

**Corporate Responsibility Magazine 2015** 

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"Any bank that wants to do business responsibly cannot help but ask itself a few tough questions."

Martin Blessing, Chairman of the Board of Managing Directors

Ladies and gentlemen,

Even in this, the seventh year since the outbreak of the financial and economic crisis in Europe, the public opinion of banks remains one of wariness. However, those who engage in wholesale criticism of the industry fail to notice the many changes, both great and small, that have been apparent for some time now - the greater stability of the bank's financial basis, our measurably greater customer satisfaction or the ongoing development of a more robust compliance system. It almost goes without saying that every bank has to decide for itself what it sees as its responsibility and how it acts on this vision. Here at Commerzbank, we have defined the values of fairness and competence as the core of our positioning - and we mean both in an all-encompassing sense: fairness towards our customers and employees, towards third parties who are affected by our business activities, and towards nature, which we seek to help preserve for future generations; and competence as the foundation for the quality of our advisory services and our judgement.

In this magazine – a supplement to our online sustainability reporting – we would like to give you a stimulating and vivid impression of what corporate responsibility truly means in our day-to-day work. While we will not try to avoid difficult subjects, we would also like to report on some examples of where we have been successful. We have achieved a great deal, and I believe we can be proud of our accomplishments.

Still, any bank that wants to do business responsibly cannot help but ask itself a few tough questions. How much sustainability can we afford if it also means passing up business opportunities? How could legal violations leading to stiff fines occur when a compliance system is in place? How should we deal with the risks and opportunities resulting from climate change? What do we need to do for our employees and society to be successful in the long term? In short: how sustainable can a bank actually be? And what does it need to get there? Read it for yourself!

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Martin Blessing Chairman of the Board of Managing Directors

## How sustainable can a bank be?

What responsibility do banks have – and where does it end? What should they aim to do – and how much of it can realistically be done? Richard Lips and Christof Gabriel Maetze, heads of divisions at Commerzbank, joined Tommy Piemonte from the sustainability rating agency imug on the search for answers to these questions. This interview is an excerpt of one originally published in our "Commerzbanker" employee magazine.

## What kind of responsibility do banks have when it comes to solving global problems?

TOMMY PIEMONTE: Banks have tremendous responsibility. They are a sustainability "focal point" of sorts for every sector and industry. Banks control the monetary flow. As a result, they have a major influence on the real economy. Although it's essential that banks optimise their own resource efficiency when it comes to things such as energy or paper consumption, for example, the greater leverage lies in their ability to influence the real economy by making sustainability factors an integral part of their business. Making sure sustainability plays a role within their own four walls - in their lending business, in investment banking - allows them to pass on their focus on sustainability to the economy at large. This means that they can have an indirect impact on all sectors of an economic region simply by having an impact on a single one.



RICHARD LIPS (53) is Head of Group Communications. He is in charge of corporate communications and sustainability management activities as well as Commerzbank's Reputational Risk Management department.

### How does that sound to people who work in the banking sector?

**RICHARD LIPS:** Yes, banks bear responsibility, no doubt about it. But there's something that bothers me about the point you're trying to make. You say a bank should only do things that are sustainable and right – and should demand the same from their clients. That's an aspiration you can't live up to in reality. Here at Commerzbank, we do indeed take a close look at the transactions we want to enter into and don't want to enter into. We are facing up to this responsibility. Our Reputational Risk Management department took a critical look at 5,000 individual transactions last year. We decided against some of these transactions. They could be a bond for an energy company that doesn't comply with environmental conditions or financing a nuclear power plant. We ask ourselves whether we want to support a project and whether it is something we can stand by if the papers catch wind of it. However, everybody has to answer these questions for himself. We at Commerzbank may come up with different answers than other banks or our clients.

**PIEMONTE:** But many banks don't take sustainability issues into adequate consideration in their risk analysis. If they did, then some decisions would turn out differently. And sometimes risks of this kind come back to haunt a bank years later.

**CHRISTOF GABRIEL MAETZE:** Bankers have always assessed transactions by weighing opportunities against risks. This has become increasingly complicated in recent years. Along with the purely economic factors, there are a growing number of regulatory requirements to take into account. And now to top it all off – if you put yourself in the shoes of those working in the front office – there's Mr Lips with his Reputational Risk Management department. What I'm trying to say here is that questions of sustainability and ethical or moral responsibility also have the potential to cause conflict within a bank. The struggle to come up with the right positions is a long, drawn-out process.

**PIEMONTE:** I believe you. But that's also because the issues that are hard to monetise often don't end up in the equation. If you sit down and think about the tremendous danger that legal risks



pose today or what can happen if your reputation is damaged, then even people at banks should agree that you simply cannot neglect sustainability aspects.

**MAETZE:** Right, but what does that mean exactly? Look, I'm responsible for our representative offices abroad. We're represented in countries such as Bangladesh and Ethiopia. So for years, I've been professionally involved in dealing with countries that are significantly poorer than Germany. And the longer I do so, the less I tend to think in black and white or believe in easy answers. Travelling to impoverished countries has a healing effect on dogmatic ways of looking at things. Sure, there are a lot of things wrong in Ethiopia and Bangladesh. But I believe in my heart of hearts that we are doing something good there, not just for our clients, but also for the development of these countries.

#### How much initiative on sustainability issues can people actually expect from a bank? After all, a company's main goal is to make money.

LIPS: I think it's normal for systems that work to not really be interested in changing. Companies rarely think about questioning business models that work. That's why critical NGOs fulfil an important function in society. The question for companies is how we deal with this kind of thing. Should we say we don't care and that we're going to keep doing our thing as long as we can? Or should we say, "Hey, they have a point - and that point could one day have an impact on my business, whether I like it or not?" Banks live from the trust of their clients and society. They live from their reputation. Dealing with issues that have the potential to erode this trust is more than just marketing. It affects the foundation of our business model. Once we've understood that, we have to think concretely

about which transactions we enter into or not. For example, we had a long debate over the topic of arms.

**MAETZE:** Oh yes, Germany has a large arms industry.

LIPS: Exactly, Germany is the world's third-largest arms exporter. So the need for financing is correspondingly high. Within the bank, we talked about how we wanted to deal with the issue. Should we do it like so many others and support everything that comes our way? Or should we take a general stance against financing arms? Can we even afford to do so? After all, we are in business to make money. We thought long and hard about this issue. In the end, we decided against business transactions involving controversial weapons and supporting the supply of weapons to crisis-stricken regions. This arms policy has given our front-end colleagues a specific foundation to aid them in making decisions. It took a bit of work to get there and reach an agreement, but now it's a big help for us. Wouldn't you agree, Mr Maetze?

**MAETZE:** Oh yes, quite. Although the hardest part for me and my colleagues came after the internal decision had been made. After all, how do we tell our clients? I seem to recall that explaining to major arms companies what our new business policy would mean for their industry was a rather challenging task. The good news is that none of these companies terminated their business relationship. However, we're only a bank for certain transactions now. It's anyone's guess whether our decision taught the companies in question a lesson. Now, have I understood you right? Do you expect us to talk to our clients about this kind of thing?



CHRISTOF GABRIEL MAETZE (49) is Global Head of Transaction Service and Financial Institutions at Commerzbank. His areas of responsibility include Commerzbank's international representative offices.

**PIEMONTE:** Absolutely, that's what it's all about. Not everything that is legal is also legitimate. If Commerzbank positions itself here, it helps to anchor this values-based decision in the real economy. Allow me to say, if I may, that Commerzbank - despite its arms policy - is still involved in business transactions that could be seen critically. That goes into our rating, too. However, it's also worth noting in any event that things appear to be moving in the right direction. Your reputational risk management is very good. But the way we see it, you still don't stop all critical transactions. You're on the right track, but you're not consistent enough. And there's something else that I think is important. Reputation is not the only reason why it's worth paying attention to sustainability. The issue of sustainability is important for risk management in general and for the profitability of your company. Let me give you an example: major institutional investors continue to buy shares in the banks rated sustainable by imug - but not the other ones. Sustainability also holds opportunities in store, because new products and services are launched on the market. And many employees these days expect their employer to have a sustainable approach.

LIPS: Deciding where to draw the line on individual transactions is like walking a tightrope. Commerzbank finances one-third of Germany's foreign trade. We can't apply the same strict standards as a small alternative bank. You know, ten years ago, when I joined the bank, reputational risk management was essentially just a "fire brigade". First came the transaction, and then, when it hit the papers, we figuratively went to work fighting the fire and tried to get the flames under control. That has changed fundamentally. Today, we start thinking about things early in the game. And we don't only think about how we can avoid damaging our reputation, but also about how we can set ourselves apart from the competition in a positive way and strengthen our reputation as a fair and capable bank. As a result, we're involved in product development in retail banking, for example. A lot has changed. Are we living in a perfect world? No - but we are trying to do our part. From a distance, it's easy to call on people to do things and voice demands, but it's all about baby steps in day-today business. We're going to have to keep coming back time and time again to the questions of what is not only legal, but also legitimate.

