

Compliance with the UK remuneration rules under the Capital Requirements Directive (CRD V)

Rule 7.5 of the Remuneration Part of the Prudential Regulation Authority (“PRA”) Rulebook and Senior Management Arrangements, Systems and Controls (“SYSC”) 19D.3.13R in the Financial Conduct Authority (“FCA”) Handbook (the Dual-regulated firms Remuneration Code) require a regulated firm to set out a statement, on the firm’s website, on how it complies with the requirements of the UK remuneration rules which implement the remuneration provisions of the Capital Requirements Directive (“CRD V”).

Commerzbank AG (“Commerzbank”) operates in the UK through its UK branch Commerzbank AG, London Branch (“London Branch”).

The London Branch is authorised by the PRA and is regulated by the PRA and the FCA. This document confirms how the London Branch, as a proportionality Level 2 firm, complies with the UK remuneration requirements, as outlined below.

Remuneration governance

The Compensation Committee of the London Branch (“Committee”) oversees the application of the Commerzbank compensation framework to the London Branch. The Committee is responsible for ensuring the London Branch’s compliance with the UK remuneration rules and regulatory guidance issued by the PRA and FCA, as well as the application of the provisions of the 2015 European Banking Authority (“EBA”) Guidelines on sound remuneration policies, as they apply to UK banking sector firms.

The Committee is responsible for the approval of the compensation policy that applies to the London Branch on an annual basis. The Committee assesses whether the compensation framework applicable to the London Branch reflects the London Branch’s business and risk strategy, its culture and values, and long-term interests. The Committee also ensures that it is comfortable that the compensation policy and processes are gender-neutral and that they include measures to avoid conflicts of interest.

In overseeing the compensation policies and processes applicable to the London Branch, where the Committee identifies a need for amendments or changes, it will propose such adjustments to the Remuneration Committee of Commerzbank. The proposals will be evaluated with a view to applicable regulatory requirements, both in Germany and the UK, and the review and outcome will be documented by the responsible functional units.

The Committee is responsible for approving the identification and classification of Risk Takers of the London Branch each year and for approving the variable remuneration awarded to such individuals. The Committee will also have oversight over the remuneration which is awarded to senior officers in the London Branch’s Risk and Compliance functions.

The Committee also ensures that an independent assessment of the implementation of the London Branch’s compensation policy takes place on an annual basis and is responsible for the timely remediation of any findings.

The London Branch’s control and corporate functions provide relevant input into the oversight and operation of the London Branch’s compensation arrangements, including in relation to the annual review of the compensation policy, the identification of London Branch Risk Takers and the determination of variable compensation (both at a bonus pool and individual level).

The Compensation Committee of Commerzbank is responsible for ensuring that proposed variable compensation pools take into account all types of current and future risks relevant to the group, including where appropriate in relation to the London Branch.

Further detail can be found in the annual Commerzbank *Remuneration Report on the Remuneration of Employees* ([Vergütungsbericht Commerzbank Englisch](#)).

Commerzbank Incentive Plan

The Commerzbank Incentive Plan, as it applies to the London Branch (“CIP LB”), is aligned to the requirements of the PRA and FCA remuneration rules and accompanying regulatory guidance.

The CIP LB is consistent with and promotes sound and effective risk management. The London Branch's performance against risk appetite is taken into account for the purposes of determining variable pay awards to London Branch employees and risk behaviours are taken into account for the purposes of assessing individual performance.

Identification of Risk Takers of the London Branch

The London Branch applies the qualitative and quantitative identification criteria set out in the UK remuneration rules for the purposes of identifying staff who are Risk Takers of the London Branch.

London Branch Risk Takers include individuals who are members of the London Branch's Management Committee and senior management and those individuals who have managerial responsibility in relation to the specified key functions at the level of the London Branch (for example, the individuals with managerial responsibility for legal affairs, finance, HR, IT and information security within the London Branch). Individuals are also identified as Risk Takers of the London Branch where they have the ability to take, approve or veto transactions involving credit or market risk exposures above the relevant threshold determined at the level of the London Branch. Individuals are also identified as London Branch Risk Takers where they are a voting member on a relevant committee.

The London Branch also applies additional internal identification criteria for the purposes of identifying Risk Takers of the London Branch with reference to the nature of the London Branch's business activities and the risks involved.

Certain London Branch employees are also identified as Risk Takers of Commerzbank, on the basis of the application of the qualitative, quantitative and additional internal identification criteria under German regulations.

