



Supplementary  
information on the  
selection procedure for  
the appointment of the  
statutory auditor

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## Background

EU-Regulation 537/2014 and changes to the EU directive on statutory audits by Directive 2014/56/EU both of April 16, 2014 came into effect for financial years starting after June 17, 2016 the latter of which needed to be implemented into national law until that date. This was completed with the Audit Reform Act of May 17, 2016. Thus, KPMG AG Wirtschaftsprüfungsgesellschaft ("KPMG") is no longer eligible to act as external auditor for both Deutsche Bank AG ("DB AG") and Deutsche Bank Group ("DB Group") as well as certain other DB Group entities after the finalization of the statutory audit for the financial year ended December 31, 2020.

In its meeting on September 15, 2016 the Audit Committee (AC) and on December 13, 2016, the full Supervisory Board (SB) of Deutsche Bank AG decided that a proposal will be made for the engagement of a new auditor already for the audit of the financials as of the first quarter 2020.

The rotation date was selected taking into account the expected timeframe for the tender process given the complexity of DB Group and the subsequent Annual General Meeting ("AGM") vote as well as the "cooling-in" period, that would allow a new auditor to address all independence requirements and gain client-specific process knowledge.

## Joint implementation of the selection procedure in the Group

From DB Group's point of view, it is deemed desirable in terms of effectiveness and efficiency that after the audit rotation has been successfully completed, all global subsidiaries of DB Group which are subject to financial statements audits (mandatory and voluntary) engage member firms from only one auditor network ("one-auditor approach"), if possible and permissible. This approach is expected to have a positive impact on overall audit quality and efficiency, especially for the following reasons:

- Clear responsibility and focus with regard to audit topics that need to be covered centrally (e.g. certain aspects of financial reporting and control, accounting policies, IT-systems or intercompany transactions). A one-auditor approach avoids duplication of efforts.
- Improved consistency in the application of audit methodology and quality standards.
- Simplified communication and budget control with significantly reduced coordination efforts. In addition, a larger portion of the group-wide audit budget can be used for audit procedures rather than managing several single audits separately.
- Simplified independence management, since Public Interest Entities (PIEs) have implemented procedures to evaluate challenges to the auditor's independence, in particular with regard to prohibited non-audit services and fee caps. An one-auditor approach in a group reduces complexity of this process and the risk of independence issues.

For PIEs that wished to participate in the Group Audit Tender on their behalf, but within their responsibility, the following steps were taken:

- The PIE body responsible for the engagement of the auditor formally adopted the audit tender framework as the basis for the vendor selection before the publication and request for information ("RFI") process was started. At the same time the PIE body also adopted the selection criteria (plus individual/ local additions as necessary).
- Communication of progress back to the PIE was facilitated by involvement of a representative of the PIE in the tender process (i.e. as part of the evaluation panel) and/ or access of designated PIE contacts to the audit tender data room upon request.
- The auditor proposed by the project was, or as the case maybe will be, evaluated by the PIE and formally selected by the Audit Committee/Supervisory Board of the PIE, if they did not reach a different conclusion.

The PIEs' governance bodies were made aware that, although preparatory and coordination efforts can be managed on a DB Group level, the ultimate responsibility for the auditor selection and engagement remained with themselves and that they were required to make an independent decision that is appropriate for their entity's situation and free from undue influence by a third party.

## Organization of tender process in the Group

The Audit Committee of DB AG has taken the initiative of inviting the Audit Committees and/or Supervisory Boards of the PIE-subsiidiaries in the Group to participate in a joint coordinated tender process and to make the necessary decision on an individual AC-/ SB-level. It also introduced the relevant group-wide teams to perform this process.

Additionally, DB AG has set up a central team of 43 evaluators, which comprised representatives from

- Supervisory Board (4 members - consisting of Richard Meddings, Prof. Dr. Stefan Simon, Katherine Garrett-Cox and Henriette Mark)
- Management Board (James von Moltke)
- Finance (14 members)
- Infrastructure Functions, e.g. Legal, Audit, Risk (8 members)
- PIE Supervisory Board representatives which the AC/ SB of the PIEs nominated in the case the PIE decided to participate in the group-wide tender (16 members).

The evaluators were endorsed by the Audit Committee of DB AG on December 14, 2017 and the final list of evaluators was approved by the Audit Committee of DB AG on January 30, 2018.

