tenets of basic financial awareness | THE COMMERZBANK THINK-TANK

COMMERZBANK 



Next step: studies and guidelines

In response to the findings of the NFO research, the Commerzbank Think-Tank has so far launched two follow-up projects:

1. A study entitled "The Psychology of Money" by Sinus Sociovision, under the direction of sociologist Professor Stefan Hradil – the first of its kind, looking into Germans' attitudes to personal finance and behavioural patterns.
2. The "Key Tenets of Basic Financial Awareness", designed to set out for the first time the essential financial knowledge that everyone should possess, with a view to promoting financial literacy and financial survival skills across the board.

Remedying the knowledge deficit

In response to calls by the Think-Tank to implement the "Key Tenets of Basic Financial Awareness" in a manner appropriate to the relevant target groups, Commerzbank initiated and funded three separate projects in 2004:

1. The development of teaching materials in co-operation with the State of Baden-Württemberg and Commerzbank Stuttgart.
2. Help and support for a Berlin-based debt counselling service in designing workshops for young people.
3. The design of a budget planner for young people and a corresponding teaching module for use in schools, both of which are available for downloading via the Commerzbank Teachers' InfoClub.

At Commerzbank, we understand that only well-informed clients are in a position to recognise the financial opportunities available to them and make the most of those opportunities. Personal financial planning is becoming ever more important and has a huge bearing on the way we each map out our lives.

A visual voyage of discovery: art exhibitions at Commerzbank

The Commerzbank Tower – a showcase for art

Each year, four artists are given the opportunity to exhibit their work to the public – and the numerous employees who pass by each day – in the Commerzbank Plaza.

The Plaza, on the ground floor of the Commerzbank Tower in Frankfurt am Main, is light and airy, making it the perfect space for the artists selected to exhibit their work and see what response it evokes amongst a wide audience. The regularly changing exhibitions also make interesting and inspiring viewing for the Bank's staff as they come and go.

In keeping with our slogan **/ ideas ahead /** we have made it our mission to be open to new things and ensure that they have a place in the corporate environment. By learning from others, developing and disseminating new ideas through the visual medium – with a programme of exhibitions in which others are able to display their talent and share their experiences with us – Commerzbank gives expression to that philosophy in its corporate ethos.

Birgit Greger, Regional branch manager, Commerzbank Magdeburg

“When it comes to corporate responsibility, there are two things that really count: honesty vis-à-vis clients and targeted support for projects of social relevance. For banks, a good, long-term partnership with their clients and with social stakeholders is vital. So I think it’s only right and proper that we should all live up to our responsibilities and be seen to be contributing to society. That’s why I am actively involved in a wide variety of projects in my area in close collaboration with the Commerzbank Foundation.

Personally, I feel it’s very important that I do my bit to ensure the advancement of Commerzbank in the Magdeburg area and the city itself.”



Birgit Greger

Travelling exhibitions tour the Commerzbank branches

It is enormously important to us that we share experience and knowledge with our clients and all our stakeholders. To that end, Commerzbank has established a travelling exhibition programme, which can be seen at our various branches.

The interactive nature of the exhibitions is designed to give schoolchildren, students and adults of all ages an insight into a whole range of topics. The exhibition entitled “Of Bulls and Bears”, for instance, looks at the 200-year history of Wall Street and the basis of the stock market. Visitors to the exhibition get a glimpse into the working life of a broker and learn about the vagaries of the stock market in a light-hearted way.



Joining forces for the future of society

Another key element of our commitment in this area is the support of organisations dedicated to education and culture, science and business, the environment and social affairs. Underpinning this is our desire to foster economic and cultural links across national boundaries. Commerzbank is actively involved in more than 50 national and international clubs, associations and other organisations, carefully selected on the basis of their sustainability credentials in the following fields:

- The advancement of education, knowledge transfer and innovation
- The advancement of cultural exchange and mutual understanding
- The advancement of environmentally friendly, socially responsible development.

The following table illustrates a cross-section of the numerous organisations of which Commerzbank is a member:

