



COMMERZBANK

Fostering Change, Shaping Change

THE COMMERZBANK ESG FRAMEWORK

The bank at your side

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Our Motivation

Foreword by the Chairman of the Board of Managing Directors



Sustainability concerns us all. If we want to leave our children and grandchildren a planet worth living on, we must act now. We as a bank have a particular responsibility and role to play in this. As a reliable partner at the side of our customers, we must and intend to actively drive the sustainable transformation of the economy. Climate change and the new geopolitical situation pose immense challenges for politics, business, and society.

To meet the international climate targets to which Germany has committed, we need radically new, sustainable ways of doing business. And this applies not only to climate and energy, but also to other environmental and social challenges, across the entire supply chain. Russia's war of aggression against Ukraine also means that we need to press ahead with the expansion of renewable energies as quickly as possible in order to end our dependence on fossil fuels.

Within the framework of our "Strategy 2024", sustainability is one of four cornerstones. We want to play our part in bringing global financial flows into line with the goals of the Paris Agreement and the European Union's Green Deal, thereby promoting climate-compatible development. We are underscoring our determination to act with binding targets to fully neutralise the CO₂ emissions of our entire loan and investment portfolio by 2050 at the latest and those of our own banking operations → completely on Net Zero by 2040.



To achieve the first, we are continuously expanding the share of sustainable products for our customers. We have set ourselves the goal of mobilising around €300 billion for sustainable transformation by 2025. With this framework, we are disclosing the criteria we use to classify financial commitments and products as sustainable, and we are making the composition of the sustainable business portfolio transparent.

At the same time, we want to show that we are establishing clear boundaries. In addition to specific exclusionary criteria, we have long defined minimum requirements in the area of sustainability, which are often subject to very dynamic developments. These so-called environmental, social, and governance (ESG) requirements are part of our risk management. And naturally, we are also leading by example when it comes to implementing them in our own banking operations. This ESG Framework summarises all aspects in one guiding document. It is our roadmap to a sustainable future.

We are delighted that you are joining us on this journey!

Yours, Manfred Knof
Chairman of the Board of Managing Directors

1

ESG Framework



With our ESG Framework, we are giving our stakeholders the greatest possible transparency on our approach to sustainability. We are creating a Bank-wide standard that will enable stringent management of all relevant products, processes, and activities, thereby ensuring the sustainable transformation of Commerzbank.

Bettina Storck
Divisional Head of Group Sustainability Management

1.1 Target and scope

The transformation toward a more sustainable economy affects us all. At Commerzbank, we want to play **an active role in shaping this transformation – at the side of our clients**. In our “Strategy 2024”, we have defined sustainability as one of four **cornerstones of Commerzbank’s strategic positioning** – alongside customer focus, digitalisation, and profitability. At the core of our sustainability strategy is our commitment to becoming a net-zero bank. This applies to our own operations as well as to our loan and investment portfolio. To achieve this goal, we provide our clients with innovative product solutions and actively support them in their transformation toward sustainability.

We approach this commitment holistically and in cooperation with all employees. Together, we manage sustainability across all relevant areas of the Bank. With this framework for environment, social, and governance (ESG) topics, we disclose all key building blocks of our sustainability strategy. Specifically, this means:

- We are making Commerzbank’s sustainability activities transparent.
- We define what ESG means in our customer business and what we focus on.
- We present our sustainable product solutions.
- We bundle all our sustainability guidelines and exclusionary criteria.
- We use this framework as a management blueprint for the sustainable transformation of Commerzbank.

In doing so, we set the focus of the document on our core business, namely our customer and product portfolio. Here, we distinguish between transformation finance and sustainable finance:

- We are convinced that the whole economy is impacted by the sustainable transformation and must act. Therefore, we define our whole portfolio as **transformation finance** (→ chapter 2).
- **Sustainable finance** (→ chapter 3) describes the share of our portfolio that we already classify as sustainable. This includes financial products and services that promote positive environmental and/or social purposes and therefore contribute, for example, to achieving the goals of the Paris Agreement and the UN [Sustainable Development Goals](#).

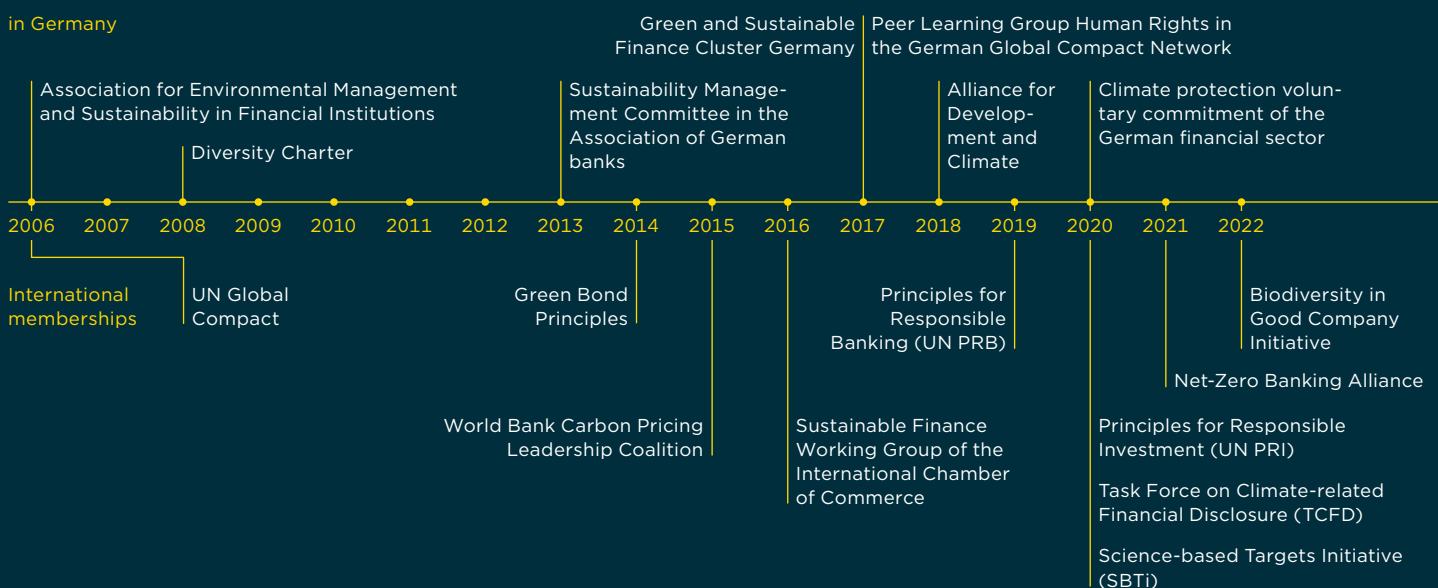
This ESG Framework will be continuously updated to reflect both regulatory developments and our own progress. We will, for example, continuously align the planned further development of the EU taxonomy – the European classification system for sustainable economic activities – with the status of our framework.

1.2 Where are we at?

Commerzbank has been addressing the sustainability of its actions since the 1980s. Today, we are a **member of more than 35 initiatives and organisations**.

Memberships

in Germany



A complete list can be found [on our website](#).

Implementation

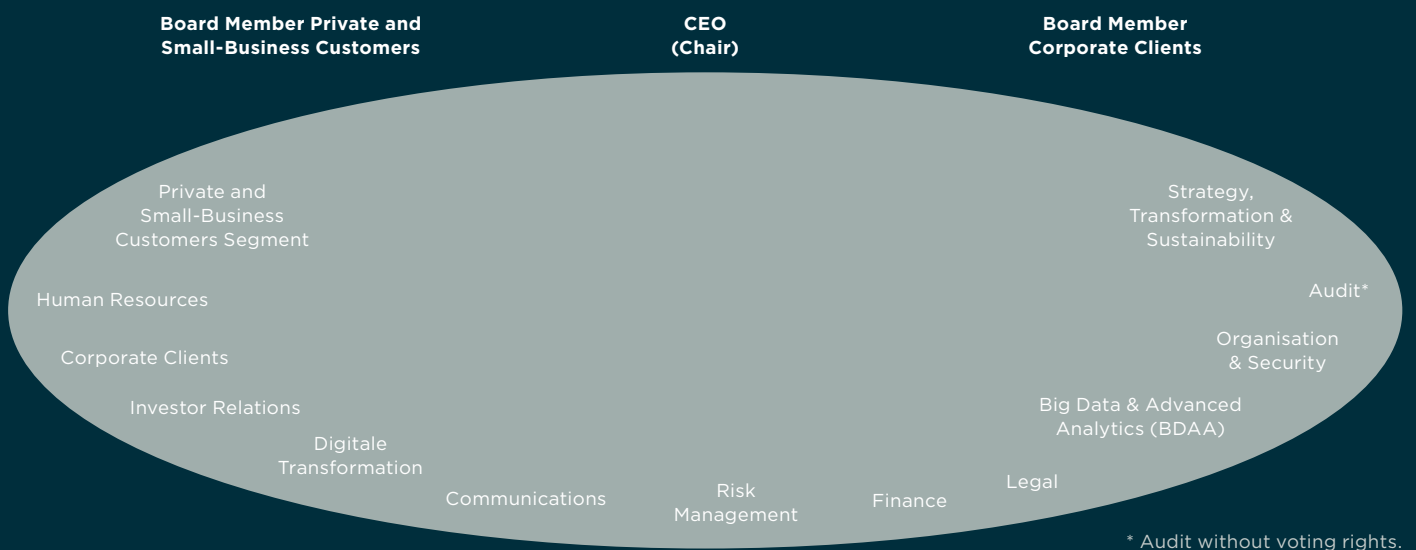
With its Center of Competence Energy, founded in 2003, Commerzbank is now one of the largest financiers of renewable energies in Europe. Our first sustainability report was published in 2005. Since then, we have used various publications to make our wide-ranging sustainability activities transparent. Our risk management has been looking into ESG-related risks since 2007. In 2019, we began integrating sustainability into the product development for corporate clients, for example in the areas of bonds and CO₂ certificates, and in 2020, we anchored sustainability management into our strategy, with its own area of responsibility.

