

Americas Reputational Risk
Committee (ARRC)
Terms of Reference
Level 3

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Americas Region Reputational Risk Committee Policy

Section 1: Scope and Responsibility

The Americas Region supports business practices that comply with the Group Reputational Risk Management Program, as outlined in the DB Group Reputational Risk Management Program Policy dated May 9, 2011.

Within the Americas region, consideration of all reputational risk issues is the responsibility of the Americas Regional Governance Board (RGB). The RGB has delegated such consideration to the Americas Reputational Risk Committee (ARRC), a permanent sub-committee of the RGB.

The governance requirements described in this remit are applicable to all businesses, infrastructure groups and employees in the United States, Canada, Latin America and the Cayman Islands.

1.1 Mission

The ARRC functions as the senior regional approval and oversight committee in North America for reputational risk. The ARRC is responsible for the development of a regional reputational risk appetite, setting standards for ARRC review, providing guidelines and criteria for escalation, and providing guidance to assist the Business Divisions in identifying reputational risk issues for escalation. The ARRC provides oversight of the regional reputational risk appetite.

1.2 Tasks and Responsibilities of the ARRC

The ARRC is responsible for reviewing, assessing, and opining on all reputational risk issues brought to the ARRC by businesses or Control & Support functions. Resolution of an issue means that the Committee may approve, approve with conditions, defer or reject any proposal presented. The ARRC is also responsible for escalating issues that cannot or should not be decided within the region (See Section 8). The ARRC has a responsibility to report all actions taken within the region through the RRN (Reputational Risk Network) for further aggregation on a global level. Lastly, the ARRC sets and monitors the regional risk appetite for reputational risk. The ARRC escalates unresolved issues first to the RGB and then if necessary to the North America Executive Committee regionally, and to the Group Reputational Risk Committee globally.

Within the Americas region, all transacting businesses and/or reviewing Control & Support functions, are required to bring to the ARRC for review any transactions that give rise to a new reputational risk or increase an existing risk. Reputational risk, as defined in Group Policy, is: "...The threat that publicity concerning a transaction, counterparty or

business practice involving a client will negatively impact the public's trust in DB..." Such risk can be found when adopting a client, undertaking a transaction, pursuing a particular business activity or proposition, or even in associating DB's name with that of a particular client, company or industry.

A Reputational Risk Analysis Desk Guide (see Appendix 1) has been developed by Compliance and Legal to assist businesses and control functions in reviewing the reputational risk aspects of a transaction or other venture, so that the decision to escalate to the ARRC for review can be made in an informed manner. This appendix contains the criteria the business should evaluate when identifying reputational risk issues to be escalated to the ARRC.

1.3 Responsibilities of Business and Support

Primary responsibility for the identification, escalation and resolution of reputational risk issues resides with the businesses. The role of Control Groups is to assist and advise the businesses in ascertaining that such issues have been appropriately identified, escalated and addressed to

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satisfactory conclusion. If the business does not bring the issue forward for review appropriately, then the Control Groups should do so.

1.4 Delegation and Sub-Committees

Within the region, consideration of all reputational risk issues is the responsibility of the RGB. The RGB has delegated such consideration to the Americas Reputational Risk Committee (ARRC), a permanent sub-committee of the RGB.

The ARRC escalates unresolved issues first to the RGB and then if necessary to the North America Executive Committee regionally, and to the Group Reputational Risk Committee globally.

Section 2: Membership

2.1 Chairman and Deputy Chairman

The General Counsel for the Americas is the Chairman of the ARRC. If the Chairman is unable to attend a meeting, he may nominate a Chairman for that meeting via the Committee Secretary.

2.2 Other Members with Voting Rights

The other voting members of the ARRC, in addition to the Chairman, who each have one vote, are the following:

North America COO

North America CRO

Head of Americas Compliance

2.3 Guests/Advisors

The Chairman may request guests and/or advisors to attend meetings as needed. The Head of Government Relations and Public Affairs in the US and Latin America is a permanent guest.

2.4 Membership Limit

The ARRC Chairman may add members to the committee as needed. There is no set limit to the number of members permissible, however, the committee recognizes the need to keep the membership to an effective level.

2.5 Delegates

Given the level of discussion, the dissemination of highly confidential information and the decisionmaking required, delegates will only be utilized when explicitly nominated by an ARRC member.