Performance assessment, risk adjustment and capital considerations

The payment of variable compensation to London Branch employees is dependent on performance and is typically based on quantitative and qualitative targets. Quantitative and qualitative targets are weighted against group performance and business segment performance, with additional individual targets (which include both financial and non-financial measures) set for performance review.

There are robust individual performance appraisal processes in place that are set out in the governance framework. The London Branch staff who are engaged in control functions will be assessed on the basis of the achievement of objectives linked to their functions, independent of the performance of the business areas that they control.

The individual performance management process is documented on the London Branch's internal website for all employees to access and the results of appraisal processes and decisions are clear and documented.

As part of the year-end compensation process, the Committee will determine to what extent it is appropriate to apply a downwards adjustment to the level of variable compensation proposed to be awarded to London Branch staff, be that through an in-year adjustment or through the application of malus and/or clawback. Any adjustments made in relation to individual staff members will be communicated to that individual.

The determination of variable compensation will also take into account the risk-bearing capacity, multi-year capital budget and income situation of the Commerzbank group. The performance of the London Branch is taken into account within the context of the performance of the Commerzbank group. The extent of the overall amount of variable compensation is determined through assessment of the Group's capital adequacy to ensure that regulatory requirements are met. While the London Branch does not maintain its own capital base, due consideration will be given to ensure that any payment of variable compensation to the UK Branch will not limit the Group's ability to strengthen its capital base.

Compensation structures

The London Branch distinguishes between the criteria for setting fixed remuneration and variable remuneration. Fixed remuneration is set to ensure that it reflects relevant professional experience and organisational responsibility, all considered in the wider context of the business.

The London Branch applies a maximum fixed-to-variable pay ratio of 1:1 in relation to London Branch employees. For employees who perform control functions, the London Branch applies a limit on the level of variable compensation which can be awarded to one-third of the individual's total compensation. In this way,

the London Branch ensures that fixed and variable compensation remains balanced, with the possibility of paying no variable remuneration if this is not supported by the achievement of individual and business performance measures.

Depending on the level of the compensation awarded, and the role and Risk Taker classification of the individual, deferral will be applied to the variable compensation awarded to London Branch Risk Takers over a four to seven year period. The level of variable compensation awarded to the individual Risk Taker will also determine whether a 40% or 60% level of deferral is applied. At least 50% of any variable remuneration awarded to London Branch Risk Takers is awarded as share-based compensation subject to a retention period after vesting of at least 12 months. Where variable remuneration is awarded as share-based compensation, awards are generally made over shares in Commerzbank AG.

For those individual Risk Takers whose annual variable compensation does not exceed the lower of £44,000 or EUR 50,000 and does not represent more than one-third of the individual's total annual remuneration, variable remuneration will not be deferred or paid at least 50% in instruments.

For all London Branch Risk Takers, variable remuneration may be reduced prior to vesting or through clawback, which may be applied for a period of up to seven years (increasing to ten years in the case of higher paid MRTs who perform Senior Management Functions within the London Branch). Such performance adjustments may be applied in cases where the individual is materially involved in or responsible for conduct in the financial year which results in substantial losses, significant regulatory penalties, or a significant supervisory measure or the individual commits a serious breach of relevant external or internal regulations with regard to behaviour and conduct in the performance year.

Specific forms of variable compensation

It is not the general policy of the London Branch to award guaranteed variable remuneration or retention awards to London Branch staff, but any such awards would only be made subject to the application of the appropriate fixed-to-variable pay ratio and the rules relating to deferral, payment in instruments and malus and clawback.

The London Branch will comply with the PRA's specific requirements in relation to the making of buy-out awards where such an award is made to a new joiner.

The London Branch does not award discretionary pension benefits.

Any termination of an employment contract that results in a payment to the individual will reflect performance achieved over time and will not reward failure or misconduct. Termination of a Risk Taker's employment with good leaver status will not accelerate vesting or payment dates.

Other provisions

The London Branch's compensation policy prohibits the use of any personal hedging or other countermeasures in order to limit or eliminate the risk-oriented nature of variable compensation or to evade the requirements of the InstitutsVergV ("IVV"). To ensure compliance, London Branch will actively conduct spot checks of employees' securities accounts and any breach may result in the loss of all variable compensation claims of the employee.

The London Branch does not pay variable remuneration through vehicles or methods that facilitate the non-compliance with the requirements of the UK remuneration rules.