We have successively introduced further tools for **sustainability management in our core business**, including the framework for managing environmental and social risks (now integrated in → chapter 2 of this ESG Framework) or a sustainable finance product register (formerly the Sustainable Finance Framework, now in → chapter 3 here). These are supplemented by operational guidelines for **corporate sustainability management**, such as the environmental guidelines or the guideline on sustainable procurement (→ chapter 4).

Our position on **Human Rights** from 2023 is a key element of our social responsibility in our core business. In it, we commit to respecting human rights and aim to make a contribution to the promotion and protection of these rights within the scope of our influence, for example in our dealings with employees, suppliers, and clients. We ensure these guidelines are upheld through reputational risk management and compliance management.

With the ESG Framework, we are now taking the next big step and are making sustainability a key performance indicator for our company.

Group Sustainability Board (GSB)



To ensure adequate governance within the Bank, we established the **Group Sustainability Board (GSB)** in 2021. **Headed by the Chairman of the Board of Managing Directors**, it is the highest body responsible for sustainability issues below the full Board of Managing Directors.

Since 2022, sustainability has also been anchored in our **Supervisory Board** with its own ESG Committee.

A **Sustainability Advisory Board with external members** has also been augmenting our new ESG governance since 2022. As an independent advisory body, the Advisory Board supports us in the further development of our sustainability strategy.

1.3 Where we are heading?

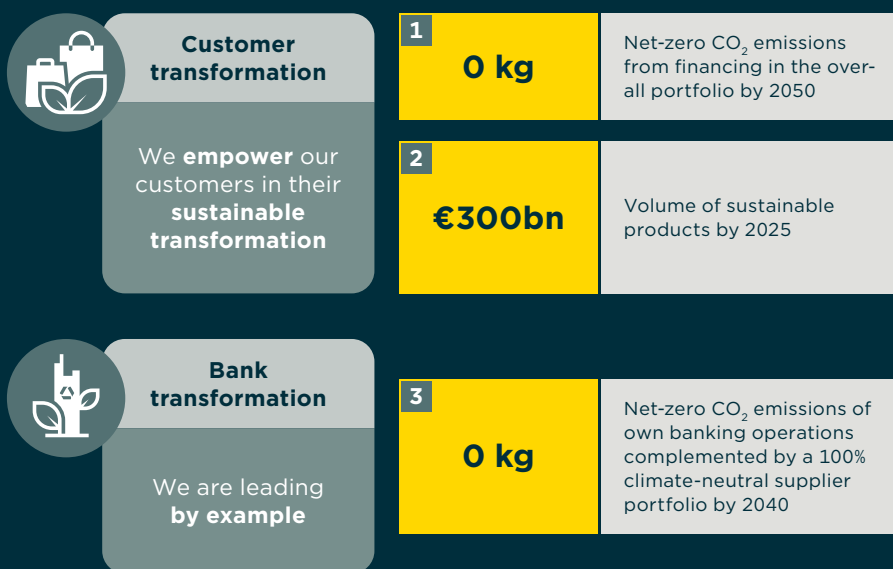
Our loan book reflects Germany's economic structure. This means that our customer portfolio also includes many industrial companies and CO₂-intensive sectors. We accept the challenge and will **actively accompany our clients on this path of transformation**. Only by working together with the industry can we achieve the goals of the Paris Agreement and the [Agenda 2030](#):

1. Reduce emissions quickly and significantly,
2. expand climate-friendly innovations and alternatives to CO₂-intensive processes on a massive scale while at the same time
3. shape a modern, equitable, and dignified society.

As one of the first banks in the world we committed in 2021 to becoming a net-zero bank – by 2040, we ourselves will meet the Net Zero standard and our supplier portfolio will be → climate neutral. Our clients' entire product and investment portfolio is to correspond to the Net Zero standard by 2050 the latest. In order to calculate and define our targets, we have joined the Science-based Targets Initiative (SBTi) (→ chapter 3).

To promote climate-friendly investments, Commerzbank **will mobilise at least €300 billion for sustainable financial products by 2025** – a threefold increase compared to 2020. In this way, we will support our clients in their sustainable transformation. The products, financial resources, and investments included in the sustainable business portfolio are described in the sustainable finance chapter (→ chapter 3).

Transformation: our three performance indicators



1.4 Our portfolio approach

To achieve our net-zero targets, we will be examining our customer portfolio with the following questions in mind:

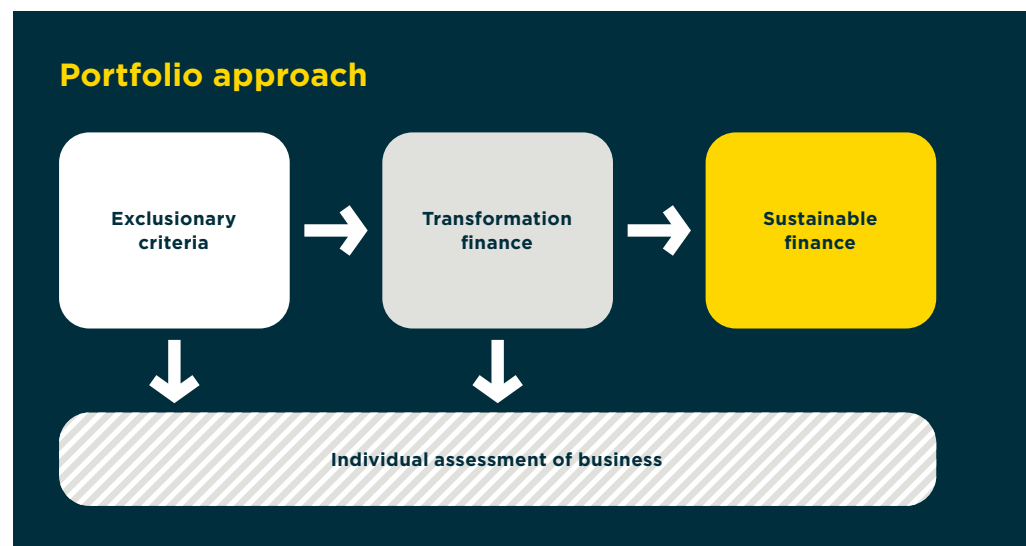
- Which companies/investments do we no longer want to finance in the future?
- Which companies/investments do we support in their sustainable transformation because we believe in their future viability?
- And which companies/financing arrangements already meet our standards for sustainable business today?

The answer to the first question is provided by our **existing exclusionary criteria**, such as those set out in our guideline for fossil fuels. We do not support companies or financing arrangements that meet one of these criteria (→ chapter 2).

All companies/investments not affected by our exclusionary criteria initially form the **transformation finance** portfolio. We are convinced that all companies that wish to position themselves for the future must actively tackle their sustainable transformation and therefore have a high level of financing requirements. We actively support them in this process and manage this portfolio via our SBTi-CO₂ reduction targets, amongst others (→ chapter 2).

At the same time, we sometimes apply **case-by-case reviews** of business, for example in our reputation risk management process. If the review reveals that our guidelines or minimum standards are not reflected, this can also lead to the rejection of a transaction or business relationship.

Lastly, we can already classify a growing proportion of our portfolio as **sustainable finance**. This group is identified using our assessment scheme described in the sustainable finance chapter (→ chapter 3).



2 Transformation Finance



We must make the journey to “green” financing together with our clients and continually safeguard the stability of our economy. We will achieve this through prudent risk management, in which climate risks are stringently reflected. At the same time, clear criteria and guidelines enable us to steer our portfolio purposefully towards net-zero.

Marcus Chromik
Member of the Board of Managing Directors, Chief Risk Officer

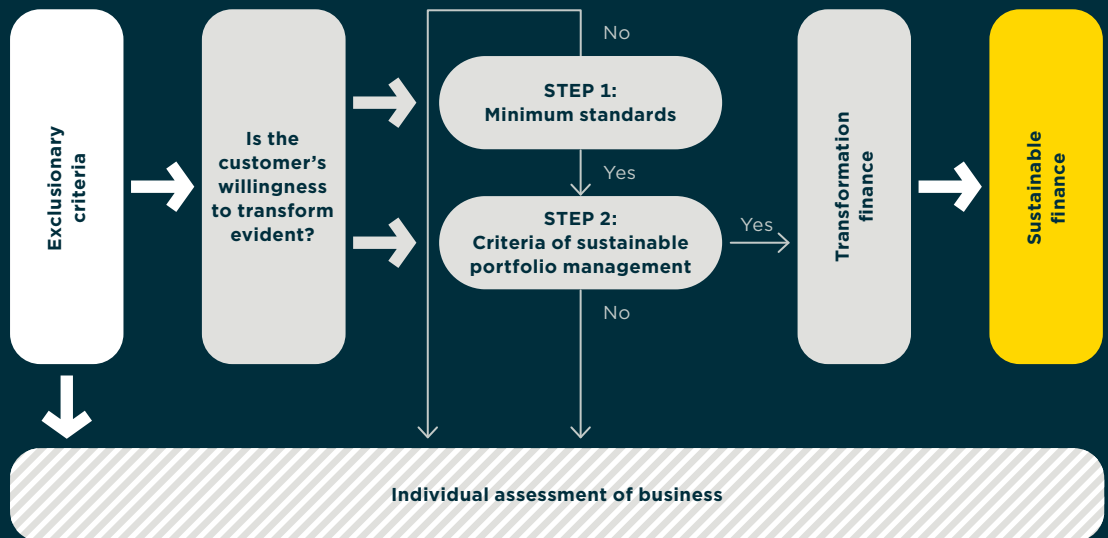
Industry and business are facing an enormous transformation towards greater sustainability. There is no company that will not be affected by it sooner or later, directly or indirectly. That is why we classify all portfolio components that are not affected by our exclusionary criteria as **transformation finance**.