**MAETZE:** And it's a good thing we're talking about it. We didn't use to, and others still don't.

**PIEMONTE:** It's always better to be proactive and talk about controversial topics openly. The trend is pointing towards more transparency, and no company will be able to hide its head in the sand forever.

Commerzbank has set itself far-reaching climate targets, yet it continues to finance coalfired power plants. How does that match up? LIPS: Renewable energies alone won't be enough at first. Coal power is a bridging technology, which is why it's not taboo right from the start.

**MAETZE:** After all, it's not as if there was already a detailed plan that spells out what is going to happen in German energy policy over the next 30 or 50 years. Investment decisions can miss the mark when it comes to green tech, too. Just look at these new quick-start gas-fired power plants. The prophets called them the 'next key technology'. But many projects in this field have run out of money in recent times, and their operators have been forced to write them off. Sometimes things that make sense from an environmental-policy perspective turn out not to be profitable.

**LIPS:** A major bank such as ours has to act within the limits of social consensus. And so far, there is no comprehensive agreement as to what the implementation of the energy transition is ultimately going to entail.

**MAETZE:** Sustainability issues will continue to gain importance in our business in the years ahead. That goes for more than just the energy transition. In the Mittelstandsbank segment, we regularly ask our clients what their vision of the ideal bank is. Of the 25 criteria on this list, sustainability is currently the eleventh most important. Ten years ago, it wasn't even on the list.



**TOMMY PIEMONTE** (35) studied economics and has held positions as a business customer advisor and a securities specialist. Today he is responsible for sustainability ratings of bank bonds at imug.

# When are business transactions legitimate and fair?

And how can we spot risks?



## Eye on ESG risks

In addition to their benefits for the economy, major projects in Germany's foreign trade sector, which is strongly influenced by small and medium-sized enterprises (SMEs), can also have a negative impact on the environment and society. The Reputational Risk Management team often faces difficult decisions when weighing opportunities and risks.

Energy for millions – or environmental destruction in emerging economies? The conflict surrounding major energy-supply projects often appears to be reduced to this black-and-white way of looking at things. According to this way of thinking, a power plant or dam is intrinsically unsustainable. After all, projects of this magnitude inevitably have an impact on the environment and the local population. Yet an adequate and stable energy supply is one of the main pillars of an economy. As a result, it is also essential to sustainability. Achieving the goal of sustainable development for all seems impossible without certain unfavourable knock-on effects.

Stefan Roberg has a few tales to tell about this conflict. The 57-year-old Vice President at Commerzbank would prefer to avoid the "knock-on effects" altogether. But he also knows that "there is no such thing as a completely riskfree project. As in many aspects of our everyday lives, we consciously take risks after weighing all the pros and cons."

Countless enquiries relating to business transactions, products and customer relationships make their way across his desk. His department, Reputational Risk Management, performed over 5,000 checks in 2014 – and that number is rising. The enquiries come from his colleagues: relationship managers at Commerzbank, often in internationally oriented segments and divisions, who are looking to make sure that their projects meet the bank's standards. Business transactions that have to do with the sensitive topics that have been defined must be presented to the department. "The processes are clearly defined, and we have a good connection to our colleagues," Roberg says. "Even when it comes to complex issues, we have been working for years to sensitise business areas to the matter through training, our own newsletter and an intranet page. Now it's up to each individual to get RepRisk involved before anything happens that could harm the bank."

#### Sensitising employees

"RepRisk" is the in-house Commerzbank abbreviation for Reputational Risk Management. Among other things, Stefan Roberg and his eight colleagues process financing enquiries from "sensitive areas": business transactions with environmental and social implications, such as power plant construction or mining, pipelines, dams, palm oil, genetic engineering and many others. Their goal is to protect Commerz"The more controversial a transaction has the potential to be, the more employees we task with taking a look at it."



#### Limits to business

bank's reputation. To ensure this, the bank and its employees are required to turn down business that could have a significant negative impact on the environment or human rights. That is because the bank is not interested in being involved in business ventures that cause harm.

"Hardly any other bank devotes as much time and energy to this as we do," Roberg is convinced. "We consciously say no to business opportunities to achieve our goals." Roberg says that the large number of checks conducted annually by Reputational Risk Management is also the result of the tremendous sensitisation of the bank's employees in recent years.

"Our decision is always an opinion on the potential reputational risks," Roberg adds. "A Divisional Board Member is always involved if we believe there could be a significant reputational risk. That's a certain hurdle." Serious cases may lead to escalation involving the Board of Managing Directors. Roberg's area of responsibility includes hydroelectric projects. Despite of being an environmentally friendly, renewable form of energy, many non-governmental organisations take a critical view of large dams due to the potential loss of arable and forest land as well as the frequent need to resettle local communities. In addition, the issue of compensation has not been adequately resolved in many parts of the world.

So are there limits to the kind of business Commerzbank is willing to get involved in? "Absolutely," Roberg says. "For example, we wouldn't provide financing for a project such as the llisu dam in Turkey." For many organisations, "Ilisu" is synonymous with the destruction of cultural assets and historically significant sites, disregard for international standards during environmental impact assessment and largescale relocation of the local population. As a result, western European banks and export risk



#### What is a reputational risk?

Nothing takes as long to establish, or can be as quickly destroyed, as a good reputation. That is something we are acutely aware of at Commerzbank. It is the reason why we protect our reputation. As a result, we may receive proposals for business transactions that do not comply with our understanding of corporate responsibility and pose a potential risk to our reputation. Usually, these ventures involve sensitive issues that are also viewed critically by the general public, non-governmental organisations or the media. These include certain energy generation technologies and business transactions in politically unstable regions as well as environmentally, ethically or socially controversial sectors such as commodities, genetic engineering and pipelines. Reputational Risk Management takes a critical look at such business ventures, products and customer relationships and issues recommendations for entering into them, continuing to pursue them or turning them down. STEFAN ROBERG (57) is Vice President in the Reputational Risk Management department of Group Communications at Commerzbank. The banking professional with a degree in economics joined Commerzbank in 2000. He acted as the Group's press contact until 2010, when he took over his current position. The Reputational Risk Management team at Commerzbank comprises nine employees and is headed by Martin Bendrich. insurance companies backed out of the project in 2009. Doing business with projects of this kind is out of the question for Commerzbank. They would cause too much damage to the environment and society as well as to the bank's reputation. But where does the company draw the line if there is no way to avoid negative effects?

#### Case study: a dam in Mexico

Next location: Mexico is considered to be an advanced emerging economy that generates most of its gross domestic product in the service, industry and trade sectors. As member of the OECD, the country's economy is today the 14th largest in the world.

The country needs to satisfy its growing need for energy in order to advance its growth. Much of that need is felt in rural areas. According to calculations by the state-run Sistema Electrico Nacional (SEN), electricity generation



needs to increase by 4.3% between 2012 and 2015. To avoid being dependent solely on the country's fossil resources, which it also requires for export, the government is investing in hydroelectric power – something for which Mexico has good natural conditions.

One such project is Chicoasén II, located in the south-eastern state of Chiapas. The plans call for the construction of a new dam wall and electrical substation to complement the dam built in 1980. The new dam will also be operated by Mexico's Comisión Federal de Electricidad (CFE). Work on the new project began in June 2014. Following its completion, the new power plant will have a capacity of 240 megawatts and is slated to generate up to 591 gigawatts of electricity a year. This output is the equivalent of 928,000 tonnes of petroleum. The construction phase creates 4,000 jobs, whereas the power plant itself will create 35 jobs.

Numerous national and international companies are involved in building the dam, including a long-standing SME client of Commerzbank that is supplying the new power plant's three turbines. The bank has also received requests for two indirect standby letters of credit (standby LCs), a financing instrument containing a guarantee in the event of default that usually does not subject the bank to a payment obligation. A typical export finance transaction – and, due to the nature of the project, a typical case for Reputational Risk Management.

#### Reputational risk check creates clarity

Stefan Roberg explains the procedure: "The reputational risk check examines each and every element of a potential business transaction: the supplier, the end product and the project in question. However, complete project finance for infrastructure projects of this nature do not play a particularly major role at our bank. What we usually do is provide hedging for export transactions, including the associated services, such as transport and engineering work." In the case of Chicoasén II, this means the turbines and their shipping to Mexico as well as their construction and assembly on location. Could the potentially poor reputation of a manufacturer rub off on Commerzbank? What kind of reputation does the future operator have as a result of previous projects? Is the product we are securing environmentally and ethically justifiable? What are the exact plans at Chicoasén? In short: is the envisioned business transaction not only legal, but also legitimate and fair? Roberg and his colleagues' first step is to take a look at these fundamental questions.