2.6 Member Selection

The ARRC Chairman may add members to the committee as needed.

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2.7 Qualifications

Given the level of discussion, the dissemination of highly confidential information and the decisionmaking required, all members will be the heads of their respective business or infrastructure group, at the Managing Director level.

2.8 Term of Membership

Membership at the ExCo will continue as long as the member retains their role as the heads of their respective business or infrastructure group.

2.9 Conflict Management

Decisions will normally be made by consensus. Where there are conflicting factions in a vote, majority will rule. In case of a tie, the Chairman (or acting Chairman in the Chairman's absence) will cast the deciding vote.

Section 3: Secretary

3.1 Secretary Qualifications

Given the level of discussion and the dissemination of highly confidential information, the ExCo Secretary shall be a senior-level manager at the Managing Director level, selected from an area within Regional Management.

3.2 Secretary Responsibilities

The Secretary's responsibilities will include:

1. Determining meeting schedules;
2. Arranging meeting facilities;
3. Sourcing meeting agendas;
4. Preparing meeting materials;
5. Disseminating meeting materials;
6. Recording minutes of each meeting;
7. Taking attendance at each meeting
8. Tracking follow-up actions from meetings;
9. Preparing reports for auditors and examiners; and
10. Preparing reports for formal ARRC updates to the ExCo.

Section 4: Decisioning

4.1 Decision-Taking Procedures

Decisions will normally be made by consensus. Where there are conflicting factions in a vote, majority will rule. In case of a tie, the Chairman will cast the deciding vote. When matters are put to a decision, robust debate prior to the decision is expected. Members on the losing side of an issue will have their positions recorded in the minutes.

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4.2 Conditional Approval

When approval is given subject to conditions, the ARRC will set a timeframe for such conditions to be met.

If the responsible party fails to report back to the Secretary by the set follow-up date or when a condition has not been met on time, the Secretary will follow up on (i) the reason for the delay and (ii) the status of the condition. The Secretary is responsible for maintaining an inventory of open items (action points/ conditions of approval) and for providing a status report on such issues periodically. The Committee Secretary is also responsible for maintaining the Conditions Logbook required by the RRN and for providing the updated logbook to the RRN when requested.

Section 5: Meetings

5.1 Meeting Frequency

ARRC meetings will be held on both an ad hoc and a quarterly basis.

ARRC meetings will be held on an ad hoc basis, in response to requests received from business lines.

Such meetings may be requested by any member or business line at any time, via the Chairman and / or

the Committee Secretary. The quorum necessary for the transaction of business by the ARRC shall be

at least two Voting Members. Decisions may be made by any 2 or more members. Additionally, quarterly meetings will be held to review the regional reputational risk profile and direction; trends in reputational risk and any adjustments required to the regional reputational risk appetite.

5.2 Attendance

The Secretary shall record attendance at each meeting. Members are expected to attend as many

meetings as possible; attendance of a majority of the year's meetings is expected. Given travel

schedules, attendance by telephone or other electronic means is permissible.

Given the level of discussion, the dissemination of highly confidential information and the decisionmaking

required, delegates will only be utilized when explicitly nominated by an ARRC member.

5.3 Ad Hoc Meetings to Review Issues

Materials are sent to each member and invitee as early as possible before the scheduled meeting date.

Presentations to the ARRC must be made by at least one person of Managing Director or Director level.

The person making the presentation must:

- clearly identify the issues;
- set out what has been done, or is proposed to be done, to deal with the issues; and
- carefully consider why DB should go ahead with the proposal in light of the issues posed.

Primary drafting responsibility lies with the business line presenting the proposal, however, assistance may be sought from Legal and Compliance. A comprehensive proposal paper must be prepared and circulated within a reasonable time prior to the ARRC meeting through the Committee Secretary. There is no fixed format for a proposal paper, which should be tailored to the particular circumstances of the proposal, and should address the following issues, at a minimum:

- A clear description of the proposal/transaction;
- Explanation of what work has been done so far and a list of which infrastructure sign offs have been obtained (particularly Legal and Compliance);
- Description of the diligence done on the counterparty or other relevant players;

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- Identification of the legal entities involved in the transaction or business; and
- Identification of the reputational risk issues, analysis of such risks and details of the business

line's view of how such risks can be mitigated or managed.