By this we mean financing for generally all economic activities, even if they do not yet meet our strict sustainable finance criteria. We want to support these companies in their sustainable transformation. It also means that we want to encourage a rethink and innovative solutions in all sectors, rather than categorically exclude certain industries. Anything else would jeopardise the stability of the German economy and make sustainable transformation impossible.

At the same time, we also urge them to make a **decisive move towards more sustainability** – not only to achieve our net-zero target, but also to put the Bank on stable footing in the long term. After all, sustainability risks resulting from climate change, biodiversity loss, or human rights violations are potential financial risks for the real economy – and therefore also for the financial industry.

However, there are companies and commitments that we will no longer support now or in the future. We provide robust guidelines that define the minimum standards we apply and set clear limits through exclusionary criteria, especially in controversial sectors. After all, a company that does not adopt a sustainable approach today has little chance of success in the long term. We firmly believe this.

Assessment scheme transformation finance



2.1 Exclusionary criteria and minimum standards

Commerzbank has been factoring sustainability into its core business for many years. We integrate environmental and social risks primarily through **minimum environmental and social standards and corresponding exclusionary criteria**. In the ongoing evaluation of business and business relationships, we review and assess whether these standards are met on an individual basis. To this end, we draw on information and reports from non-governmental organisations (NGOs) and analysts as well as media reports and company publications.

The final evaluation of environmental and social risks is then carried out in reputational risk management using a five-point scale (none, low, medium, significant, high). This detailed assessment can lead to the rejection of the product, the business or even the business relationship itself. In serious cases (high reputational risk), Reputational Risk Management has the option of imposing a veto, which can only be resolved by escalating the matter to the Board of Management level.

We regularly update our assessment criteria for environmental, social, and reputational risks to reflect dynamic developments in the various areas. To this end, we continuously monitor publications by the media, NGOs and sustainability rating agencies on ecologically and socially controversial projects, companies and topics. Against this background, regular dialogue with NGOs (→ section 5.3) and peer exchange with other financial institutions are also important to us. We have also adopted binding sector guidelines within the Board of Management for the most critical sectors, in addition to relevant screening schemes.

Commerzbank is currently reviewing business activities and relationships that relate to the topics listed below.

A Deforestation and agricultural commodities

Context: The destruction of the rainforest is proceeding at an ever-increasing pace. Most tropical rainforest deforestation is due to the cultivation of agricultural commodities such as palm oil or soy. This deforestation leads to loss of biodiversity and threatens valuable functions in the ecosystem. Late harvesting and the use of harmful pesticides and fertilisers pollute air and water. Poor working conditions and low wages for farm workers, who often include children, are also associated with the issue. In the areas of deforestation and agricultural commodities, Commerzbank takes into account the sub-issues of cotton, wood, palm oil, pulp and paper, cattle breeding, soybean cultivation and tobacco, with regard to its business and business relationships.

Exclusions: Commerzbank excludes business and business relationships with palm oil-related companies that are not members of the [Roundtable on Sustainable Palm Oil \(RSPO\)](#).

Assessment criteria: In addition to general environmental and social risks, Commerzbank also looks specifically at the following in business relationships with companies that are active in the area of deforestation and agricultural commodities, including specifically

- compliance with human rights (in particular the rights of local communities and indigenous peoples),
- compliance with working conditions in accordance with the standards of the International Labour Organization (ILO),
- references to child and forced labour,
- the use of environmentally harmful chemicals and illegal logging or uncontrolled forest fire clearance,
- the protection of areas designated as “High Conservation Value Areas” or “UNESCO World Heritage Sites” or other protected areas (if necessary, with the involvement of local specialists or NGOs).

We pay particular attention to the following aspects of the above-mentioned sub-topics:

- **Cotton:** In business relationships with companies in the cotton industry, Commerzbank evaluates the membership of its clients in the [Better Cotton Initiative](#) positively.
- **Wood, paper, and pulp:** In business relationships with companies in the wood, paper, and pulp industries, we pay attention to compliance with requirements in the wood industry through certification by the [Forest Stewardship Council \(FSC\)](#) and the [Programme for the Endorsement of Forest Certification Schemes \(PEFC\)](#).
- **Palm oil:** The production of palm oil has major ecological and social impacts worldwide. This is why we are particularly critical in this area. When assessing business relationships, Commerzbank follows the guidelines adopted by the RSPO and has implemented a three-stage assessment process:
 1. Mandatory membership of the customer in the RSPO,
 2. certification of products and supply chain or at least existence of a schedule of planned measures for sustainable production, and
 3. media check of the company with regard to current criticism by NGOs and the media due to ecological or social aspects.

- **Cattle farming:** In business relationships with cattle breeders or beef producers in the Amazon Basin, Commerzbank takes certification by the [Global Roundtable for Sustainable Beef](#) into account.
- **Soy cultivation:** In business relationships with companies from the soy industry in the Amazon Basin, certification by the [Round Table on Responsible Soy \(RTRS\)](#) is important to us.
- **Tobacco:** Business relationships with tobacco producers and cigarette manufacturers are subject to a detailed case-by-case review at Commerzbank.

B Mining

Context: Raw materials such as coal, uranium, diamonds, base and precious metals, ferrous and non-ferrous metals (including aluminum, lithium or silver) or rare earths (non-exhaustive list) are extracted through mining. Conflict materials are tin, tantalum, tungsten, respective ores and gold, which are mined in conflict and high-risk areas, thus potentially resulting in the financing of armed groups through these mining activities. These raw materials are essential for many economic sectors. Nevertheless, mining projects often have negative impacts on the environment and local residents.

Exclusions: The following applies to uranium mining: Commerzbank does not finance uranium mines. The following applies to gold: Commerzbank only purchases gold from suppliers who apply the Organisation for Economic Co-operation and Development (OECD) guidelines or comparable regulations.

Assessment criteria: In the subject area of mining, Commerzbank evaluates business and business relationships with reference to the mining of any raw materials outside the countries of the Organization for Economic Cooperation and Development (OECD) or in conflict and high-risk areas. For the mining of fossil fuels such as coal, the guideline for fossil fuels adopted by the Board of Managing Directors of Commerzbank AG applies (→ section D, Fossil Fuels).

When assessing mining-related business and business relationships, we generally take into account

- the way in which the company operates the mine (e.g. pollution of the environment through discharge of toxic chemicals, reprocessing of overburden),
- the protection of areas designated as “High Conservation Value Areas” or “UNESCO World Heritage Sites” or other protected areas (if necessary, with the involvement of local specialists or NGOs),
- respect for human rights, in particular the rights of local communities and indigenous peoples,
- compliance with minimum standards of occupational safety and working conditions in accordance with the standards of the International Labour Organization (ILO),
- the implementation of renaturation measures.

C Energy

Context: Energy production is associated with many risks: Burning fossil fuels exacerbates the climate crisis. The operation of nuclear power plants, including the complex disposal of waste, carries the risk of releasing radioactive radiation. Larger hydropower projects can be associated with risks for the environment and the local population. In addition to the inherent risks to people and the

environment posed by individual energy sources, the construction of new power plants can lead to the displacement of indigenous peoples or the destruction of nature reserves with the associated loss of biodiversity. In the energy sector, Commerzbank pays particular attention to the sub-topics of energy generation from fossil sources, nuclear power, and hydropower. Energy generation from fossil fuels is dealt with separately in → section D (Fossil fuels).

Exclusions: The following applies to nuclear power: Commerzbank does not finance new nuclear power plants as a matter of principle.

Assessment criteria: For business and business relationships related to the energy sector, we generally look for

- the conduction of environmental impact assessments,
- the protection of areas designated as “High Conservation Value Areas” or “UNESCO World Heritage Sites” or other protected areas (if necessary, with the involvement of local specialists or NGOs),
- respect for human rights (especially the rights of local communities and indigenous peoples).

In the sub-topics mentioned, we particularly consider the following aspects:

- **Nuclear power:** Following the reactor catastrophe in Fukushima, Japan, Germany decided to phase out nuclear power. In addition to excluding the financing of new nuclear power plants, we subject other business and business relationships related to nuclear power to a critical case-by-case review, which can lead to rejection.
- **Hydropower:** In addition to the general positions and guidelines applicable to the energy sector, Commerzbank takes into account potential conflicts arising from competition for water resources (e.g. between neighbouring countries) and compliance with the recommendations of the World Commission on Dams (WCD) for business and business relationships involving hydropower.

D Fossil fuels

Context: The burning of fossil fuels is a major contributor to climate change. As such, the burning of thermal coal, oil, and gas for energy production is highly criticised. Their extraction also carries risks and often negatively impacts other environmental aspects, indigenous peoples, workers, and local residents. The German government now wants to phase out coal combustion by 2030. At the international level, the 2015 Paris Agreement calls for limiting global warming to well below 2° C – or preferably 1.5° C. Yet oil and gas are still essential for the global energy supply.

The Board of Managing Directors of Commerzbank AG has issued clear rules for dealing with business partners and business in the fossil fuels sector within the framework of the binding “Guideline for fossil fuel-related business and business relationships at Commerzbank AG”. For coal, the guideline covers the key elements of the process chain from extraction through infrastructure to power generation in power plants.¹ The underlying data for the guideline, which has been in force since 2022, is the Global Coal Exit List, which is compiled and regularly updated by the non-governmental organisation Urgewald.