If the alarm bells don't ring, they start examining the details. To do so, those responsible for performing the check use information from the ESG risk database, in which information on social, environmental and governance risks from publicly accessible sources such as websites, media, non-governmental organisations and government agencies in 15 languages is analysed and evaluated every day. The Commerzbank team also performs additional internet research to make sure it does not ignore any additional arguments. For hydroelectric projects, the team combs through a number of specialised websites. In some cases, they also request additional documents from those





involved in the project. "We can't travel the world to look at the projects on location," Roberg explains. "But these sources give us a balanced picture of the benefits and drawbacks of such investments."

The criteria the team looks at include: has an environmental impact assessment been performed, and what were the results? Is the project supported by an international organisation? Have the recommendations of the World Commission on Dams been implemented? Are there any reports of potential human rights violations? What about the impact on local communities in terms of resettlement, expropriation or compensation? Will cultural assets be damaged? "From a reputational risk management perspective, these issues are more decisive for us than the question as to whether the bank will profit financially from the transaction," Roberg says.

And there are hardly any projects that are perfectly faultless. "At almost any lace you build something new, you're replacing something old," Roberg adds. "Sure, large-scale hydroelectric projects have environmental and social drawbacks. But they also have economic, environmental and social benefits." Evaluating and weighing these factors is part of the check. However, Reputational Risk Management is not interested in the economic side of the equation, but rather in safeguarding corporate responsibility. So how does the department make a discriminating judgement when it comes to the reputational risk posed by a business deal? "The more controversial a transaction has the potential to be, the more employees we task with taking a look at it," Roberg says, describing the process. "Each decision is critically examined by

at least two colleagues." In the case of Chicoasén II, Commerzbank ultimately decided to support the project.

#### Sustainability is no longer a foreign concept

Commerzbank finances around one-third of Germany's total foreign trade. Sustainability has long since ceased to be a foreign concept for companies involved in exporting goods and services. Far-sighted reputational risk management that sets clear limits for doing business allows banks to prevent damage to themselves and to environment and society.

#### **Commerzbank's positions**

Commerzbank respects the rights and expectations of its various stakeholders and ensures they are factored into company decisions. To provide our employees and the public with guidance, we have taken positions and developed guidelines for the times when business transactions, products and customer relationships could have an impact on the following areas. Details are available online: responsibility.commerzbank.com

- Human rights
- Indigenous peoples
- Agricultural commodities
- Fossil fuels
- Electricity generation
- Mining
- Agriculture and forestry
- Toxic materials
- Arms trades
- Conflict zones

In 2015, "Euro" magazine named Commerzbank Germany's best branch bank in the country's largest test of banks.

#### Focus on customer satisfaction

In its consumer communication, Commerzbank focuses on its satisfaction guarantee, among other topics. Customer satisfaction is one of our main goals as a company. The awards we have received are proof of our success. But how can we achieve satisfaction?

First of all, we have to believe in what we do! We have turned fairness and competence into our top priorities and have achieved a number of milestones in recent years on our quest to make this promise a reality.

The CustomerCompass is one of our most important tools. It allows us to analyse a client's

financial and personal situation to find individualised solutions for personal desires and goals.

Customer satisfaction is also a key factor in determining whether our sales staff are entitled to incentives. Our sales staff no longer receive good marks solely on the basis of their sales. Instead, long-term satisfaction and customer loyalty are also factored in.

Commerzbank is still Germany's only major bank with a customer advisory council. Together with the advisory meeting, this council is a major channel of communication, especially for suggestions and criticism.

#### Awards 2014: a selection

Commerzbank was named the overall winner in the "Focus-Money" **City-Contest 2014** for the second time in a row, making it the bank with the best customer service in Germany.

In **2015**, "Euro" magazine named Commerzbank Germany's **best branch bank** in the country's largest test of banks.

Commerzbank's CustomerCompass, a financial planning software programme used to support client meetings and provide advice, once again achieved the highest rating in a test by "Focus Money", which wrote that the approach provided **"excellent financial analysis"**.

"Euro" gave Commerzbank a "very good" rating in the categories investment advisory services as well as wealth planning and retirement provisions.

The bank also won the test by "Handelsblatt" and proved that it offers the **best investment advisory services** of any branch bank.

In addition, Commerzbank was recognised by n-tv for **top scores** in the fields of **pension advisory services** and **general investment advice**.

The Commerzbank Videokasse (video cashier) received the **Banking IT-Innovation** Award 2014 from the Sourcing in the Financial Industry competence centre in St. Gallen. As part of its new branch strategy, Commerzbank is testing the first video cashier in Germany.

Top honours in the Thomson Reuters Extel survey for the **best stock-market analysis** and **broker service** in Germany once again went to Commerzbank in 2014. Commerzbank won first and second place in five nationwide categories.

## How can we transform aspirations into reality?

And how can guidelines help us?



## "We are on the right track"

Learning from mistakes means taking a critical look at one's attitudes and conduct. For Commerzbank's compliance efforts, this process means that solution-oriented thought and action is taking priority over ticking off checklists. Compliance expert Dr Stephan Niermann explains what we need to look out for – and what can help with problem-solving.

> Compliance means knowing and conforming to the provisions of the law and voluntary commitments. An easy task, you might think. But the world is not as simple as many seem to believe. As a multinational company, Commerzbank is required to comply not only with German regulations, but also the often widely varying legal provisions in every country in which the bank – including its subsidiaries – does business.

> The market itself is also dynamic. Financial products and business products are subject to constant change. This results in new legal requirements, placing a constant string of new responsibilities on the shoulders of a bank's compliance structure – something that rings true at every bank.

#### "Learn to see, learn to solve"

The bank is also dealing with the incidents involving transactions denominated in US dollars, such as inadequate preventive measures against sanctions and money laundering that shed light on shortcomings in the system, even though many of them are long in the past. These incidents have proved expensive for Commerzbank (see the box on fines in the US on page 13).

Dr Stephan Niermann, Commerzbank's Deputy Compliance Officer and responsible for securities compliance, also asks: "What happened in America?" After joining the company in May 2011, he took on additional compliance responsibilities in 2014, making him one of the driving forces behind the efforts to reorganise the division. His motto of choice is "Learn to see, learn to solve." Visitors who join him at the conference table in his office can see this mission statement at eye level on the large magnetic whiteboard hanging on his wall. Originally, the phrase was supposed to be the "saying of the week". "It's been there since March 2014," he says with a chuckle. "Everything else on the whiteboard changes, just not that saying."

Precisely that, after all, is his job: to take a careful look at what is going on, analyse it, spot problems and recommend solutions. In



Sprul der Worke: eme Zu Sehen, leme Zu Löser V



addition to his responsibilities in Frankfurt, Niermann is Regional Head of Compliance in the UK and Asia. He also serves as the London branch's Money Laundering Officer. The task at hand for Compliance – as for other divisions at the bank – is to analyse the situation and draw the right conclusions. "In terms of what went on in the US, we are getting an overview of the reasons and the current situation," Niermann explains. "It could be completely different in New York than in London, Singapore or Frankfurt. We're still pretty much at the start of the process, but we have already been able to demonstrate improvements." The bank sees the incidents in the US as an opportunity to critically examine compliance structures throughout the bank. "We need to quickly gain an understanding of what really counts so that we can gain a more stable footing and no longer leave ourselves open to attack." As the Board of Managing Directors puts it, the goal is to comply with the highest standards in the industry. But how can we transform this aspiration into everyday reality?

Niermann is aware that Commerzbank is not alone in its problems with the authorities in the US. "Many banks don't have a 'story' when it comes to money laundering, for

#### US fines: How can we prevent this kind of issue in the future?

Commerzbank and its subsidiaries operate in many countries with different legal and regulatory standards. In the past, violations – particularly of US law – have been identified, resulting in legal and disciplinary action. In March 2015, Commerzbank finally reached settlements with various US government agencies and New York State regarding business records violations that occurred between 2002 and 2008 against Iran and other countries. Further settlements around the same time dealt with our failure between 2008 and 2013 to maintain adequate policies, procedures and practices for detecting and reporting potential money laundering activities. The case was settled in exchange for the payment of a fine totalling \$1.452 billion (€1.196 billion).

To prevent comparable incidents from occurring in the future, Commerzbank has improved its compliance activities and its compliance management in recent years. The new Code of Conduct is one part of this package of measures, as is the Group-wide Achieving a Robust Compliance Framework (ARC) project. In the US, the number of employees dedicated to compliance is also set to more than double by 2016. The Group's goal is to establish a best-in-class compliance system that sets a global standard. Martin Blessing, Chairman of the Board of Managing Directors of Commerzbank AG, says: "We deeply regret the actions that led to the settlements, which conclude a long and arduous process. We have made many changes to our systems for our future. We have a keen interest in maintaining the highest industry standards everywhere we do business.





instance. That means the authorities are waiting for a convincing offer from banks. Regulators – such as the FCA in the UK, the MAS in Singapore or BaFin in Germany – will keep pursuing this until they get the impression that fundamental changes are being made."