The paper supporting the proposal should anticipate as much as possible the wide range of questions

that a proposal of its nature might expect to attract at an ARRC meeting.

For all CB&S proposals, a pre-clearance from Jeff Mayer, business head for CB&S, is required

before the transaction is reviewed by the ARRC. Leslie Slover, business manager for CB&S, acts as alternate.

The presenter(s) of the proposal will be informed of the ARRC's decision after the meeting, by the

Committee Secretary, the Chairman or by a nominated member.

5.4 Quarterly Meetings

Quarterly meetings will be held to review the regional reputational risk profile and direction; trends in reputational risk and any adjustments required to the regional reputational risk appetite. The agenda for

the quarterly meetings will include:

- Review of risk appetite;
- Review of global and regional trends;
- Update of regional reputational risk tolerances;
- Topical review of articles on competitors, industry trends;
- Review of AWM reputational risk issues; and
- Adjustment, if necessary, of regional reputational risk appetite.

See Section 7 for Risk Appetite.

Section 6: Committee Operations

6.1 Agenda

A meeting agenda and supporting materials will be distributed to members before each meeting. The

agenda will consist of items sourced by the Secretary, in response to requests by the businesses for a

reputational risk review of potential transactions or relationships.

The agenda/materials will be maintained by the Secretary.

6.2 Minutes

The Secretary will record minutes of each meeting. The secretary will maintain the minutes for review by

the committee, auditors and examiners. The secretary will also report all minutes to the Group

Reputational Reporting Network on a monthly basis, for aggregation into global trend reports.

6.3 Periodic Reports

The Secretary will be responsible for creating periodic reports of topics discussed, decisions made and

follow-up actions at the Committee's request or for review by auditors and examiners, and for reporting

to the North America ExCo.

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6.4 Escalation Procedures

The ARRC escalates unresolved issues first to the RGB and then if necessary to the North America

Executive Committee regionally, and to the Group Reputational Risk Committee globally.

In the event that a business line does not agree with the decision of the ARRC, an appeal may be made

to the Group Reputational Risk Committee (GRRC) through the RRN. The presentation papers

submitted to the ARRC shall be circulated to the RRN by the Committee Secretary for its consideration,

together with any additional material that the business line may wish to include.

6.5 Tracking of Open Issues

The Secretary shall maintain a list of all decisions taken and any related follow-up actions. The

secretary is responsible for following up on open issues and for providing members with timely status

reports of open items.

6.6 Submission of Documents

A meeting agenda and supporting materials will be distributed to members before each meeting by the

Secretary.

Minutes and follow-up actions from a meeting will be maintained by the Secretary. Notices of items

approved subsequent to a meeting (conditions are fulfilled for a conditionally-approved item)

Status reports of action items and open items will be provided periodically but no less than quarterly.

6.7 Role of Chairman

The Chairman of the ExCo is the North America CEO. The Chairman chairs each meeting and sets the

tone for the committee by clearly articulating the mission statement.

Additionally, the Chairman:

1. Sources the agenda
2. Proposes new members
3. Cast deciding vote in a tie situation
4. Reports ExCo activities and issues to the GEC.

Section 7: Risk Appetite

7.1 Definition

The concept of risk when applied to reputational risk is different than credit, market or operational risk in

that reputational risk (or "headline" risk) never really goes away – it is a risk that can never be fully

mitigated. One reason is that headline risk can easily and erroneously accrue to DB, and yet be as

damaging as a true market risk event. For example, DB was slandered in newspapers across the US for

abandoning foreclosed properties when DB was not responsible for upkeep of the properties – a third

party servicer was responsible.

A risk appetite is defined, by DB Group, as the maximum level of risk that DB is prepared to accept, in the aggregate, relative to its financial capacity to assume losses, in order to deliver its business objectives. The DB Group's risk appetite statement defines the Group level risk tolerance that is translated into financial targets for business divisions and risk limits, targets or measures for major risk categories throughout the Group. The risk appetite is an aggregation of risk capacity, risk tolerances and risk limits.