¹ Municipal utilities don’t fall within the scope of the guideline because of their contribution to energy security.

In the oil and gas sector, the key areas of the upstream, midstream and downstream sectors are subject to binding regulations. In the context of oil and gas, we use the Global Oil and Gas Exit List as a means of operationalisation.

Exclusions: The following exclusionary criteria apply to the fossil fuel sector:

- No financing of mining projects related to coal extraction through the Mountain Removal (MTR) process and no business relations with companies that extract coal through this process.
- No financing of projects for the expansion or new construction of coal mines, coal infrastructure, and coal-fired power plants.
- No new business relationships with companies that are active in the coal mining sector, the coal infrastructure sector or the energy supply sector and exceed the threshold of 20% (coal share of revenue or power generation) or that have expansion plans in the coal sector.
- No funding for any oil and gas extraction projects (conventional and unconventional development methods such as fracking, arctic drilling, tar sands, ultra-deep-water drilling).
- No financing for projects for new oil-fired power plants.
- No new business relationships with companies with expansion plans in the oil and gas sector.

Our expectations of our clients

We expect our clients involved in coal mining, coal infrastructure, or coal-fired power generation to

- generate no more than 20% of their sales or power generation from coal and
- have no plans to expand in this field of business.

If clients do not currently meet these requirements, they must submit a plan by the end of 2025 of how to phase out coal by 2030. Moreover, no expansion in the coal sector will be permitted after the end of 2025. If these conditions are not met, Commerzbank will terminate the business relationship.²

We also expect a sustainable transformation from our clients in the oil and gas sector. For this reason, Reputational Risk Management performs an annual critical case-by-case assessment of customer relationships with regard to environmental and social aspects. This assessment can lead to the termination of a business relationship.

Other requirements:

- **Modernisation of coal-fired power plants:** Financing of projects for the modernisation of coal-fired power plants will be assessed critically on a case-by-case basis. Factors such as lifetime extensions, retrofits, and conversions (e.g. to biomass), reduction of pollutant emissions through better filters, and “Carbon Capture, Utilisation, and Storage (CCUS)” technologies will be considered.
- **Other provisions for financing projects:** Financing of projects for the construction of new pipelines and Liquefied Natural Gas (LNG) infrastructure, new gas-fired power plants, and new dual-fuel power plants will be critically assessed on a case-by-case basis by Reputational Risk Management.

² In order to meet our societal responsibility and not to endanger a secure energy supply, operators of coal-fired power plants that have been classified as systemically relevant by the Federal Network Agency are excluded from this regulation. The status of the system relevance as well as transformation efforts will of course be continuously checked and evaluated.

Assessment criteria: In addition to general environmental and social risks, Commerzbank also looks specifically at business relationships and business involving fossil fuels and takes into account:

- the way in which the company operates the mine or explores the oil and gas fields (e.g. pollution of the environment through the discharge of toxic chemicals, further processing of excavated material),
- the protection of areas designated as “High Conservation Value Areas” or “UNESCO World Heritage Sites” or other protected areas (if necessary, with the involvement of local specialists or non-governmental organisations),
- respect for human rights, in particular the rights of local communities and indigenous peoples,
- compliance with minimum standards of occupational safety and working conditions in accordance with the standards of the International Labour Organization (ILO),
- the implementation of renaturation projects.

E Defence and surveillance technology

Context: Commerzbank recognizes self-defence as an inherent right of states, especially in the context of Article 51 of the Charter of the United Nations. Hence, we do not question the necessity of the German Armed Forces (“Bundeswehr”) and its appropriate equipment. Therefore, we continue to finance arms manufacturers that produce arms and weapons systems for the Federal Republic of Germany and its allies, such as the European Union. Nevertheless, with the introduction of the Guideline Governing Armaments Transactions in 2008, we set clear boundaries for business and business relationships relating to the critical defence sector. With the revision of our guideline, we have broadened these boundaries. The revised Guideline on Defence and Surveillance Technology was adopted by Commerzbank’s Board of Managing Directors in January 2023. It is based on positions of the German government, the European Union, the United Nations, on other international agreements as well as on principles of various non-governmental organizations and sets out clear rules and restrictions.

Principles and exclusion criteria: Business and business relationships involving arms and weapons equipment are generally only possible within the framework of the following principles and exclusion criteria:

1. Conflict zones and areas of tension

When assessing recipient countries in the context of arms business, criteria such as the current human rights situation, the fragility of states and the involvement in conflicts or wars are taken into account. For this purpose, we use renowned sources of information such as the Heidelberg Conflict Barometer of the Heidelberg Institute for International Conflict Research (HIIC) or the database of the Bonn International Centre for Conflict Studies (BICC). In general, the following applies:

- Commerzbank does not participate in the financing of arms business involving countries classified as conflict zones and areas of tension.
- Commerzbank does not enter into business relationships with arms manufacturers based in conflict zones or areas of tension.

2. Controversial weapons

Controversial weapons are military weapons that either cause disproportionate suffering to combatants or result in large numbers of casualties among uninvolved victims, particularly civilians. Many of these weapons are banned or prohibited by international agreements, making their production or use illegal in many countries. In the context of controversial weapons, the following applies:

- Commerzbank does not participate in the financing of delivery transactions related to controversial weapons. These include: Nuclear weapons, cluster munitions, anti-personnel mines, incendiary weapons, permanently blinding laser weapons, depleted uranium, and biological as well as chemical weapons.
- Commerzbank does not enter into business relationships with arms manufacturers who produce banned and prohibited weapons.
- Commerzbank does not enter into new business relationships with arms manufacturers who produce white phosphorus bombs or other white phosphorus weapons. Commerzbank expects existing clients involved in the production of white phosphorus weapons systems to submit an exit plan outlining the phase-out of such weapons by the end of 2025.

3. Autonomous weapons

Commerzbank does not participate in the financing of business related to fully autonomous weapons systems. Fully autonomous weapons systems (also referred to as: lethal autonomous weapons systems, LAWS) are those in which no further human intervention is required for target selection and engagement. A fully autonomous weapons system thus is a weapons system without human intervention in critical functions, especially target elimination.

4. Governmental end-recipients

Commerzbank only participates in the financing of arms business in which the final recipient is clearly identifiable and is a government body.

5. Laws and regulations

Commerzbank expects business partners to comply with all laws and regulations (e.g., embargo regulations, export license requirements, etc.).

Assessment of other business and business relationships relating to defence and surveillance technology: Arms business and business relationships with arms companies not covered by the previously mentioned exclusion criteria are critically assessed on a case-by-case basis. In this context, Reputational Risk Management conducts a comprehensive evaluation based on external and internal information sources. The assessment can lead to the rejection of arms business and the termination or rejection of business relationships.

Oppressive countries are increasingly using surveillance technologies to monitor and persecute, for example, human rights activists, certain population groups, journalists or opposition figures. Therefore, Reputational Risk Management critically assesses business relationships with companies that produce goods for digital surveillance, as well as the financing of respective business on an individual basis.

F Ship breaking

Context: Hundreds of ships are broken up every year, mainly in Asia. This is an important source of income for local economies and satisfies a significant part of the regional demand for steel. However, the ship breaking often takes place under poor working conditions that regularly leads to industrial accidents and fatalities. Moreover, this activity often pollutes coasts and seas.

Exclusions: Commerzbank does not support business with shipyards that cannot demonstrate certification to EU standards or internationally recognised environmental and social standards.

Assessment criteria: In order to counteract the risks described above, we verify that shipyards are certified according to EU standards or internationally recognised environmental and social standards (such as ISO 14001, ISO 30000, ISO 45001, Hong Kong Convention or IMO Resolution MEPC.210(63) “Guidelines for safe and environmentally sound ship recycling”).

G Textiles

Context: Textile production in its entire manufacturing process, from cotton cultivation to processing, is the subject of public controversy due to child labour, other human rights violations, and international labour standards.

Assessment criteria: In business relationships with companies in the textile industry, we ensure that our clients are members of the [Alliance for Sustainable Textiles](#) or the [Ethical Trading Initiative](#).

H Petrochemistry

Context: Petrochemistry refers to the production of chemical products – such as precursors for the production of plastics – from natural gas and oil. According to forecasts by the International Energy Agency, the petrochemical sector is expected to account for more than a third of oil demand growth by 2030, or half of oil demand by 2050. This is heavily criticized due to the climate crisis. In addition, petrochemical companies are often criticized for environmental pollution, especially water and groundwater pollution, the resulting effects on the population, improper disposal of waste products and damage to the health of employees.

Assessment criteria: Business relationships with petrochemical companies and petrochemical projects are critically assessed on a case-by-case basis at Commerzbank.

2.2 Sustainable portfolio management

The transformation to a sustainable economic system is a long-term process. But the goal is non-negotiable. That is why we need to make sure we – and our clients – are on the right path. In order to be able to measure and evaluate progress – our own as well as that of our corporate and business clients – we are reviewing our new business portfolio on the basis of ESG criteria. Our focus is particularly on climate criteria, but with the principles described under 2.1, other sustainability topics are also covered.

Managing climate risk in our portfolio has two dimensions:

- a) the impact of Commerzbank on the environment (“save the world”) and
- b) the impact of the environment on Commerzbank (“save the Bank”).

As a supporter of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) and the [Science-based Targets Initiative \(SBTi\)](#), we are especially committed to making climate risks in the portfolio transparent and comparable.

The TCFD recommendations provide a framework for the Bank's reporting on climate risks, while as a member of the SBTi we are committed to the **science-based reduction of CO₂ in our loan and investment portfolio**.

Accompanying customers on their transformation journey and providing the financing it requires – which is considerable in particularly affected sectors and portfolios – also means exposing ourselves as a bank to climate risks and actively managing them.