### Strengthening competitiveness through compliance

"We've reached settlements. But what does that mean for us? What does it mean for our day-to-day business? What do we really need to change now? Those details still have to be worked out." For Niermann, the direction is clear: "The current situation offers an opportunity to strengthen competitiveness by taking a critical look at internal processes. According to my observations, others also aren't well positioned yet when it comes to this issue. Many major banks have a more complex structure than Commerzbank. This is our chance to, in the end, score points compared to the competition," Niermann is convinced.

#### Reducing complexity - through excellence

One of the key measures that Niermann and his team are tackling is reducing complexity, especially the complexity that the bank has created itself. Whereas it is impossible to change laws and regulations, internal structures can also lead to complications. "In securities trading and management, we used to have five policies for a single issue. At the same time, we also had a clear legal basis: the MiFID.<sup>1</sup> So we said that we only need one internal policy in those cases where we have a regulatory basis. In addition, we are creating business-related annexes for each segment that explain the details, for instance, in retail banking, our Mittelstandsbank and Corporates & Markets."

Niermann also sees opportunities to reduce complexity in the bank's IT infrastructure. For example, Commerzbank is paying increased attention to creating just one internal reporting structure for regulatory initiatives. "We still had three or four reporting platforms back when MiFID 1 entered into force in 2007. Despite the need to implement additional reporting requirements such as EMIR<sup>2</sup>, we still managed to consolidate reporting platforms. Now we plan to meet the reporting requirements set forth in MiFID 2 with just one platform." This approach not only creates lean solutions, but also reduces the complexity of processes - in keeping with what regulatory authorities are aiming to achieve.

Niermann's thoughts on the matter were inspired by the Commerzbank Excellence programme, which he was instrumental in introducing in securities compliance (please also see "Watchword: Team Excellence"). Originally driven by the need to improve customer focus, the internal Commerzbank programme has been analysing various business practices at the bank since 2011 to see where improvements to operating efficiency can be made. "Back when the Team Excellence project first came our way at the start of my tenure in 2011, people's opinions were split between scepticism and curiosity," he recalls. Today, he is a firm believer in the programme. "The main value of Team Excellence is that it leads to changes in employees' attitudes and conduct. That's what matters. For us in Compliance, this means we have a common goal.

#### Watchword: Team Excellence

The Team Excellence process is part of the comprehensive Commerzbank Excellence programme, which was launched in August 2011 with the aim of improving customer focus and customer satisfaction. Team Excellence seeks to address existing teams to optimise internal processes and thereby make it possible to take action more efficiently.

1 **MiFID** = Markets in Financial Instruments Directive (2004/39/EC)

2 EMIR = European Market Infrastructure Regulation is an EU regulation regarding over-thecounter derivative trading





In the project team, our sparring partner, we have a counterpart who knows the bank and is driving change from the inside."

#### **Breathing life into guidelines**

Convincing every bank employee to adhere to the common goal of a best-in-class compliance programme is also the motivation behind the revised Code of Conduct (please also see "The new Code of Conduct" on page 16). However, anything can be done on paper. Who can guarantee that people actually comply with the guidelines? A survey of Wall Street bankers<sup>3</sup> published in May 2015 revealed that many investment bankers were apparently more interested in not getting caught rather than in changing their conduct. One-fifth of those surveyed were convinced that unethical or illegal activities were sometimes necessary to succeed in the financial sector.

Martin Blessing, Chairman of the Board of Managing Directors of Commerzbank, took a firm stance on the issue at the annual general meeting in April 2015: "Clients' needs and striving to generate income are important. However, it is clear that complying with internal guidelines and legal provisions takes priority. We cannot and will not tolerate violations of policies and laws. Being close to customers stops at violating the law or damaging the bank's reputation."

Niermann also believes that there is no alternative to compliance. But he also warns: "Let's not kid ourselves. Commerzbank has over 50,000 employees and is a reflection of society, with all its strengths and weaknesses. So the question is how the company deals with it. The Board of Managing Directors preaches a clear zero-tolerance policy. The challenge is to spot violations, evaluate them and punish them in line with how serious they are. All of the bank's three lines of defence have to spring into action here to guarantee that we do a good job. This shows that compliance is a job for management, and we are on the right track to realising our goals."

#### Managing, not avoiding compliance risks

"Owing to the complexity that we have created over the course of years and decades, it's not that easy to strictly and consistently define new processes," Niermann explains. "Britain's Financial Conduct Authority (FCA) recently summed it up when it criticised that banks were currently doing a lot of de-risking: removing high-risk products and clients from their portfolio. As a result, the industry isn't even tackling the challenge of dealing with these risks in a sensible manner. The FCA, however, is interested in getting banks to manage risks, much like they do with credit risk. Over the years, credit risks have become so established that we are able to manage them adequately today. In Compliance, by comparison, we still need to learn how to manage potentially high risks."

Another reason why Niermann finds this approach so appealing is that high-risk clients could otherwise turn their backs on the bank. "What would happen if these clients were to be 'de-risked'?" he asks. "They could turn to unregulated areas, and that would ultimately end up once again being a social problem. That can't be what regulators have in mind."

Knowing what truly matters is also essential when it comes to the future development

3 University of Notre Dame, Labaton Sucharow LLP: The Street, The Bull, and The Crisis – A Survey of the US & UK Financial Services Industry (New York, May 2015)





of Compliance. "Today, we know our challenges," Niermann explains. "We're facing up to the requirements in the US, Germany and the EU. But just think about the situation ten years from now. Studies on the development of compliance risks show that we are currently only seeing a momentary snapshot. Should the US dollar, as a vehicle currency, one day no longer be in the same position it is now, then we will have to deal with a very different environment in which regulators act. The Chinese are just starting to loosen the first restrictions for Renminbi trading. We don't yet know what this will mean for the future. That's why I say that knowing the rules is one thing - but knowing what matters is another."

And that is the major challenge within the company. "Compliance teams used to take

care of a lot of their day-to-day work according to the 'tick-the-box approach'. That means they went through a checklist when taking a critical look at transactions: Do I have all the information on the client? Are there potential conflict situations? Have transactions by employees been reported? The challenge today is a different one. We want to be involved in the process as an advisor when a division is looking to launch a new product or when new regulations need to be implemented. That means we have to abandon our one-size-fits-all approach in favour of thinking in terms of solution models," much in keeping with Niermann's motto of choice: "Learn to see, learn to solve."



Dr Stephan Niermann (43) is a lawyer and banking professional. Since May 2011, he has been Head of Global Securities Compliance at Commerzbank AG. In December 2014, he took on additional duties as Regional Head of Compliance in the UK and Asia. He is Commerzbank AG's Deputy Compliance Officer and the London branch's Money Laundering Officer. Prior to joining Commerzbank, Dr Niermann held a variety of senior compliance positions at the WestLB Group, most recently as the company's Chief Compliance Officer.

#### The new Code of Conduct

Commerzbank revised the Code of Conduct for its employees in cooperation with various departments. The document explains in clear, easy-to-understand language the principles for integrity, and therefore for legally and ethically sound behaviour that Commerzbank stands for and how these are to be implemented in business and in employees' day-today work. The Code of Conduct is divided into the following chapters:

- Basic values
- Corporate responsibility
- Dealing with clients and partners
- Dealing with each other
- Day-to-day business
- Penalties for violations

Commerzbank is interested in making sure that employees know not only what is legal, but also what is socially legitimate. Employees need to develop a feeling for correct and appropriate behaviour wherever rules are unclear or leave room for interpretation. Three things are essential to achieving this goal: the necessary expertise, a sense of responsibility and a healthy portion of common sense. "We know the relevant laws and internal guidelines for our work and take responsibility for complying with them within the scope of our own duties," the Board of Managing Directors says.

## Why should a bank care about climate change?

And what's in it for clients?



## **Investing in a low-emissions future**

Climate change is one of the main challenges of our time. Thanks to its financial services, Commerzbank is in a position to avert risks and seize new opportunities – by financing the energy transition, by advising companies' management on energy efficiency and by acting as a partner in the field of carbon emissions trading.

> The German government's decision to switch the country to renewable energies marks the start of a new era for business, politics and society at large. Experts estimate that investments of up to €260 billion between 2014 and 2020 will be necessary in Germany. Of that total, €70 billion will go to funding electricity generation from renewable energies, with one-third each earmarked for onshore wind, offshore wind and photovoltaic systems. The lion's share of the sum to be invested, €142 billion, is to be used for energy efficiency measures, including heating systems. The rest will go to power-grid expansion and the development of new storage capacity.

> These figures make it clear that the energy transition is a complete transformation of the energy system that necessitates major investment efforts. As a result, appropriate financing solutions, technical expertise and functioning infrastructure are all needed to make this challenging social project a success.