Each Audit Committee/ Supervisory Board of the PIE-subidiaries, that decided to participate in the group-wide tender, assigned at least one member into the central team of evaluators and demanded the management of the PIE-subidiary to assign at least one employee to support the communication with the project team.

In general, the independence and the autonomous execution of responsibility of the participating PIEs in each step of the tender process has been warranted in three ways.

Firstly, team members assigned by the PIE-subidiaries who support the PIE nominated evaluator provided additional information to the project team, e.g.:

- Adjustments to the tender process or timeframe (for example due to additional local regulatory requirements), including inclusion in Subject Matter Expert (SME) workshops and other presentations and set-up of site visits.
- Additional individual evaluation criteria (for example due to specific business needs) or a different weighting to be applied to the evaluation criteria by the PIEs (contrary to the goal to use a group-wide coherent and conclusive catalogue of evaluation criteria incl. weighting).
- Enhancements to the tender documents, e.g. changes to the public announcement to be published in the PIE's country and additions or changes to the RFI and the RFP, especially a description of the business activities of each PIE-subidiary.
- Provision of additional PIE-specific content to the data room.

Secondly, the final group-wide tender process and timeframe, group-wide evaluation criteria and group-wide tender documents were approved by each Audit Committee/ Supervisory Board of a participating PIE of DB Group prior to their use in the project.

Thirdly, the Core Audit Tender Team emphasized frequent communication with the PIE Audit Committee/ Supervisory Board representatives through weekly meetings led by the PMO as well as additional ad-hoc meetings whenever additional information or guidance was needed. The approach ensured that the Audit Committees and/ or Supervisory Boards of PIE-subidiaries have performed their tender process independently and free from undue influence.

## Structure of the selection procedure

### Implementation of a project group

In order to facilitate an efficient and effective selection process, a project organization was set up with the intent to prepare and execute the selection process and audit tender process. This project team was acting under the supervision of the Audit Committee of the Supervisory Board of Deutsche Bank AG which retained the ultimate responsibility and decision making rights. The Management Board of Deutsche Bank AG provided resources and advice to the Audit Committee in order to facilitate the selection process, but did not decide on the auditor selection itself.

### Governance-Structure

- Audit Committee: Project sponsor, ultimate DB AG decision maker on the tender process and pre-selection for the Supervisory Board.
- Steering Committee (SteerCo): Defines strategic direction for the initiative, accountable for the execution of the initiative, the business case and the strategic objectives, as well as responsible for the stakeholder management.
- Core Audit Tender Team: Leads overall project execution, implements decisions of the project Steering Committee, communicates results to the project Steering Committee, assists project lead with managing and coordinating the project execution.
- Evaluation Panel: Evaluates and ranks vendors based on defined evaluation criteria provided by Core Audit Tender Team.

- Project Management Office (PMO): Coordinates between workstreams, maintains SharePoint, manages workstream communications between workstreams and with PIEs

As the committee responsible for the procedure, the Audit Committee was involved in all major process and decision-making steps of the call for tenders. In addition to the resolutions taken, it has been emphasized to continuously provide the Audit Committee and the Supervisory Board with updates on the progress of the auditor selection procedure as part of their meetings.

Taken together, the members of the steering committee and the project group represent all relevant areas and departments of the company that will later work closely with the auditor.

The SteerCo comprised representatives of mainly all infrastructure functions and members of the Audit Committee:

- Chief Financial Officer (CFO)
- Head of Group Finance
- CFO Regions
- Head of FD Group Financials
- Head of Group Audit
- General Counsel
- Head of Market Risk Management & Risk Methodology

Further, the project group comprised representatives of additional functions and PIE representatives.

## Tender process

The selection procedure was designed to make the procedure transparent and fair. This means that there was the same chance for all candidates to be selected by the individual PIEs in the DB Group as the future auditor. In particular, a uniform level of information among the candidates was established through the following measures:

- The tender documents for the candidates which were shared via the official communication channel and accompanying information via a dataroom contained information on the nature and scope of the business activities of the PIEs as well as business and legal documents, and allowed a realistic picture of the entities' situation.
- The candidates had the opportunity to ask questions. To ensure a level playing field, questions and answers were shared with all candidates.

A period of 21 months was set between start of the project in mid 2017 and the election of the auditor by the Annual General Meeting on May 23, 2019 for the review of the interim financials for the first quarter 2020. This approach was chosen to allow sufficient time for the required cooling-in period for auditor independence reasons.