By integrating the TCFD scenario analysis requirements into our instruments, we were able to broaden understanding within the Bank of how and why various transition and physical risks affect the (credit) portfolio. This allowed us to look at materiality, but also at risk drivers for specific sectors. Physical risks include rising sea levels and flooding for the real estate sector as well as crop failures in agriculture. Other risks include low water levels in rivers, which have an impact on transportation and the chemical industry. Transition risks arise for companies, for example, as a result of changes in energy policy, price changes, or technological developments. Besides using scenario analyses, we have also integrated the assessment of climate risks into the processes and methods used to classify credit risks.

To fulfill our commitments to the Net-Zero Banking Alliance and the SBTi, we support our clients in reducing their emissions.

The SBTi advocates the reduction of greenhouse gases on the basis of science-based targets and offers a comprehensive methodology for aligning portfolios with decarbonization targets. Using this methodology, Commerzbank calculated the CO₂ emission intensities and reduction pathways associated with its loan and investment portfolio that are in line with the goals of the Paris Agreement. The focus is initially on CO₂-intensive sectors, as this is where there is a particularly effective lever for reducing CO₂ emissions. Under the SBTi framework, we apply two different methodologies for target setting.³

- The Sectoral Decarbonization Approach (SDA) is a method for setting physical intensity targets based on the convergence of emission intensities to a sector-specific target. For each sector, the physical CO₂ intensity of the portfolio is measured at a starting point, from which a target path to 2050 can be derived. For financial institutions, determining the emission intensity of their portfolio is the starting point for using the SDA to set CO₂ reduction targets. Portfolio emissions intensity refers to the financed emissions per unit of activity (e.g. kg CO₂e/m², kg CO₂e/kWh, kg CO₂e/t of cement).
- By means of the Temperature Rating Approach, financial institutions determine the current "temperature score" of their portfolio based on the public emissions reduction targets of their borrowers. It allows financial institutions to align the temperature score of their portfolio in the base year with a long-term temperature target. The temperature rating (e.g. 2°C) indicates the temperature path a company is on depending on its targets – the lower the value, the more ambitious.

The approaches described above can be used alone or together to collectively achieve the minimum coverage for all asset classes and sectors required by the SBTi.

³ The SBTi framework for financial institutions allows for a third target-setting method. The portfolio coverage approach stipulates that by 2040, all clients in scope will have set themselves targets in accordance with SBTi.

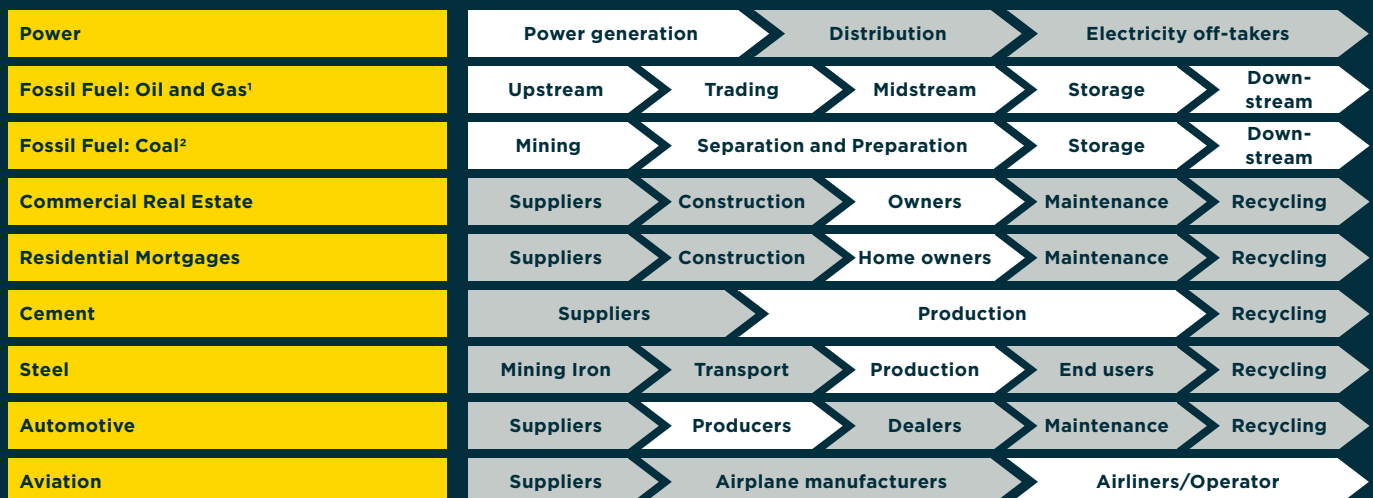
Until we have established a comprehensive SBTi portfolio management system, we will work with the “ESG Interim Process” introduced in 2021 and continuously developed to assess new exposures in CO₂-intensive sectors relating to our strategic goals, including Net Zero. For this purpose, we examine whether an engagement tends to be above/on or below the targeted CO₂ reduction path. The assessment may also lead to a recommendation not to support the transaction.

2.2.1 Sector delineation

To ensure the most specific steering possible in CO₂-intensive sectors, the SDA is the most suitable approach. The focus is on those parts of the sector's value chain that generate high CO₂ emissions or that cause high CO₂ emissions downstream, as highlighted in the figure below. These delineated portfolios are assigned sector-specific CO₂ reduction pathways.

Segments of the value chain considered when setting SBTi targets

Segment of value chain considered by SBTi



Source: Adjusted based on PACTA (2020): PACTA for Banks Methodology Document, page 23.

¹ Companies with more than 30% of revenues from the exploration, extraction, refining, transportation and distribution, storage, retailing, marketing, trading, or power, heat, or cooling production from oil and gas. SBTi recommends a 5% threshold to delineate oil and gas companies; it should not exceed 30%.

² Companies with greater than 5% of revenues from thermal coal mining, exploration and drilling, mining services, processing, trading, transport and logistics, equipment manufacturing, operations and maintenance (O&M) services, engineering, procurement and construction (EPC) services, transmission and distribution of coal-fired electricity, coal to liquids (CtLg), and coal to gas (CtG).

Commerzbank can manage all asset classes and sectors considered mandatory by the SBTi as well as others with a particular focus on the emissions-intensive parts of the value chain with the respective SDA. This currently includes the loan and investment portfolio in the following sectors:

- Power Generation
- Commercial real estate finance
- Automotive manufacturing
- Aviation
- Cement
- Iron and steel

The project finance portfolio for power generation as well as the residential mortgage portfolio, which is optional under SBTi, is also covered in full by SDA steering. SDA targets therefore cover a material part of the loan and investment portfolio – measured in terms of outstanding amount, but particularly in terms of emissions.

For additional sectors additional target setting and steering will be carried out using the Temperature Rating, including the central fossil fuels sector. In the future, it is envisaged that this sector will be re-targeted along the SBTi guideline currently under development. In the section below, we examine the part of the loan and investment portfolio that is already covered by the SDA method in more detail.

2.2.2 Portfolio delineation

The outstanding amount of the on-balance lending business and investments form the basis for the analysis of emission intensities. The SBTi specifies that all loans with outstanding amounts are to be taken into account.

Not included in the scope of the SBTi targets are client relationships with local authorities, federal states, etc., as well as loans to private individuals with a purpose other than construction finance. For these areas, no standards have yet been established for measurement and target-setting within the scope of SBTi. By endeavouring to include these asset classes and address them in various initiatives, we are supporting the further development of this market standard.

As small and medium-sized enterprises (SMEs) are currently not covered by certain reporting requirements, the relevant data is available only to a very limited extent, especially with regard to sustainability indicators. We expect data availability in this area to increase in quantity and quality going forward. Nevertheless, we would like to include SMEs in the CO₂-intensive sectors (according to the table in → section 2.2.5) in our targets. We do this on a voluntary basis to increase the coverage of managed drawdowns. The table shows an overview of the outstanding amounts in Commerzbank's loan and investment portfolio broken down by asset class, sector, and the approaches used for steering.

2.2.3 Commerzbank's sector-specific reduction paths

The targets set by Commerzbank were officially validated by the SBTi in March 2023.

The target paths provided by SBTi form the basis for calculating the reduction curves (CO₂ intensity) for target achievement. The power generation sector, for example, already has a net-zero compatible path. For the other sectors, the target calculation is done using the "well below 2 degrees" scenario as a first step. An adjustment of the reduction target is made in line with the gradual extension of sector-specific net-zero target paths by the SBTi. As far as it is available in the market, we already consider the net-zero target for sectors as an indication for future targets.

In the section below, we briefly describe the specific CO₂ reduction pathways of the sectors steered by the SDA approach and the relevant drivers from the scenario.