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7.2 Discussion of Risk Appetite Terms

A legal entity's Risk Capacity is the absolute risk bearing capacity for that entity. The risk capacity represents financial capacity to assume losses and is generally equal to a measure of the market value of surplus. Losses at or near risk capacity would potentially result in insolvency. DB Group monitors risk capacity through capital supply on both a regulatory capital basis and on an Economic Capital (EC) basis, along with liquidity availability under stress scenarios. Risk capacity for a banking legal entity might be 100% of Tier 1 capital.

A Risk Tolerance is a measure of risk that the entity has determined is within an acceptable level of risk to "live within". A banking legal entity might establish Risk Tolerances in terms of regulatory capital, economic capital, and liquidity.

Risk Limits are clearly defined risk boundaries established for operating units to provide the basis upon which actual risk levels are managed within risk tolerances, and acting upon instances where risk levels approach or exceed established tolerances (escalation procedures for limit breaches). A banking legal entity might establish risk limits covering specific categories of risk (e.g. market risk, credit risk) along with specific business line risk limits.

Key Risk indicators (KRIs): Additional metrics monitored on an ongoing basis to provide additional insight into DBTC's risk profile and serve as early warning indicators for risk limits and tolerances. A banking legal entity might identify KRIs around EC components, operational risk, and liquidity.

Risk appetites, including reputational risk, will be developed at the legal entity level for the 4 Tier entities.

Setting a reputational risk appetite at the regional level however, where

Section 8: Review of Terms of Reference

8.1 Review Term

The ARRC Terms of Reference will be reviewed and revised annually by the Secretary, in conjunction with the Chairman. The ARRC will be required to ratify the revised Terms of Reference annually.

Section 9: Secretary Details, Associated Policies

9.1 Contact details of the Committee Secretary

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APPENDIX 1

Reputational Risk Questions to Identify Issues for Escalation to ARRC
(Guidance to business on considerations when identifying items to be reviewed by the ARRC)

1. Business Purpose/Economic Substance of the Transaction

1. Could the transaction be viewed as having no valid business purpose or economic substance?

2. Was the transaction designed primarily to achieve a financial reporting or tax effect (i.e., to exploit accounting, regulatory or tax guidelines)?

3. Are we aware of any facts that would lead to concerns about how the client will account for or disclose the transaction?

4. Are the DB and client accounting treatments inconsistent?

5. Are there any unusual profits or losses, or is compensation disproportionate to the services provided or to the risks assumed by DB?

6. Have any DB competitors refused to proceed with this transaction?

2. Terms and Nature of the Transaction

1. Does a potentially circular transfer of risk exist, either between DB and the client or between the client and another related party?

2. Are there any non-standard terms, or terms inconsistent with market norms (for example: unusual time horizon, unusual profit/risk allocation)?

3. Are there elements of the transaction that cannot be processed using existing operational systems?

3. Legal/Regulatory/Tax Treatment

1. Are there any non-standard legal agreements, including any undocumented agreements?

2. Does the transaction raise any actual or potential conflicts of interest?

3. Is this the type of transaction that is currently under heightened scrutiny by the regulators?

4. Does the transaction have an impact on the relationship between DB entities and fiscal (tax) authorities?

4. Social Responsibility Issues

1. Could this transaction be viewed by some as promoting activities considered contrary to the "public good"?

2. Does this transaction pose any significant environmental, health or safety risks?

5. Client Profile Issues

1. Does the transaction involve a client that some might view as questionable or controversial, as located in a high-risk jurisdiction, or as having any objectionable human resource, labor or corporate governance practices?

2. Is there any negative market intelligence relating to this client, the

client's management team or principals (particularly, if the client's reputation depends on the reputation of its management team or principals), or any additional parties linked to the client?

3. Are there any significant litigations or criminal or regulatory proceedings pending or recently settled involving the client?

6. Environmental Issues

1. Does the transaction relate to activity which may be described as harmful to the environment?

2. Is the transaction consistent with the Bank's aspiration to be a leader in the transition to a low carbon society?

3. Is the transaction consistent with the Bank's intention to contribute to greater carbon efficiency, accepting that in some circumstances it will still be necessary to finance carbon intensive industries as the transition to a low carbon society?

4. Does the risk extension facilitate a commercial business activity that increases the "carbon footprint" of a counter party active in the areas of Coal, Forestry, Agriculture, Mining, Cement or Chemicals sector?

5. Are the economics of the transaction likely to be materially affected if anticipated changes to the regulation of greenhouse gases are introduced?

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