#### Helping shape the energy transition

Commerzbank sees itself as a strategic partner for the turnaround in energy policy. With the Energiewende@Commerzbank project, we have created the basis for an overarching business strategy on this issue. "We provide our clients with custom-tailored financing products as well as solid advisory services, plus we work to anchor the issue within the bank through constant networking," says Simone Löfgen from Commerzbank's Competence Center Energy, who played an instrumental role in bringing the project to life. "In a total of four sub-areas, we are pursuing the common goal of making our contribution to the success of the energy transition and seizing the resulting business opportunities for the bank."

Through its products, Commerzbank is building up a focused and transparent portfolio aimed at meeting the financing needs of the turnaround in energy policy in a targeted With a credit volume of around €4.6 billion, Commerzbank manages one of the largest portfolios in the renewable energies segment.

manner. The bank's efforts include the continuous expansion of financing options for renewable energies, establishing new advisory services for more energy efficiency in the SME sector and a modernisation loan for private customers.

In addition to the activities in the Bank's core business areas, the Energiewende@ Commerzbank project is working to enhance internal networking. With a technology scout, a cross-divisional panel of experts and an internal information resource centre, the bank is ensuring a high level of knowledge transfer and playing an active role in shaping the energy transition. In addition, Commerzbank has been compensating for its carbon footprint since 2015 by buying high-quality  $CO_2$  certificates. By doing so, the bank is making an active contribution to climate protection (please see "The road to  $CO_2$ -neutral banking" on page 22).

#### Pioneer in renewable energies financing

Inexhaustible, climate-friendly renewable energies are the energy sources of the future. For nearly 30 years, Commerzbank's corporate and private finance products have been covering the full value chain in the renewable energies sector. This experience has made the bank a sought-after partner for manufacturers, suppliers, project developers and investors worldwide, especially in Germany, Europe and North America. With a credit volume of €4.6 billion as at the end of 2014, Commerzbank's Competence Center Energy currently manages one of the largest portfolios in this segment. Double-digit growth rates in the expansion of wind and solar energy also reflect the increasing internationalisation of renewable energies. From large-scale solar farms in France and the first offshore projects along the German coast to wind farms in Sweden, Commerzbank plays a pioneering role by supporting a wide range of groundbreaking projects in new markets in addition to providing financing in established markets. More than 60 employees provide support to German companies, both at home and abroad, as well as to foreign companies in Germany and their business projects.

The wind, solar and bio-energy systems funded by Commerzbank until the end of 2014 helped to avoid annual emissions totalling 11.2 million tonnes of  $CO_2$ . This corresponds to 10.3% of all  $CO_2$  emissions saved in Germany in 2014 by using renewable electricity.

#### Complete solutions from a single source

The advancement of renewable energies is one of the main fields of activity of Commerzbank's Mittelstandsbank segment. The company's activities in this field were pooled in the Competence Center Energy in Hamburg back in 2003. From its base in the northern German city, the Mittelstandsbank focuses on supporting project developers and sponsors in structuring their project financing with its long-standing expertise. Clients have access to the full range of corporate financing tools, from bilateral financing and sizeable transactions to arranging club deals and syndicated financing. Short-term refinancing of the planning and construction phases is as much a

#### Hüselitz wind farm: Germany's largest onshore wind project in 2015

CPC Germania, the operator of the Hüselitz wind farm in the German state of Saxony-Anhalt, tasked Commerzbank AG, the mandated lead arranger, with structuring nonrecourse project financing for the wind farm in autumn 2014. The investment volume for CPC Germania's Hüselitz wind farm, with a total capacity of 108.9 megawatts, amounts to just under €160 million. With up to 33 Vestas V112 wind turbines (3.3 megawatts) spread out over some 5.5 square kilometres, the wind farm is one of the largest onshore wind projects in Europe to date. The overall Hüselitz wind farm project is also expected to be Germany's largest single onshore wind project in 2015. Construction began in April 2015, and the power plant is set to commence operation by spring 2016.

The partnership between the Mittelstandsbank and TÜV helps us support our clients in seizing enormous savings potential through greater energy efficiency.

part of the range of services as portfolio financing. Refinancing programmes from the KfW Group and other development banks can also be incorporated into the financing structure.

"By clearly focusing the expertise of a major global bank on the needs of SMEs and combining this focus with decades of experience in the sector, we create appreciable benefits for our customers," says Ingrid Spletter-Weiß, Head of the Competence Center Energy. Regardless of whether clients need project or corporate financing, the specialists from Commerzbank meet the needs of manufacturers and suppliers as well as project developers and investors as part of their advisory services. Thanks to their years of close contact to industry players and extensive networking throughout the sector, their expertise goes beyond developing needs-based financing solutions to include knowledge on technical possibilities, legal conditions and the economic prospects associated with the use of wind and solar power. This approach has been a successful one, as the bank's activities in the wind power sector prove. "Over the years, Commerzbank has financed over 7 gigawatts of installed wind output. That's about 20% of total installed output in Germany," Spletter-Weiß explains. "We will continue to step up our efforts in the years ahead, with a focus on Europe and North America."

With the Mittelstand product "Solar Light", Commerzbank also offers a lean and standardised procedure for the funding of photovoltaic systems starting from an investment volume of €250,000. By the end of 2014, we had realised "Solar Light" photovoltaic systems totalling an installed volume of around 42.6 megawatts peak (peak output) and a funding volume of  $\in$ 71.7 million for CO<sub>2</sub> savings of 28,286 tonnes a year.

### Energy-efficiency consulting services for SMEs

For many sectors, energy has become a key factor in their competitiveness. Investments in energy efficiency, compulsory energy audits, the spread of certified energy and environmental management systems, plus the option of electric self-sufficiency thanks to combined heat and power plants as well as photovoltaic systems, are playing an increasingly important role in futureoriented corporate decision-making.

"The energy transition is a particular challenge for our SME clients, since it is resulting in higher prices for electric power, among other things," says Martin Keller, Divisional Head of Product Management in the corporate customer business at Commerzbank. Consequently, the improvement of energy efficiency in particular has become a major priority for companies - one that involves technical and business aspects to an equal extent. To offer companies optimal support in this process, the Mittelstandsbank segment has signed a cooperation agreement with TÜV Nord, TÜV Rheinland and TÜV Süd. As part of this project, companies can rely on qualified advice from independent experts when it comes time to implement their plans. Commerzbank's specialists subsequently use their years of experience

in working with development agencies to structure finance solutions for these plans that are a perfect fit. "Companies that take energy use into account at an early stage when planning investments can benefit from development loans at favourable rates and reduce financing costs," according to Keller.

Commerzbank and TÜV work hand in hand to provide energy-efficiency consulting services. The bank starts by determining a company's individual needs. A joint kick-off meeting forms the foundation for analysing potential and the subsequent in-depth advisory services. After that, the Mittelstandsbank secures financing for the plans with longterm development loans at favourable rates, while TÜV certifies the efficiency measures in accordance with internationally recognised quality standards.

The subsidies for investments in energy efficiency include the KfW energy efficiency programme for new and replacement investments in systems technology and machinery as well as the refurbishment of existing buildings and new construction. Global loans from KfW or the European Investment Bank are flexible financing solutions for all investments in energy efficiency, including leasing structures. Additional subsidies include the ERP innovation programme for the development of energy-efficient products (special funds of the European Recovery Program, commonly known as the Marshall Plan) as well as country-specific subsidies.



#### Seizing enormous savings potential

The combination of technical, strategic and financial advice creates the necessary conditions for informed decisionmaking on the part of companies. By changing factors such as lighting, enterprises often have the potential to cut energy costs by up to 70% companywide. One of our clients recently purchased new, highly energy-efficient machinery, reducing its energy consumption by 15% compared to the industry average. Another client was able to access a KfW energy efficiency programme totalling €24 million plus a €2.5-million state subsidy for the construction of a combined heat and power plant and an environmentally friendly administration building. In both cases, it

was possible to achieve complete refinancing through subsidised development loans as well as long-term security in planning and budgeting through credits with a term of up to ten years and a fixed interest rate.

#### Trading for a better climate

Carbon emissions trading is another aspect of banking in connection with the energy transition. Commerzbank buys and sells  $CO_2$  certificates for its clients and advises them on strategic decisions regarding their options for hedging risks or financing investments in energy efficiency in this relatively volatile market. "Carbon emissions trading is an essential part of commodities trading. Our clients expect us to advise them on risk management issues, and they expect to be able to hedge their risks accordingly," Ingo Ramming, Co-Head of Commodity Solutions at Commerzbank, explains.

The EU's emissions trading scheme sets strict upper limits for the greenhouse gas emissions of each member state and sets emissions targets for companies. Those that exceed these limits must either cut their emissions or buy emission allowances. The permissible level of emissions is reduced each trading period. The first trading period covered the years 2005 to 2007, with the second period extending from 2008 to 2012. The third trading period, which began in 2013 and is scheduled to continue until 2020, calls for a reduction target of 20%.