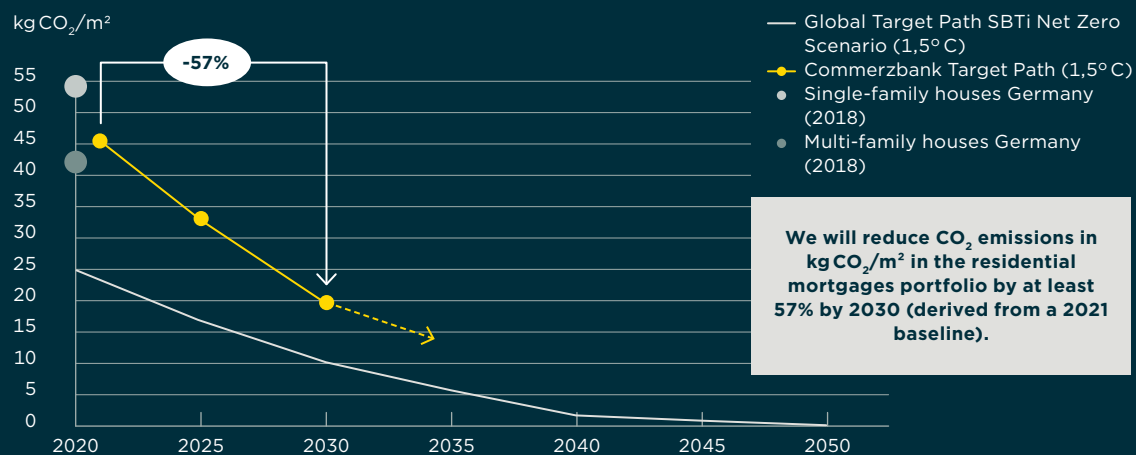
2.2.3.1 Residential mortgage

Residential mortgage accounts for a large part of Commerzbank's loan portfolio with private and small-business customers. Measured in terms of its CO₂ emissions, the residential real estate sector in Germany is very important. It is therefore particularly important for us to set a concrete interim target for this portfolio by 2030 on the way to net-zero by 2050 at the latest.

Regulatory measures such as CO₂ pricing and minimum standards for energy consumption are creating pressure for action to reduce CO₂ emissions in the building sector. To achieve this, a large part of the building stock must be renovated for the purpose of energy efficiency and using renewable energy sources for heating. Due to increasing demand and general economic growth, floor space requirements in buildings continue to rise, even in ambitious climate scenarios. Increasing demand for sustainable and future-proof real estate simultaneously increases the financial attractiveness of these buildings and therefore also creates an incentive for energy-efficient refurbishments.

The initial calculation of the SDA is based primarily on externally sourced, model-based CO₂ data. The goal for the coming years is to gradually expand our internal data base with energy efficiency certificates, so that in the next measurements they will make up an ever larger share of the data base for the SDA. We already have a valid basis for the first calculation with the approximate data.

Residential mortgage: emission intensity and target



In the residential mortgages sector, we are guided by the SBTi's 1.5°C target pathway. The portfolio start value of - 46 kg CO₂/m² (2021) is inbetween the German average for single and multi-family houses. The values for Germany shown for comparison refer to the data from the Carbon Risk Real Estate Monitor (source: CRREM, <https://www.crrem.eu/>). The portfolio of Commerzbank consists of -60% single-family houses and -40% multi-family houses. We will reduce our CO₂ intensity in the construction finance sector to -20 kg CO₂/m² by 2030.

2.2.3.2 Power generation

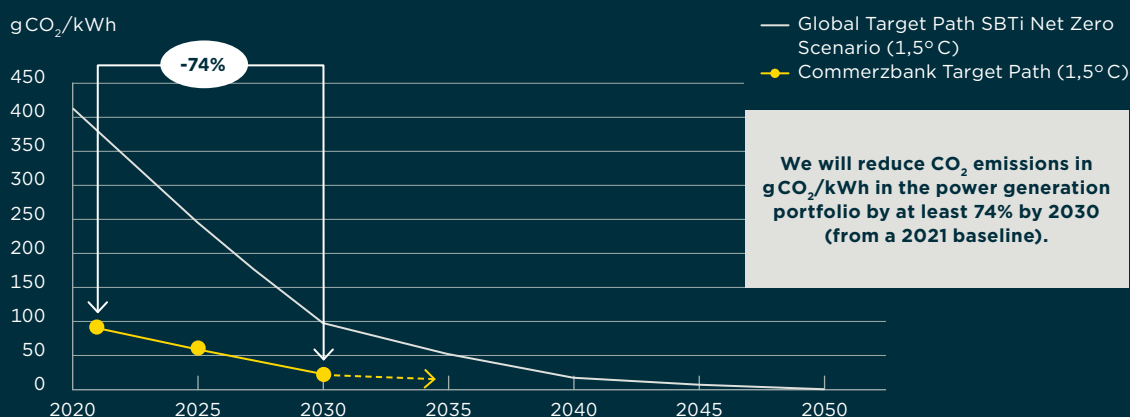
As we move toward Net Zero, power generation from renewable energies is the central building block for transformation. With sectors such as transportation, housing, and manufacturing relying on green power, energy generation plays a key role in meeting the Paris Agreement. Given the rising demand for electricity, a CO₂ intensity pathway aligned with the goals of the Paris Agreement is therefore ambitious but necessary before 2050.

We have been increasing our investments in renewable energies for many years. At the same time, we are aware that the transformation will also require us to continue operating existing technologies – as far as necessary. Our goal is to embark on the transformation journey alongside our customers and work together to achieve net-zero by 2050.

Our portfolio consists of corporate loans for power producers and project financing for power generation. Our portfolio of project financing in the power generation sector only finance renewable energies. As a result, this portfolio is already very far below the sector average for the net-zero scenario.

The calculation of corporate loans is based on externally sourced data on production output and CO₂ intensities. The basis for the project financing portfolio is internal information on the CO₂ intensities of the technologies financed.

Power generation: emission intensity and target



In the power generation sector, we were guided by the SBTi's 1.5° C target pathway to set our target for 2030.

The portfolio starting value of 91 g CO₂ / kWh (2021) can be assessed as follows: We consider the project finance and corporate finance portfolios together. Our portfolio of project finance in the power generation sector shows an intensity of 0 g CO₂/kWh, as we only finance renewable energy. Our portfolio of companies operating in the power generation sector shows an intensity of 331 g CO₂/kWh in comparison. According to the Federal Environment Agency, the intensity of the German electricity mix (without upstream chains) was 382 g CO₂ / kWh¹ in 2020. Globally, the average is around 380 g CO₂ / kWh (in 2021; derived on the basis of SBTi target pathway). We will reduce our CO₂ intensity in the power generation sector to ~24 g CO₂/kWh by 2030.

¹ Source: Petra Icha and Dr. Thomas Lauf 2022: Entwicklung der spezifischen Treibhausgas-Emissionen des deutschen Strommix in den Jahren 1990 – 2021, in CLIMATE CHANGE 15/2022.

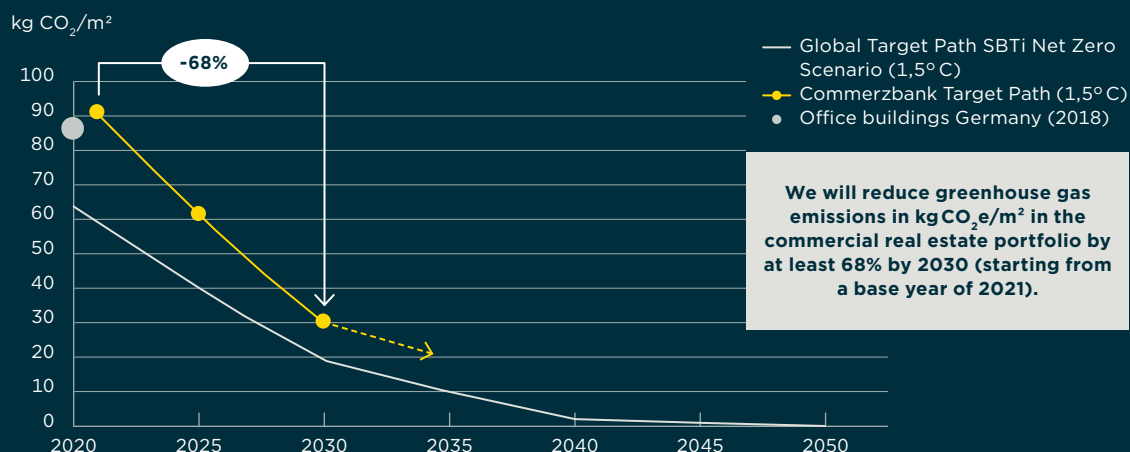
2.2.3.3 Commercial real estate financing

In commercial real estate financing, we distinguish between real estate used for commercial purposes (e.g. business properties, commercial buildings) and residential real estate that is rented out and hence also serves a commercial purpose. The CO₂ emissions of buildings in commercial real estate are on average significantly higher than those of residential real estate. The consideration and decarbonisation of both portfolios is an important step towards net-zero.

However, the respective portfolio shares are thus subject to different, separate decarbonisation paths.

The basis for the initial calculation of the SDA is primarily externally sourced, model-based CO₂ data, which gives us a valid basis for a first calculation.

Commercial real estate finance (commercial use)¹: emission intensity and target



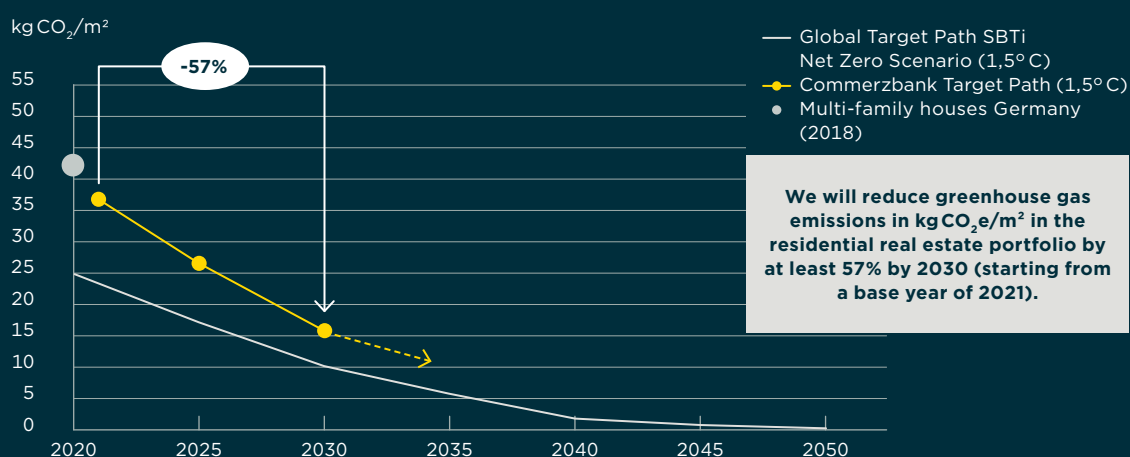
In commercial real estate sector, we are guided by the SBTi's 1.5°C target pathway.