Organisation	Purpose, as set out in the statutes
Science	
Max-Planck-Gesellschaft e.V. Munich	An independent, non-profit organisation for the advancement of science that primarily supports and promotes research at its own institutes.
Mafinex e.V. Mannheim	The advancement of science and research through the discovery and development of technological innovations and support for innovative business start-ups.
Business	
Afrika-Verein e.V. Hamburg	To foster closer business links between Germany and Africa. The aim of the organisation is to provide information about the countries of Africa and its markets, establish relations and represent the interests of its members, at home and abroad.
Institut der deutschen Wirtschaft e.V. Cologne	Research in the service of the social market economy, in particular the analysis of interrelated economic factors and the identification of trends. The results of this research are used for public information purposes and in the provision of advice for business and other organisations.
The Committee on Eastern European Economic Relations Berlin	To strengthen and develop economic ties to the countries of Central and Eastern Europe; to promote German companies' involvement in trade, industry, investment and the service sector in the target countries.
Wirtschaftliche Gesellschaft für Westfalen und Lippe e.V. Münster	The promotion of Westphalia as a business location, working to break down barriers between parties, professions and businesses.
Technology	
Technologie Forum Paderborn e.V. Paderborn	To foster dialogue between all sections of society in respect of technology and the issues of the future. To raise awareness of the role of technology in the progress of society.
Social	
Taten statt Worte e.V. ("Deeds Not Words") Hamburg	The advancement of equal opportunities for women and men in business in Germany. Helping German businesses to put equal opportunities into practice.
Carl Duisberg Gesellschaft e.V. Cologne	The advancement of personal and professional development for specialist a managerial staff – in particular the key staff of the future – primarily through international exchange programmes.
Society	
Carl Schurz Gesellschaft e.V. Bremen	To foster cultural and interpersonal relations between Germany and the United States.
Der Club zu Bremen e.V. Bremen	The advancement of international cooperation in all spheres; the promotion of tolerance in all areas of business, culture and politics.
Culture	
Deutsch-Russisches Forum e.V. Berlin	To foster bilateral relations between Russia and Germany at the political, economic and cultural level for the benefit of both countries.
The environment	
Bundesdeutscher Arbeitskreis für Umweltbewusstes Management e.V. (B.A.U.M.) Hamburg	To provide advice and support for members in respect of corporate environmental management, sustainable development and associated issues, with the emphasis on services of a practical nature.
Bundesverband WindEnergie e.V. Osnabrück	To raise awareness of wind power and other sources of renewable energy with the aim of promoting their sustainable use.

Glossary

Basel II

Basel II refers to the New Basel Capital Accord or Revised Basel Capital Framework, which sets out the capital adequacy requirements for financial institutions. The process began with the presentation of a consultation paper by the Basel Committee on Banking Supervision back in June 1999. The aim of Basel II is to increase the stability of the international financial system by improving risk measurement and management in lending operations and ensuring that financial institutions adopt a more risk-sensitive approach to capital adequacy. Essentially, what this means is that the higher the risk on their loan portfolio, the higher the minimum level of capital that financial institutions should be required to hold.

Benchmarking

The comparison of the performance of different companies by means of prescribed criteria. In each case, the "best in class" sets the standard – or benchmark – for all the other companies.

Code of conduct

A code of conduct is a set of rules and regulations, guidelines and management principles governing the way in which the employees of a company are expected to behave. It encapsulates a company's core values, which should form part of the fabric of its day-to-day activities. In other words, a code of conduct lays down the required standard of behaviour for the company as a whole.

Compliance

Compliance – as the name suggests – refers to the systems and procedures within a company to ensure that it is in compliance with the applicable guidelines and statutory requirements. Most companies will have a dedicated Compliance unit for this purpose, responsible for checking that they are adhering to the relevant German and international regulations and legislation in respect of insider trading and money laundering, for instance.

Corporate citizenship

Corporate citizenship is the term used to describe the relationship between a company and its (local) environment. It covers the philanthropic activities of a company and its employees, as well as sponsorship, which is of mutual benefit.

Corporate governance

Corporate governance sets out the framework for the transparent management and monitoring of a company. The recommendations of the German Corporate Governance Code serve to create transparency and underpin confidence that a company is being

managed in a responsible manner. In particular, they afford protection to the shareholders of a company.

Corporate responsibility

Corporate responsibility describes the extent to which a firm is aware of – and lives up to – its responsibilities in those areas where its activities have an impact on society, the employees of that firm, the environment and the business landscape. In other words, corporate responsibility embodies a corporate philosophy based on transparency, ethical behaviour and respect for the various stakeholders. It is an umbrella term, encompassing sustainability, corporate governance and corporate citizenship.

Corporate responsibility rating

This is a means of assessing a company's corporate responsibility credentials and evaluating its performance in this respect. Corporate responsibility ratings serve as the basis for sustainability indices, which rank companies according to social, ecological and environmental criteria.

Corporate social responsibility

Corporate social responsibility covers all a company's activities and programmes designed to better preserve and protect the society in which we live for future generations, in the context of sustainable development. It is a key element of corporate responsibility.

Diversity

Diversity is all about recognising and embracing the differences that make us what we are – be it our gender, ethnic origin, race, language, religious and cultural values, age, family circumstances, social status, sexual preferences, abilities or disabilities.

Due diligence

Due diligence describes the meticulous investigation of a company's financial and economic situation, planning and other criteria by external experts (generally a bank, legal advisor or firm of auditors). In the case of a forthcoming stock market flotation or capital increase, a due diligence investigation must be carried out before the issue package can be produced.

Equator Principles

The Equator Principles provide a framework for financial institutions to manage environmental and social issues in project financing. Drawn up by the International Finance Corporation (IFC), a member of the World Bank Group, they comprise 15 criteria applicable to all project finance loans of \$ 50 million or above.

Export finance

A form of financing, providing companies with delivery-linked finance for the export of capital goods. German exports are covered against particular risks by the so-called Hermes guarantee, in the framework of the Official Export Guarantee Scheme of the Federal Republic of Germany.

Facility management

The term facility management describes the planning, administration and management of buildings, equipment and facilities. Sustainable facility management is specifically concerned with the careful use of resources such as water and energy.