#### **Globally active for climate protection**

Commerzbank has underscored its commitment to climate protection by signing several international initiatives. In doing so, it has heeded a call by CDP, a non-governmental organisation that promotes the publication of transparent  $CO_2$  emissions data by listed companies on behalf of over 800 institutional investors.

**Commit to adopt a science-based emissions reduction target:** The initiative for a science-based reduction target of greenhouse gas emission promotes the 2-degree target that was defined by climate researchers and aims to work with policymakers to limit global warming to this target.

**Commit to procure 100% of electricity from renewable sources:** RE 100 unites companies that are dedicated to using 100% green electricity with the goal of stopping the use of fossil fuels and putting an end to the resulting emissions. Commerzbank already uses 100% green electricity in Germany. Worldwide, that figure totals 95%. **Commit to remove commodity-driven deforestation from all supply chains by 2020:** Due to the ability of forests to bind carbon dioxide, a third initiative demands an end to deforestation for the production of agricultural commodities such as soya and palm oil, even in company value creation chains.

**Commit to responsible corporate engagement in climate policy:** In another initiative, Commerzbank has joined forces with other companies to call on policymakers to sign a globally binding climate agreement at the UN Climate Change Conference in Paris in December 2015.

Commerzbank's signing of the four initiatives in 2014 was followed in 2015 by its support for the World Bank's call for a global market price for  $CO_2$ . The German government also joined the World Bank's **Carbon Pricing Leadership Coalition** in 2015.

#### A perfect fit in retail banking

Custom-tailored financing solutions for energy-efficiency measures are also gaining importance in retail banking. With its modernisation loan, Commerzbank offers customers a financing option for the modernisation of real estate. This could include the installation of energyefficient heating, a photovoltaic system, a new roof or improved insulation, all of which are measures that save energy and cut emissions in the interest of climate protection. Even larger projects can be realised with the loan amount of up to €80,000.

Immediate approval for KfW energy efficiency programmes also provides an additional approach when it comes to real estate finance. Since early 2015, the bank's customer advisors have been able to initiate the KfW loan refinancing process online at the press of a button during client meetings, from checking eligibility for subsidies and reserving conditions through to the confirmation of refinancing. Clients benefit from early certainty for their future plans and the easier access to KfW.

#### The road to CO<sub>2</sub>-neutral banking

Commerzbank is also focused on reducing its own consumption of resources by taking environmental protection measures within the bank. In its climate strategy, Commerzbank has resolved to reduce its own  $CO_2$ emissions by a total of 70% by 2020 in comparison to 2007, the base year. Thanks to a number of measures in facility management and mobility in particular, we were able to cut greenhouse-gas emissions by 67% by 2014.

Even though significant potential for making cuts has already been seized, Commerzbank remains committed to its philosophy of putting reduction ahead of compensation. For example, the bank still sees potential to reduce emissions in IT and facilities engineering as well as in the modernisation of its fleet of company cars. Limits have been set on CO<sub>2</sub> emissions, and a model involving bonuses and penalties has been defined as an incentive for the use of low-emissions vehicles.

Remaining greenhouse gas emissions are being compensated for through the purchase and retirement of high-quality  $CO_2$  certificates. As a result, Commerzbank has been climate-neutral since the beginning of 2015. With respect to compensation, the integrity of the emission-reduction projects as well as that of the certificates generated by these projects is essential to adequately compensating for  $CO_2$  emissions. For this reason, we have defined clear principles for the selection of projects that pertain to the quality of the certificates, the forms of technology deployed in the prevention of  $CO_2$  as well as the countries in which these projects take place.



READ MORE ABOUT COMMERZBANK'S PRINCIPLES FOR HIGH-QUALITY CO<sub>2</sub> COMPENSATION MEASURES AT WWW.RESPONSIBILITY.COMMERZBANK.COM / ENVIRONMENT / CLIMATE NEUTRAL

## What is modern leadership?

And how does it help individual employees succeed?



## Setting the course for the future

Being a responsible employer plays a pivotal role in Commerzbank's sustainability philosophy. A day in the life of management advisor Kerstin Meißner shows the wide range of measures that the bank offers to provide its employees with the best possible support and opportunities for advancement. Managers are the key to helping staff succeed at what they do.



#### 8.00 am | In the office

Kerstin Meißner is one of eleven management advisors at Commerzbank's Stuttgart branch. The team, headed by Michael Kastner, provides support on human resources issues for managers at retail banking branches and in the Mittelstandsbank segment in the Stuttgart area. Meißner is responsible solely for the Mittelstandsbank, giving her a special role to play. Today's first appointment is not scheduled until 9.00 am. That gives her enough time to grab a coffee from the kitchenette just outside her office and check her e-mails.

"We advise managers on all business-related and strategic human resources issues," she says, explaining her job. "The focus is on making managers fit for the responsibilities they face so that they can deal with their human resources challenges independently. I'm only asked to join meetings with employees in particularly challenging cases or if there are urgent problems to solve."

### 9.00 am | Management dialogue at the Mittelstandsbank

Kerstin Meißner's office on the city's Königstraße is just 300 metres away (as the crow flies) from the site of Stuttgart's Mittelstandsbank. With all the meetings she has here, the Mittelstandsbank has practically become her second home. "Usually I have one-on-one meetings with managers. Sometimes we have small conferences."

Today she has an appointment with Mr Müller for a management dialogue. "This meeting is held once a year and is a one-on-one talk between a management advisor and a management level 2 employee," Meißner explains. "In it, we take a look at his or her area of responsibility from a strategic point of view, based also on certain key performance indicators, statistics and analyses we bring along. We use these to work together to define areas of action for the following year."

The key performance indicators include data from the manager's areas of responsibility, such as the department's compensation structure, the age of the department's employees



and the percentage of women in management positions. "I also bring figures on length of service and employee turnover," Meißner says. "If a manager's department has a higher rate of employee turnover than other ones, for example, we ask ourselves why and whether or not we need to take a closer look at his or her management style." The key performance indicators offer a valuable tool for comparing units. "We want to make sure that managers keep the bigger picture in mind, so we sometimes rub a bit of salt into the wound when dealing with issues that keep coming up."

The issue of succession also has to be dealt with, for example. "Whenever we talk about retirement and similar topics, we try to steer the discussion towards the subject of potential successors. It can lead to business risks if employees leave the company too soon," Meißner says. "We think about this sort of thing in dialogue with management. After all, it's a question of sustainability, too. It would be a bad thing if an employee were to suddenly disappear and leave us without a successor for half a year. Ideally, the old and new generations should spend some time working together to ensure a high-quality transfer of knowledge and a good client hand-over. Those retiring are interested in knowing that the clients they have taken such good care of all those years are in good hands."

#### 10.45 am | Qualification at Commerzbank

The meeting went longer than scheduled. But since the next meeting is also at the Mittelstandsbank's offices, dealing with the delay is no problem at all. "We have a very trusting relationship with each other here. My clients – the managers, that is – often strike up impromptu conversations with me as I walk down the corridors. A lot of things result just from being there, the more direct contact you have to the people you work for. This also helps me get the necessary sense for what is on managers' minds right now and how I, in my role as a management advisor, can offer them the support they need."

It is time for the next meeting. This time, the subject is qualification and development opportunities for an employee, who is in attendance along with the manager. Meißner, the manager and the employee meet in a small conference room. The employee is interested in getting ahead and can imagine taking the next step on the professional career track or even taking on management responsibilities – something he has not had so far. The goal is to have set the right course by the time the meeting is over.

"What we need to do here is take a look at the possible process," Meißner explains. "In this specific instance, I'll talk about the Commerzbank Expert Programme, or CEP, as a possibility for development on the professional career track. CEP is a useful and relatively new tool for employee development in addition to the management and professional career tracks. It gives staff an opportunity to enhance their expertise. Every employee can find out more through the Commerzbank Academy and book seminar modules themselves in agreement with their managers. The process here is very transparent, and staff make good use of it."

"The employee also asked about opportunities in management, so I'll try to find out why he's interested in that kind of responsibility," Meißner adds. "If that is truly what he wants to go for, then the Commerzbank Management Programme, which supports managers, could be an option. After participants pass an audit, they attend certain seminars aimed at preparing them to take on a management position. Candidates can also take advantage of our job shadowing programme, which sets them up with a manager from a different unit and gives them a week to see what it is like to be a manager. That way, they get an opportunity to see if a management position is right for them." Commerzbank's mentoring programme also allows today's managers to pass on their experience to the managers of tomorrow.





#### 11.45 am | Lunch break: the impact of modern leadership

Taking a lunch break is important to Kerstin Meißner. It gives her an opportunity to relax and interact with other people. In light of the day's good weather, she decides to head to the soup bar halfway between the Mittelstandsbank and her office rather than to the canteen.