## Public announcement

The purpose of the public announcement of the Auditor Rotation and Tender Process has been to conduct the selection process in a fair manner and not to preclude audit firms from participating in accordance with Article 16 (3) EU-RE. Therefore, a publication approach was designed to ensure that the invitation to participate in the tender is available to all auditors and audit firms regardless of their size or total audit fees from public interest entities.

Before conducting a formal request for information (RFI) process, DB AG and all participating PIEs of DB Group have (each) officially informed about the upcoming Auditor Rotation and the Tender Process and invited audit firms to submit proposals by public announcement on [www.db.com/ir](http://www.db.com/ir) and in the German Federal Gazette (Bundesanzeiger) as well as in local gazettes in Luxembourg, Portugal, England and Spain simultaneously.

## Request for information (RFI) documents

The RFI comprised a brief description of DB AG's and the PIEs' business and 22 questions related to a set of broad initial criteria set out in the RFI evaluation scorecard and served to assess the firms general qualifications and appropriateness as DB's Group Auditor. The RFI also included the requirement that a non-disclosure agreement be signed by interested parties prior to a formal application and confirmation that an audit firm will be able to achieve its independence in time to qualify as DB's Group auditor for Q1 2020.

The responsible committees of the participating PIEs approved the RFI documents that were provided to the audit firms.

## Request For proposal (RFP) documents

The RFP was only distributed to audit firms which had already received and responded to the RFI. It included additional details on the audited entities' business and the type of statutory audit to be carried out through outlining 97 questions based on an established best practice in the industry covering selection criteria set out in the RFP evaluation scorecard. The criteria to be fulfilled with regard to audit firm and its network, team and expertise, audit approach, transition, communication, scope, fee, as well as other conditions set by DB AG were set out in the RFP. The list of data room content set out supplemental documents which were made available to the audit firms to provide more detailed information about DB AG's or PIE's business, structure and organization. In addition, as part of the RFP the independence declaration, which contained appropriate references to applicable laws and standards, was to be signed.

The responsible committees of the participating PIEs approved the RFP documents that were provided to the audit firms.

## Evaluation criteria for RFI/RFP and Feedback

The project lead has established selection criteria for the evaluation of candidates' tenders. Some selection criteria have been defined as minimum requirements. These were examined within the scope of a prequalification prior to the actual offer process. Failure of the applicants to comply could lead to exclusion from the selection procedure.

DB would also consider reputational issues regarding the firms in general and senior personnel in particular, for example by evaluating regulatory actions against these entities and/or persons.

Only criteria, which are non-discriminatory in the sense that auditing firms whose market share is less than 15% of the total audit fees paid by all PIEs in the Member State were not excluded, were used.

A scoring methodology was developed to evaluate the documents, that were received, based on the following criteria, that were selected with a focus on audit quality and based on past experiences with the former auditor as well as legal requirements (e.g. data protection laws):

### RFI criteria

- Data protection
- Company overview and market position
- Global client overview
- Experience with Deutsche Bank
- Ressources / capacities / competences
- Integrity / reputation and lawsuits
- Company's audit approach in international context
- Monitoring of audit progress
- International transparency and coordination of audit process

### RFP criteria

- Audit company and network
- Audit team
- Cultural fit
- Expertise
- Audit approach including technology
- Transition
- Communication
- Formal criteria
- Scope and fee

The criteria above have been applied to a set of scorecards that were used to obtain standardized evaluator feedback for different scopes of evaluation. Detailed supporting measures/questions were provided in order to assist the evaluators in applying a comparable basis for their judgements and to facilitate their evaluation in providing an overall score. Each criterion was assigned an individual weight within the scorecards and a score that could be selected by the evaluator, with the weighted results adding up to 100%, i.e. the maximum score. All evaluators were also able to provide commentaries on their respective selections.

Overall, the methodology was guided by the following principles:

- Fair review of offers through standardization
- Focus on audit quality
- High weighting of fact-based observations
- Transparency of evaluation
- User-friendliness in order to avoid handling errors

## Written feedback to questionnaires and presentations

As part of the tender process the participating candidate firms received a detailed questionnaire (RFP) covering the main areas of the aforementioned evaluation criteria consisting of 97 questions in total. The candidates were required to provide an initial response before the workshops on June 4, 2018. The candidates were given a deadline until the end of July 2018 to revise their initial answers with final submission on July 31.