Global Compact

The Global Compact is an initiative of UN Secretary-General Kofi Annan. Companies that sign up to the Global Compact undertake to advance ten universal principles in the areas of human rights, labour, the environment and anti-corruption.

Global Reporting Initiative (GRI)

The Global Reporting Initiative is a multi-stakeholder process and independent institution, whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.

Hermes guarantee

The Hermes guarantee – or Hermes cover, as it is sometimes also known – is one of the core products of the credit insurance company Euler Hermes Kreditversicherungs-AG. Hermes guarantees are export credit guarantees administered on behalf of the German government, offering German exporters protection against political or economic risk in the course of their international transactions.

International Labour Organization (ILO)

Founded in 1919 and based in Geneva, the International Labour Organization has been a specialised agency of the United Nations since 1946. Its mission is to formulate international labour standards in the form of conventions and recommendations for its members, setting minimum standards of basic labour rights.

Non-governmental organisations (NGOs)

An NGO is a non-profit making institution, independent of government. Examples include environmental organisations, trade unions and human rights organisations such as the WWF, Greenpeace and the ATTAC movement.

Organisation for Economic Co-operation and Development (OECD)

The OECD is an international organisation, comprising 30 industrialised nations from North America and Europe, Australia, Japan, Korea and New Zealand. As the name suggests, the main purpose of the OECD is to promote closer economic co-operation between the member countries, collaboration in terms of their development activities and the co-ordination of economic policy. The OECD also addresses issues such as education, employment and environmental protection.

Philanthropy

Philanthropy – in the context of corporate citizenship – refers to a commitment to good causes of a social nature, with no strings attached and nothing expected in return.

Project finance

A form of financing, whereby the interest and capital are repaid largely or solely from the proceeds of the investment project in question. In particular, this method of financing is commonly used to fund the extraction of major deposits of commodities, infrastructure and power generation projects, and the construction of telecommunications networks.

Reputation

Reputation is generally understood to mean the sum total of all the views and perceptions of a business, and the esteem in which it is held by its stakeholders in terms of its products, services and people. Reputation is a measure of how well a company serves the purpose for which it was created and the extent to which it takes account of social values and standards.

Sustainability

Sustainability is a holistic concept, based on an ecologically compatible, socially just and economically effective approach to development. That means using resources carefully, responsibly and efficiently – with a view to the here and now and generations to come.

United Nations Environment Programme Finance Initiative (UNEP FI)

Under the auspices of the United Nations Environment Programme (UNEP), a number of individual working groups have been set up for specific sectors of the economy. The working group for the financial sector goes by the name of the UNEP Finance Initiative. The UNEP FI works closely with financial institutions, providing research services and knowledge-sharing through a global network of contacts.

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Key

* See explanatory notes
n/a not applicable
CP: cover pages
AR: Annual Report
HRR: Human Resources Report

Note:

The criteria listed here represent a summary of the criteria set out in the Global Reporting Initiative (GRI). For a full description of the criteria and the corresponding indicators, see www.globalreporting.org.

The pilot version of the Financial Services Sector Supplement – governing environmental performance in the financial services industry – came into effect in March 2005. After much deliberation, it was decided not to include the specific criteria set out in the Supplement on this occasion, ahead of the formulation and adoption of the planned CR strategy. They will, however, be included in the next Corporate Responsibility Report.

Explanatory notes on the GRI indicators

- 2.18 With the exception of the GRI criteria, no specific criteria were applied
- 3.16 The current code of conduct contains policy guidelines
- 3.20 There is no certified EMS, since corporate environmental management is covered by Facility Management
- EC5 Total payroll and fringe benefits: €1,966m in 2004
- EC9 Commerzbank receives no state subsidies of any kind
- EN5 Frankfurt-based operations only
- EN6 As a financial services provider, Commerzbank AG does not have any premises in biodiversity-rich habitats
- EN16 There were no such fines during the period under review
- LA3 57% of the workforce are employed on the basis of a collective bargaining agreement and represented by the Workers' Council
- LA8 Given that the vast majority of Commerzbank employees are based in Germany, meaning that only a very small number are affected by HIV or AIDS, there is no need for a specific, internal strategy in this respect
- LA9 On average, each employee received 1.8 days of seminar-based training in 2004
- HR3 The current code of conduct contains relevant policies and procedures
- HR5 All employees of Commerzbank have the right to freedom of association
- SO1 A relevant management system is currently being planned
- SO3 There are no policies or guidelines in this respect
- PR4 There were no such fines during the period under review
- PR5 There were no instances of this kind during the period under review
- PR7 There were no instances of this kind during the period under review
- PR9 There are no in-house policies or management systems in this respect; Commerzbank adheres to the recommendations of the German Advertising Standards Authority
- PR10 There were no such fines during the period under review

Sector-Specific Supplements (Social Performance Indicators)

- INT3 A staff survey was conducted in 2005, but the findings were not available at the time this Report went to press
- SUP1 The current code of conduct contains relevant policies and procedures
- SUP2 No survey has yet been conducted
- RB3 Not quantified

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