Between taking a call on her mobile phone and her soup being served, she explains how visible and firmly established the concept of "modern leadership" is at Commerzbank. "Employees who come to us from another employer are often amazed to see the qualification and development opportunities we offer. There is indeed a reason why we have received an award for the best advisory service in retail banking for the third year in a row. We have realised that we need to play an active role in the development and qualification of our employees."

### 12.30 pm | Returning to work after parental leave

Kerstin Meißner is back at her desk in her office. The phone rings. On the other end is a manager with a question about parental leave. One of the manager's team leaders is highly dedicated to her career and recently announced that she is pregnant. "I'd like to make sure she stays loyal to us, and I want to see her come back as a team leader after her parental leave," the manager explains on the phone.

"How about offering her 'Keep in Touch'?" Meißner asks. "And if she only wants to take parental leave for a short time, you can also offer her a return-to-work guarantee. That would allow her to come back to work and pick up right where she left off as a team leader after six months of parental leave. Oh, and please remember to talk to her about childcare right away, too." Meißner explains the reasons behind the company's commitment: "We work closely with pme Familienservice here in Stuttgart, too, so we can offer our employees excellent childcare options for kids between the ages of three months and the time they start school. Commerzbank does so to make it easier for parents to combine having a family with having a career. Our goal is to increase the share of women in management positions to 30% by the end of 2015 - and we're well on the way to meeting that goal."

#### 1.00 pm | Difficult performance reviews

Meißner still has a little time to talk to her team before her appointment at 3.00 pm. Kerstin Meißner discusses about a topic that has been on her mind a lot in recent days: one of her clients had a difficult performance review meeting with a member of staff and asked for her support.

"Sometimes there's a discrepancy between the way people see themselves and the way the world sees them," she says. "One manager told me, for instance, that an employee clearly needed to improve certain skills in one or two areas - and that the employee disagreed with her. There had already been a meeting in advance to try to smooth things over, but it didn't change anything about the situation, which had become rather bogged down. That's when I came in to act as a mediator. It took a lot of talking for both sides to present their point of view. The good thing was that the manager was able to demonstrate based on specific examples why she had a different, less positive opinion of the employee's performance."

"But we've also had the situation that managers have had to revise their opinion because they failed to supply the necessary feedback during the year to allow an employee to make the necessary changes," Meißner adds. "I think that transparency, being close to employees, constructive feedback and a sensible error management culture can make a decisive contribution to spotting situations like these at an early stage. In this case, however, the result was that the performance review remained unchanged. We discussed improvement measures with the employee, and we plan to take a look at the results in six months."





#### 3.00 pm | Returning to work after illness

That afternoon, Kerstin Meißner explains in a presentation to a group of managers at the Mittelstandsbank the various options Commerzbank offers to allow employees to return to work following serious or long illness. "The main message is that we try everything in our power as an employer and take every sensible supporting measure that could help stabilise the overall situation."

"The system informs us about employees with more than 42 sick days a year, regardless of whether those days are spread out or taken all at once," she says. "We then set things in motion so that the employee receives a letter stating, in a nutshell, that health is our greatest asset and that we at Commerzbank are interested in trying to do our part to help the employee get well. It's an invitation to the employee to approach his or her manager, the works council, the representative for employees with disabilities or me in my role as a management advisor to discuss what we at the bank could do about the situation."

If the problem is back pain, for example, it might make sense to consult the company doctor to see whether the employee's desk is properly set up or whether we need to order an adjustable-height desk. "We just had a relatively complicated case that was particularly protracted and involved a wide range of symptoms," Meißner explains. "There were also psychological issues to deal with. The employee was really down in the dumps. Being at home for so long really wasn't good for him. So we referred him to the EAP hotline, the Employee Assistance Programme, which employees and their families can turn to free of charge. The hotline is staffed by therapists and psychologists from a wide range of backgrounds who first counsel callers on the phone and then offer them face-to-face consultation, if necessary. The service is completely anonymous. Commerzbank is not informed about what goes on in the



discussions there. Instead, the task at hand here is to provide employees with the best possible professional help and support."

#### 5.00 pm | A word about the Competence Dialogue

As the working day draws to a close, Kerstin Meißner is back in her office taking care of some last-minute business and checking her e-mails. One manager has asked about the Competence Dialogue, a qualification and development planning tool. Meißner refers the manager to the information available on the intranet. "The Competence Dialogue comprises a self-evaluation, an evaluation of how others see you and a portfolio meeting, as well as a meeting on qualification and development measures," she explains. "The system is the same for everyone at the bank and was launched in autumn 2014" with the employee self-evaluation. In early 2015, managers were asked to evaluate employees from their point of view. The meetings on qualification and development measures between managers

and employees are currently under way. "We're there to help oversee the process, but it's a whole new world for us, too."

#### 5.45 pm | Time to go home

Today, Kirsten Meißner manages to leave work on time – more or less. She now heads home to her husband and 13-year-old daughter, who are waiting for her with dinner on the table.



#### **Employee survey reveals gains**

#### **KERSTIN MEISSNER** (45)

studied human resources management at the University of Magdeburg. She moved to Hanover as part of a trainee programme at Dresdner Bank in 1996. One year later, she ioined the bank as a human resources representative in Hanover before moving to the Stuttgart branch in 1999. Since 2002, she has worked part time and currently works 70% of a full-time position. Kerstin Meißner holds a general power of attorney and is also responsible for departments dealing with corporate clients in the cities of Ulm and Reutlingen.

Commerzbank goes the extra mile for its employees. But are staff getting the message? That is what the bank aims to find out in its Commerzbank Monitor employee survey. The results of the autumn 2014 survey reveal a major improvement over the last large-scale poll in 2011. Compared to other financial service providers, the bank meets or exceeds the current benchmarks set by GfK Trustmark, the institute responsible for conducting the survey. The rate of participation also rose again.

Some major improvements have become noticeable since 2011, especially when it comes to employee commitment, the main indicator in the survey. "The development of the survey findings at Commerzbank is remarkable from a market-research perspective," says Ingrid Feinstein, Head of Employee Research at GfK Trustmark. "Within the space of three years, the main indicator – the employee commitment index – improved by eleven points to 73. Our benchmark for employee commitment in the financial sector was 69 in 2011. That means Commerzbank has risen to the top in a short space of time." All segments and board areas reported better results than three years ago. Private Customers saw the biggest rise, with its commitment index up 18 points to 79 since 2011. It is also worth pointing out that far more employees said they were proud to work for Commerzbank (63%, as opposed to 41% in 2011). In addition, 63% reported that their colleagues were willing to go the extra mile (2011: 61%), and 60% of Commerzbank employees recommend the bank as a competent financial services provider.

Employee commitment is influenced mainly by four fields of action: goals (targets), corporate culture, professional development and cooperation. The findings in all four areas have improved significantly compared to 2011, with three achieving good or excellent results. Employees had particularly positive things to say about corporate culture (79 index points) and cooperation (77), even beyond divisional boundaries. A strong corporate culture, crossdivisional cooperation and good leadership are also considered to be factors that are critical to a company's competitive success.

## What makes a society sustainable?

And how can a bank help?



## **25 years of Commerzbank environmental internships**

Experience nature, find out what the professional prospects in environmental protection are and make a contribution towards sustainable development: for a quarter of a century, students have been working at national parks as well as nature and biosphere reserves as part of the several-month Commerzbank environmental internship. A flagship project which demonstrates that ecology and economics can go hand in hand.

From the Watzmann mountain to the Wadden Sea, the participants in Commerzbank environmental internships support 25 nature sanctuaries throughout Germany. Commerzbank's partnership with 13 national parks, six nature reserves and six biosphere reserves combines environmental and nature protection with courses for students who want to live out their passion for nature by gaining practical experience in nature sanctuaries.

The objective of Commerzbank environmental internships is to make students aware of sustainable development and to show them the professional prospects that environmental and nature protection have to offer. The bank supports the participants during the internship, which lasts for at least three months, with appropriate remuneration and accommodation. The sanctuaries themselves are responsible for providing professional guidance. This allows the environmental interns to experience nature first hand and to learn about how environmental conservation works in practice.

#### **Passion for nature**

From day one, the interns are fully integrated into the day-to-day work at the sanctuaries and are involved in key environmental and nature projects in various ways. In addition to conventional environmental education and public relations work, the interns develop follow-up projects and implement their abundance of ideas with commitment and enthusiasm. They devise tours for specific target groups – be they adults, children or



Commerzbank environmental interns are committed to conserving nature and the environment at 25 national parks, nature parks and biosphere reservations throughout Germany.

people with disabilities – and draw up event programmes, prepare theme-oriented trails or take inventories.

Like Theresia Endriß: In order to be able to implement planned measures to revive the moors in the Erzgebirge/ Vogtland national park, the biology student from UIm charted a vegetation map. This involves meticulously photographing, documenting and evaluating all the plants in a specific area of the moor. The scientific data forms the basis for measurable success of the revitalisation measures, which can only be monitored if an inventory is taken at the beginning.