In addition to the Questionnaire, the candidates had to sign a Declaration of Independence. They were required in the RFP to provide a fee proposal based on a pre-defined scope of entities (DB AG and PIEs).

DB conducted an investigation of findings against the possible future auditors and performed reference calls based on a list of references the candidates were asked to provide in their written RFP feedback. The investigation covered publicly available findings listed in several jurisdictions with local EU and US regulators. The EU countries covered reflect the PIE locations Germany, Spain, Portugal, UK, Luxemburg.

Also, applicants were asked as part of the RFP to provide a list of non-audit services being currently provided and continuing to be provided after January 1, 2019 or planned to be provided after January 1, 2019, the start of the cooling-in period, to any subsidiary of the Deutsche Bank Group. In a separate list the services the applicant firm is currently providing, that will have to be terminated, should the firm be chosen as Auditor, were indicated. Both lists were reviewed by the respective DB representatives to identify measures to be taken ahead of the appointment to facilitate the transition to the new auditor.

## Subject Matter Expert workshops

For a list of topics that were considered critical for the assessment of the auditors capabilities, the respective Subject Matter Experts ("SME") were identified and workshops scheduled. PIEs were invited to send their representatives. The SMEs reflected the key infrastructure functions as well as the diversity of content and regions that come into play in an audit of the annual financial statements. All PIE evaluators were also invited to attend the workshops.

The eligible audit firms were asked to provide a brief introduction into their approach with regards to these topics and then engage DB's specialists in a Question & Answers session. The planned agendas for each workshop were shared with the candidates beforehand and listed the following main topics:

- General audit approach
- SEC disclosures
- Integrated SOx audit
- Regulatory reporting, Anti-Financial Crime and Compliance
- Accounting policies on Financial Instruments
- Valuations
- Information technology (IT audit approach, experience, use of data analytics tools, cyber risk)
- US specific topics incl. Regulatory Reporting

The SME Workshops were attended and scored by a total of 26 Evaluators which included SteerCo members, representatives from Infrastructure and Finance functions as well as PIE representatives. Scorecard feedback was required focussing on four major criteria: Audit Team, Cultural Fit, Expertise and Audit Approach.

## Site visits

The audit firms were invited to visits to selected DB premises, where they met with and presented to senior management from Group Departments and/or PIEs in order to provide first visibility of the potential audit teams and engage in final discussions on open topics. The site visits covered a set of topics ranging from tax and non-financial reporting to valuation matters as well as business focused topics. These site visits were reflected in a separate scoring.

Scorecard feedback was required focusing on six major criteria: Audit Team, Cultural Fit, Expertise, Audit Approach, Transition and Communication.

## Final evaluation

The final evaluation included the quantitative scoring and qualitative aspects. The quantitative scoring result is based on the aggregated scorecard feedback of the evaluators summing up the scores of each of the three RFP events "SME Workshops", "Site Visits" and "Written Offer". In addition to the quantitative scoring, three qualitative aspects have been considered: (1)

additional information that could give insight into the suitability as future auditors such as findings or conclusions of any inspection report on the future auditor, (2) the provision of a declaration of independence by the audit firms and (3) the facilitation of a sufficient cooling-in period prior to the appointment to ensure independence.

An assessment of audit firms was presented to the Steering Committee on the basis of the examination of quantitative and qualitative assessment aspects in the form of scorecard feedback, taking into account the details on the differences between audit firms in the preparation of their oral presentation. Based on this interim evaluation, the Steering Committee members finalised their scorecards following the presentations made by the audit firms at the Steering Committee meeting on September 10, 2018, complementing the interim evaluation to the final evaluation.

The Audit Committee of the Supervisory Board of DB AG

- received a presentation held by the candidate audit firms on September 13, 2018,
- received the draft report on the selection process and the evaluation of the candidates as well on September 13, 2018 and
- received a recommendation by the SteerCo on October 23, 2018 expressing preference for one of the two remaining auditors.

## Recommendations and Approval

### Recommendation by the Steering Committee

On October 2, 2018, the Steering Committee, acting in accordance with its responsibilities, by resolution validated the report and shared the opinion of the project group that the selection process was fair. Furthermore, the Steering Committee articulated a recommendation for the selection of the future auditor to the Audit Committee. The Steering Committee declared that its recommendation is free of undue third-party influence and, in particular, no restriction has been imposed on it to limit its recommendation of a certain auditor. The Steering Committee concluded that it was therefore unbiased in its decision.