The portfolio start value of -91 kg CO₂e/m² (2021)² is below the German averages for office buildings and retail warehouses. The values for Germany shown for comparison refer to the data from the Carbon Risk Real Estate Monitor (source: [CRREM](#)). It can be seen that there is a wider range of intensities in the commercial real estate sector due to the different uses of the buildings. We will reduce our CO₂ intensity in the commercial real estate sector to -30 kg CO₂e/m² by 2030.

¹ A distinction between building types is necessary in the Commercial Buildings sector, as both commercially used properties (e.g. business properties, commercial buildings) and residential properties (e.g. EFH, ZFH, ETW, MFH) are financed here. In contrast to private mortgage loans, residential properties in the commercial buildings sector are rented out and the financing is repaid by this rental income. The buildings therefore have a commercial purpose, even though they are residential properties and as such are placed against the 1.5°C path of residential buildings.

² The calculated initial portfolio value is not based on real data but on assumptions regarding average electricity and heating consumption for residential and commercial buildings in Germany and the associated emission factors (source: MDPI 2020 and IEA 2020). This will be gradually adjusted to real data in the future.

Commercial real estate finance (residential use)¹ portfolio: emission intensity and target



In the residential real estate sector, we are guided by the SBTi's 1.5° C target pathway.

The portfolio start value of ~36 kg CO₂e/m² (2021)² is close to the German average for multifamily buildings. The value for Germany shown for comparison refers to the data from the Carbon Risk Real Estate Monitor (source: [CRREM](#)). The Commerzbank portfolio consists of ~93% multi-family houses and ~7% single and two-family houses and condominiums. We will reduce our CO₂ intensity in the construction financing sector to ~16 kg CO₂e/m² by 2030.

¹ A distinction between building types is necessary in the Commercial Buildings sector, as both commercially used properties (e.g. business properties, commercial buildings) and residential properties (e.g. EFH, ZFH, ETW, MFH) are financed here. In contrast to private mortgage loans, residential properties in the commercial buildings sector are rented out and the financing is repaid by this rental income. The buildings therefore have a commercial purpose, even though they are residential properties and as such are placed against the 1.5° C path of residential buildings.

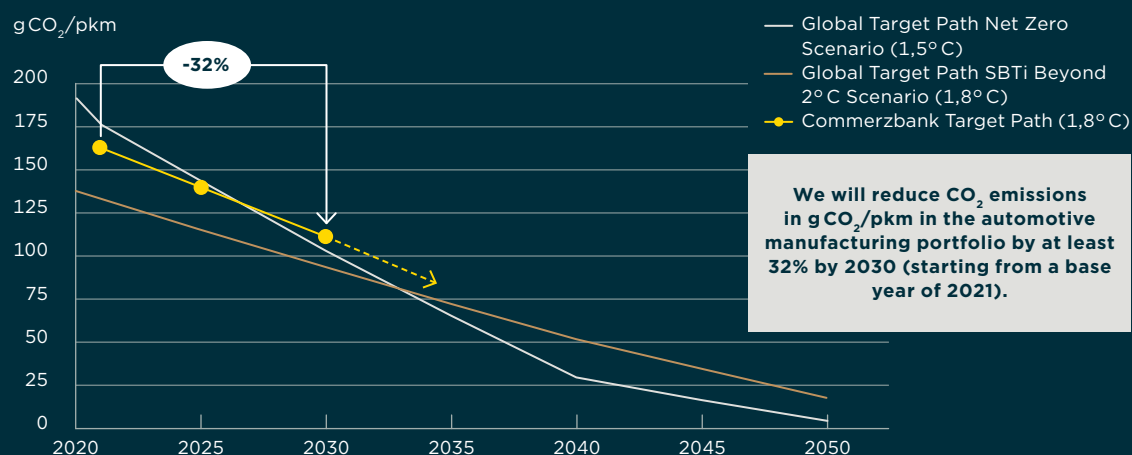
² The calculated initial portfolio value is not based on real data but on assumptions regarding average electricity and heating consumption for residential and commercial buildings in Germany and the associated emission factors (source: MDPI 2020 and IEA 2020). This will be gradually adjusted to real data in the future.

2.2.3.4 Automotive manufacturing

For the automotive industry, electromobility is crucial for meeting the Paris climate targets. Here, we look at the CO₂ emissions of manufactured vehicles per kilometer driven, since the greatest impact on the climate is in the use of the vehicles, not in their production. The focus of steering is therefore on the manufacturers, as they decide on the technologies used for driving (e.g. proportion of electric vehicles produced) and thereby control production and the market.

The calculation is based on externally sourced data on activity volume and specific CO₂ intensity.

Automotive manufacturing: emission intensity and target



In the automotive manufacturing sector, we use the global target pathway of the 1.8°C scenario (SBTi based on IEA ETP 2017 - B2DS) to set our target for 2030. This path applies temporarily and will be updated as soon as a new 1.5°C SBTi target path is available. A corresponding net zero curve derived on the basis of the IEA NZE is therefore already considered in our portfolio steering.

The portfolio starting value of -162 g CO₂/pkm (2021) is below the global average of around -176 g CO₂/pkm (in 2021; derived on the basis of IEA NZE) and depends on the performance of a few key companies in the portfolio. We will reduce our CO₂ intensity in the automotive manufacturing sector to -111 g CO₂/pkm by 2030.

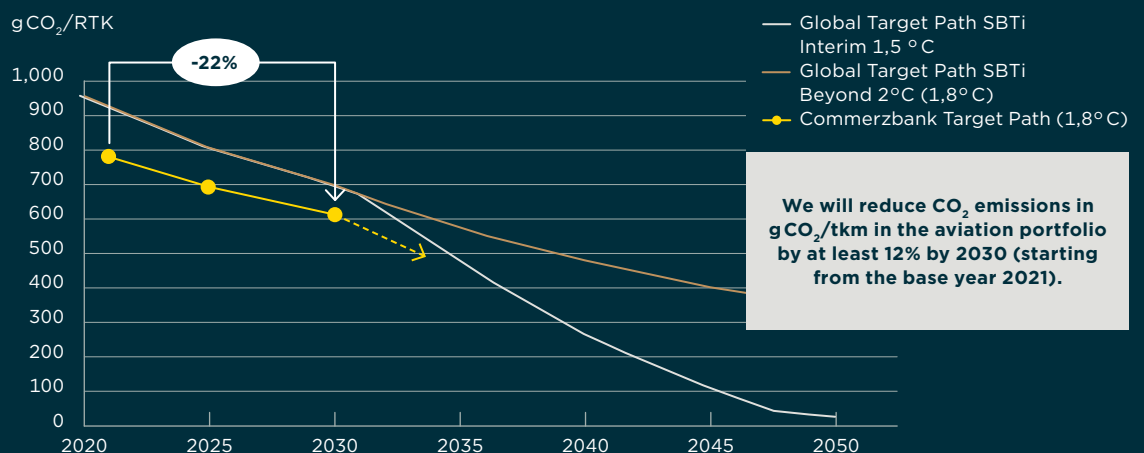
Note to curve progression: The 1.8°C target curve with the base year 2014 (basis IEA ETP 2017) is subject to the assumption that the automotive sector has already made relevant progress in decarbonization by 2020. More recent publications (e.g. IEA NZE) show that this assumption does not match reality. For this reason, the starting value and the values for the subsequent decade of the 1.5°C target path, calculated on more recent baseline data, are still above the 1.8°C pathway (B2DS) with base year 2014.

2.2.3.5 Aviation

The International Energy Agency's (IEA) net-zero scenario assumes that passenger kilometers sold in air travel will increase by about 3% per year by 2050 compared to 2020, while emissions will steadily decline. This is mainly due to operational improvements and fuel-efficient technologies for aircraft and engines. The net-zero scenario assumes that the growth of air traffic is limited by comprehensive regulation. In aviation, we consider the CO₂ emissions of the aircraft fleet per kilometer flown, since the greatest impact on climate is in the use of aircraft, rather than in their production. The focus of steering is on the operators of aircraft (airlines), since they decide on the technologies used for flying and therefore control the market.

The basis for the calculation is externally sourced data on activity volume and specific CO₂ intensity.

Aviation: emission intensity and target



In the aviation sector, we follow the global target pathway of the 1.8°C scenario (SBTi based on IEA ETP 2020 - SDS) to set the target for 2030, which is already in line with the newly available 1.5°C SBTi target pathway until 2050.

The portfolio starting value of 781 gCO₂ / RTK (2021) can be assessed as follows: The companies in our aviation portfolio are active in passenger and freight transport. The intensities of the companies were weighted and converted based on the share in the respective activity, so that portfolio intensity unit is gCO₂ / RTK. The conversion was made as specified by the Transition Pathway Initiative¹. According to this conversion, passenger transport is significantly more emission-intensive than freight transport. Globally, the average is around 923 gCO₂ / RTK (in 2021; derived on the basis of the SBTi Interim 1,5°C pathway). We will reduce our CO₂ intensity in the aviation sector to 611 gCO₂ / RTK by 2030.

Please note that the aviation SDA target is not yet part of our current SBTi validation, as SBTi's aviation SDA methodology currently only applies to the real economy and the usage by financial institutions is under further development.