The Elbe-Brandenburg biosphere reservation's "Haltepunkte Natur" concept was also successfully rejuvenated as part of the environmental internships. The trail's 23 stations were thoroughly reworked by former environmental intern Carolin Trübe, who is now in the environmental information department of Brandenburg's Ministry of Rural Development, Environment and Agriculture. The objective was to make the reservation more appealing to tourists. By adding signposts, cyclists can now integrate the stations into their tour and enjoy the area's unique cultural and natural attractions

#### Ideal prospects for nature and people

The Commerzbank environmental internships have their roots in the Bavarian Forest, Germany's oldest national park. In 1990, Lukas Laux, responsible for educational activities at the national park, thought of a plan for attracting students to work for nature sanctuaries. With Commerzbank as a project partner, the Commerzbank environmental internship programme was born. Since then, all interns have been prepared for their conservation tasks in the Bavarian Forest National Park in introductory seminars which last several days.

For the participants, the Commerzbank internship marks the beginning of a series of exciting experiences and is a valuable source of inspiration. The internships not only offer ideal prospects in the field of nature conservation, but also on a professional level. Take Ulrike Rentz and Chris Bokemeyer-Siems, for example: they completed their internships at the Vorpommersche Boddenlandschaft national park in 1993 and 1994 respectively, and both of them are now responsible for environmental education at the park.

The Commerzbank internships are also rewarding on a personal level. They have led to new friendships and even the formation of whole families. Dr Allan Buras, for example, met his wife during an internship at the Vorpommersche Boddenlandschaft national park in 2006. Today they have a daughter - the perfect opportunity to pass on their experience in environmental and nature conservation to the next generation in the spirit of sustainable development.

#### A sustainable success story

As a company, Commerzbank voiced its commitment to environmental and social principles at an early stage. The Commerzbank environmental internships form an integral part of our corporate responsibility towards the environment. The successful cooperation between the bank and nature sanctuaries is unique in Germany and has attracted a lot of attention. The project was also recognised as part of the UN Decade of Education for Sustainable Development in 2007. In 2012, the Commerzbank environmental internship programme was invited to participate in an "Environmental Week" hosted by the German federal president. We have also been cooperating with the University of Freiburg and Europa-Universität Flensburg and the German Sport University Cologne since 2013. These successes and achievements confirm that we are a dedicated partner for nature sanctuaries. Through Commerzbank environmental internships, we not only raise environmental awareness among the participants, but among the general public as a whole. In doing so, we make a lasting contribution towards conserving our natural resources.

PLEASE SEE

## **Broad commitment**

Social commitment forms an integral part of Commerzbank's corporate culture. We focus on education and sports through numerous joint initiatives established with partners in the political, economic and social arenas. We also support sustainable scientific, cultural and social projects through our foundations. Here are a few examples.

Commerzbank Bildungspaten Programm

## Education mentor programme

BADEN-WÜRTTEMBERG, BAVARIA, BERLIN, HAM-BURG, HESSEN, NORTH RHINE-WESTPHALIA, SAX-ONY AND THURINGIA Through the education mentor programme ('Bildungspaten'), Commerzbank employees support young people who may have to leave school or end their apprenticeship or are unable to find an apprenticeship. Commerzbank's 50 education mentors provide guidance to their protégées for a year, show them their prospects and help them to develop self-confidence.

BILDUNGSPATE.COMMERZBANK.DE

#### **Campus of Excellence**

**IN EUROPE** The Campus of Excellence (CoE) initiated by Commerzbank in 2005 focuses on the systematic promotion and placement of young people at companies. The CoE is a joint education and recruiting project and now comprises more than 100 companies, institutions, associations, universities and schools.



WWW.CAMPUS-OF-EXCELLENCE.COM



#### business@school

**NATIONWIDE** Each year, business@school offers more than 2,000 students at upper secondary level from Germany, Europe and the US practical experience relating to specific economic topics. For more than five years, employees and managers have participated in the initiative founded by the Boston Consulting Group by passing on their knowledge and practical experience to teams of students.



WWW.BUSINESS-AT-SCHOOL.NET





## START scholarship programme

**NATIONWIDE** The START scholarship programme allows committed young people from a migrant background to attend university. Commerzbank supports the programme as a partner to ensure that talent and dedication can flourish regardless of place of origin, status or environment.

#### WWW.START-STIFTUNG.DE

#### **Historical archives**

**FRANKFURT** The historical archives answer questions relating to the history of Commerzbank and its predecessors, and promote active communication of historical material. It is managed on a professional basis. The 14 km of filing shelves also include the historical archives of Dresdner Bank, parts of which have been classed as valuable national heritage items since 2010.







#### **The English Theatre**

**FRANKFURT** Commerzbank sponsors the English Theatre in Frankfurt, the largest of its kind on the continent. The theatre has been operating in Commerzbank's Gallileo Tower rent-free since it opened in 2003. This makes Commerzbank one of the main private sponsors of the prestigious theatre.

#### WWW.ENGLISH-THEATRE.DE

#### **Museum partnerships**

**BERLIN, DRESDEN, FRANKFURT AM MAIN** Commerzbank cooperates with five renowned museums in Germany. Around 100 outstanding works of modern and contemporary art from the bank's collection art are on display in Frankfurt am Main, Dresden and Berlin on permanent loan.

#### WWW.RESPONSIBILITY.COMMERZBANK.COM / SOCIETY / ART AND CULTURE





#### **Commerzbank Foundation Centre**

**NATIONWIDE** The Commerzbank Foundation Centre is the organisational framework for the bank's various foundations: the Commerzbank Foundation, the Jürgen Ponto Foundation, the Dresden Cultural Foundation of Dresdner Bank and the six charitable foundations. The individual foundations are active in the areas of education, science, art and culture, and social projects. The common objective of all the foundations is to make a sustainable contribution to the future development of society. The 'Deutscher Lesepreis' (German Reading Award) is just one of the many initiatives pursued within this framework.

WWW.RESPONSIBILITY.COMMERZBANK.COM / FOUNDATION CENTRE WWW.DEUTSCHER-LESEPREIS.DE

#### "Das Grüne Band" for exemplary talent promotion in clubs



**NATIONWIDE** "Das Grüne Band" is a joint initiative of Commerzbank and the German Olympic Sports Confederation (DOSB). For nearly 30 years, "Das Grüne Band" has honoured outstanding services in the promotion of young talented athletes, regardless of the club's size or the popularity of the sport. Each year, 50 clubs are awarded €5,000 each. More than 200,000 children and young people in 1,750 clubs have benefited from this initiative so far.

😕 WWW.SPONSORING.COMMERZBANK.DE / DAS GRÜNE BAND

#### **Fundraising campaigns**

**GLOBAL** Commerzbank helps people affected by extreme disasters, such as the devastating earthquake in Nepal. Thanks to a fundraising appeal among Commerzbank employees, the bank was able to raise €94,000 by July 2015. The Board of Managing Directors increased this amount to €120,000. The Financial Institutions business division is also providing assistance on site for the reconstruction of a school.



## How can sustainability be measured?

And how does Commerzbank fare?

## **Key figures**

We act on what we say – this goes without saying at Commerzbank. The figures confirm our performance with regard to sustainability and corporate responsibility. We publish additional information on the internet according to the Global Reporting Initiative (GRI) guidelines. This online report is also our annual progress report on compliance with the ten principles of the UN Global Compact. All figures related to financial year 2014.

We ensure our actions are legitimate and fair	We are contributing to containing climate change
<ul> <li>Evaluation of business requests and products based on environmental, ethical and social aspects: around <b>5,000</b></li> <li>Client meetings with the Customer-Compass: <b>1.4</b> million</li> <li>Customer satisfaction: <b>+17</b> percentage points on the net promoter score (Jan. 2013 – Jan. 2015)</li> </ul>	<ul> <li>Loan portfolio for renewable energy sources: €4.6 billion</li> <li>CO<sub>2</sub> emissions: down 67.1% compared to 2007</li> <li>Green electricity: 100% in Germany, 95% internationally</li> <li>Maximum bonus for emission-free vehicles for company leasing:</li> <li>€125/month</li> </ul>
We are a responsible employer	We contribute to a sustainable society
Employees at the Group: <b>52,103</b> Women in management positions: <b>28.2</b> % Average continuing training time per employee: <b>23.5</b> hours Ideas management: <b>3,263</b> "Wikidee" ideas	Donations provided by the Foundation Centre: €2.44 million Commerzbank environmental internship: 25th anniversary DFB Junior Coach: 96 schools partici- pated with 20,000 young people

FIND OUT MORE ABOUT THE GRI BALANCE SHEET OF COMMERZBANK AT WWW.RESPONSIBILITY.COMMERZBANK.COM / FACTS AND FIGURES / PUBLICATIONS

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This magazine is also available in German. Both the German and English editions and additional information are available at Commerzbank's sustainability website, which is updated on a regular basis: www.responsibility.commerzbank.com

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