The Steering Committee recommended to the Audit Committee to propose to the Supervisory Board either

- Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft or
- PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft

as future auditor.

Within this recommendation, the Steering Committee expressed preference for **Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft**.

### Recommendation by the Audit Committee

On October 23, 2018 the Audit Committee, acting in accordance with its responsibilities, validated by way of resolution the Auditor Rotation Tender Process Report and shared the opinion of the Steering Committee that the selection process was fair. The Audit Committee declared that its recommendation is free of undue third-party influence and, in particular, no stipulation has been imposed on it to limit its recommendation to a certain auditor. The Audit Committee was therefore unbiased in its decision.

The recommendation of the Audit Committee was based on a selection process conducted in accordance with Article 16 of the EU Regulation 537/2014.

The Audit Committee recommended to the Supervisory Board to propose that the General Meeting elect either

- Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft or
- PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft

as the auditor of the annual financial statements and the consolidated financial statements of Deutsche Bank AG and for the review of the interim reporting for the 2020 financial year.

Within this recommendation, the Audit Committee expressed preference for **Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft**.



## Annual General Meeting 2019 – Auditor Rotation

At the AGM dated May 23, 2020 the Supervisory Board has proposed, based on the recommendations of its Audit Committee, to the AGM to appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart as the auditor for the limited review (if applicable) of the condensed consolidated interim financial statements prepared for periods after December 31, 2019, and before the Ordinary General Meeting in 2020. The Audit Committee has for the above-mentioned audit services in accordance with Article 16 (2) of Regulation (EU) recommended PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart and has communicated a justified preference for Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart.

The AGM has appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart as the auditor for the limited review (if applicable) of the condensed consolidated interim financial statements prepared for periods after December 31, 2019 and before the Ordinary General Meeting in 2020.

The Supervisory Board has mandated Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart for the periods resolved at the 2019 AGM.

## Definitions and Abbreviations

The following definitions and abbreviations are not a comprehensive list, but are included for clarity.

“**Annual General Meeting**” or “**AGM**” refers to the regular shareholders’ meeting of DB AG as laid out in sections 118 to 149 AktG (German Stock Corporation Act).

The term “**Auditor**” or “**Audit Firm**” refers to a standalone audit firm as well as a so-called ‘network’ of audit companies as defined in sect. 319b HGB that operate under one brand (e.g. Deutsche Bank Group’s current auditor KPMG) and as set out in EU-directive 2006-43 Para 2 and 3.

“**Audit Committee**” or “**AC**” refers to the Audit Committee of the Supervisory Board of DB AG or, as the case may be, of PIEs.

„**CFO**“ – Chief Financial Officer.

“**Comprehensive Capital Analysis and Review**”, or “**CCAR**” refers to an annual examination of the capital planning practices of the largest U.S.-based bank holding companies conducted by the Federal Reserve.

“**Deutsche Bank AG**” or “**DB AG**” refers to Deutsche Bank Aktiengesellschaft, incorporated in Frankfurt am Main, Germany (commercial register no. HRB 30000).

“**Deutsche Bank Group**” or “**DB Group**” refers to DB AG and its consolidated subsidiaries.

“**Directive 2014/56/EU**” refers to Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts Text with EEA relevance.

“**FY**” – Financial Year.

“**IBIT**” – Income before income taxes.

“**KPMG**” refers to KPMG AG Wirtschaftsprüfungsgesellschaft, incorporated in Berlin, Germany (commercial register no. HRB 106191) as well as its affiliates and the network it belongs to.

The term “**PIE**” refers to “Public Interest Entity” as defined in Directive 2014/56/EU (see above for a definition of the directive).

“**PMO**” – DB’s Project Management Office : Coordinates between workstreams, maintains SharePoint, manages workstream communications between workstreams and with PIEs

“**Regulation No 537/2014**” refers to Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC Text with European Economic Area (EEA) relevance.

“**RFI**” – Request for Information.

“**RFP**” – Request for Proposal.

“**SME**” – Subject Matter Expert.

“**SOx**” refers to the Sarbanes Oxley Act of 2002 passed by U.S. Congress as a response to corporate failures and fraud that resulted in substantial financial losses to institutional and individual investors.

“**Supervisory Board**” or “**SB**” refers to the Supervisory Board of DB AG or, as the case may be, of PIEs.