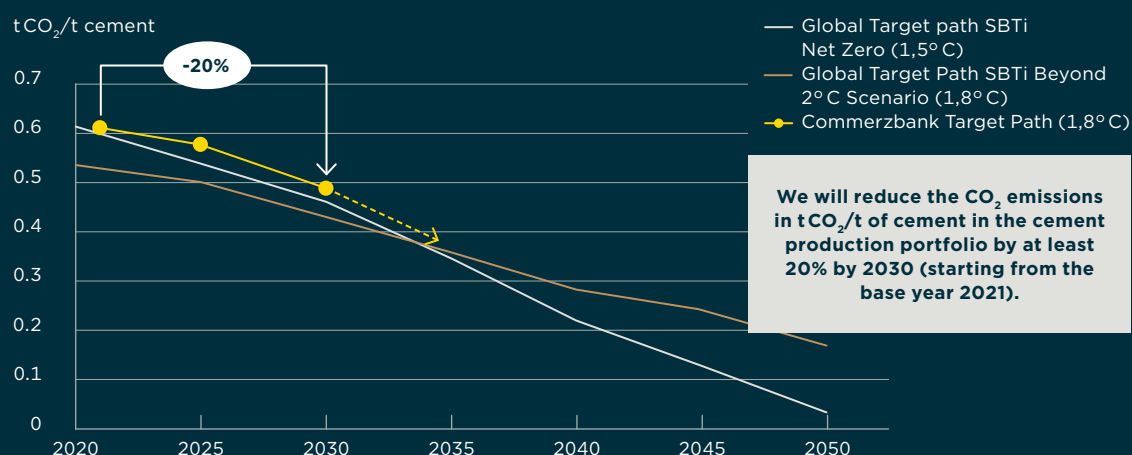
¹ Source: TPI 2019: Carbon Performance assessment of airlines: note on methodology.

2.2.3.6 Cement

In the cement sector, the most CO₂-intensive part of the value chain is the manufacturing process. Therefore, optimising the operating efficiency of plants, adopting new technologies and measures to improve material efficiency play an important role in the net-zero scenario. Overall, demand for cement will remain largely unchanged at a high level in 2050. Without carbon capture and storage, the cement sector (together with steel and iron) will continue to be responsible for a large share of industrial emissions.

The calculation is based on externally sourced data on production output and specific CO₂ intensity.

Cement: emission intensity and target



In the cement sector, we used the global target pathway of the 1.8°C scenario (SBTi based on IEA ETP 2017 - B2DS) to set our target for 2030. This pathway applies temporarily and will be updated soon according to the newly available 1.5°C SBTi target pathway. The SBTi net zero pathway is therefore already considered in our portfolio steering. The portfolio start value of -0.6 tCO₂/t cement (2021) fits into the German and global average for the sector. We will reduce our CO₂ intensity in the cement sector to -0.5 tCO₂/t cement by 2030.

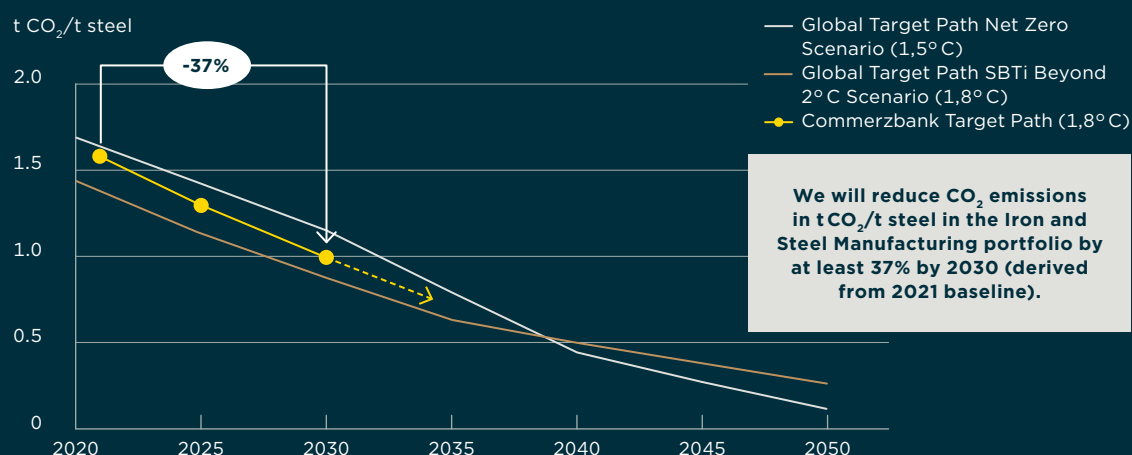
Note to curve progression: The 1.8°C target curve with the base year 2014 (basis IEA ETP 2017) is subject to the assumption that the cement sector has already made relevant progress in decarbonization by 2020. More recent publications (e.g. IEA NZE) show that this assumption does not match reality. For this reason, the starting value and the values for the subsequent decade of the 1.5°C target path, calculated on more recent baseline data, are still above the 1.8°C pathway (B2DS) with base year 2014.

2.2.3.7 Iron and steel

In the case of iron and steel, production is also the most CO₂-intensive area of the value chain and the focus of our targets. As demand for steel increases in the net-zero scenario, the emphasis is on optimising plant efficiency and technological progress.

The calculation is based on externally sourced data on production output and CO₂ intensities.

Iron and steel: emission intensity and target



In the iron and steel sector, we use the global target pathway of the 1.8°C scenario (SBTi based on IEA ETP 2017 - B2DS) to set our target for 2030. This pathway applies temporarily and will be updated as soon as a 1.5°C SBTi target pathway is available. A corresponding net zero curve derived on the basis of the IEA NZE is therefore already considered in our portfolio steering.

The portfolio start value of -1.6 t CO₂/t steel (2021) corresponds approximately to the global sector average matching the global companies in the portfolio. We will reduce our CO₂ intensity in the steel sector to -1 t CO₂/t steel by 2030.

Note to curve progression: The 1.8 °C target curve with the base year 2014 (basis IEA ETP 2017) is subject to the assumption that the steel sector has already made relevant progress in decarbonization by 2020. More recent publications (e.g. IEA NZE) show that this assumption does not match reality. For this reason, the starting value and the values for the subsequent decade of the 1.5°C target path, calculated on more recent baseline data, are still above the 1.8C° pathway (B2DS) with base year 2014.

2.2.3.8 Other sectors including fossil fuels

All other sectors (including the CO₂-intensive fossil fuels sector) are managed using the Temperature Rating. This involves assigning a current temperature rating to the portfolio on the basis of existing reduction targets of the individual companies and then defining a target score. For the central fossil fuels sector in particular, Commerzbank is following the planned development of the SBTi's oil and gas guideline, which is currently under development, in order to further sharpen the focus in this area. Commerzbank has its own guideline on fossil fuels in effect as of the beginning of 2022 (→ section 2.1).

2.2.4 Outlook and portfolio steering

Commerzbank will manage its portfolios that are defined according to the SBTi methodology with a particular focus on the emissions-intensive sectors. Following the SBTi methodology, Commerzbank will apply the sectoral decarbonisation approach (SDA) for the main emission-intensive sectors. The ambition level of the target (partly 1.5°C, partly “well below 2°C”) will be in line with the reduction pathways provided by SBTi; where available, the ambitious 1.5°C pathways will be anticipated.

We aim to achieve these goals through the following measures:

1. Intensive customer dialogue, especially in the particularly affected sectors,
2. providing the resources required for the transformation (→ section 3.1 and → section 3.2), including further expansion of the portfolio of renewable energies and green mortgage loans,
3. expansion of the sustainable product range (→ chapter 2),
4. differentiated pricing models, insofar as can be implemented appropriately for specific portfolios,
5. consistent implementation of the fossil fuels directive.

For new business, Commerzbank will in future review the customer relationship for conformity with the SBTi targets and incorporate this assessment into the business decision. To this end, the “ESG vote” review process introduced in 2021 will be revised. For the relevant portfolios, the following is to be considered in future for the assessment of the customer relationship:

- The client’s status quo (current emissions intensity or temperature rating),
- the respective portfolio-specific science-based target (and decarbonization pathway),
- the customer’s commitment to decarbonisation (e.g. SBTi, other science-based initiatives, own targets),
- potentially other portfolio-specific (technical) criteria for assessing transformation.

The part of the credit and investment portfolio relevant for SBTi, which cannot be covered by SDA, is assigned targets via the temperature rating.

2.2.5 Appendix

Summary overview of the managed drawdowns in Commerzbank's loan and investment portfolio, broken down by asset class, sector, and the approaches used for management.

Asset class	Sectors	Minimum SBTi coverage	Outstanding amount	Targeting method applied
Consumer loans	Residential mortgages	optional	€94 bn	SDA
Project financing/ corporate loans and investments	Power generation	100% of kWh	€7,4 bn	SDA
Corporate loans	Commercial Real Estate, commercial use	> 67% of m ²	€8.3 bn	SDA
	Commercial Real Estate, residential use			
	Iron and steel		€0,4 bn	SDA
Corporate loans and investments	Cement	>67% total	€0,2 bn	SDA
	Automotive manufacturing		€0,4 bn	SDA
	Aviation ¹		€1,8 bn	SDA

¹ Please note that the aviation SDA target is not yet part of our current SBTi validation, as SBTi's aviation SDA methodology currently only applies to the real economy and the usage by financial institutions is under further development.

3 Sustainable Finance



We are a strategic partner to our clients and accompany them on their path of sustainable transformation. We have been promoting the energy transition for many years with our CoC Energy. Transparency and openness are an essential part of our clients relationships. With this framework, we provide insight into our understanding and management of sustainability.

Michael Kotzbauer
Member of the Board of Managing Directors, Business Segment Corporate Clients

Sustainable finance encompasses all financial products and services that promote positive environmental and/or social purposes.

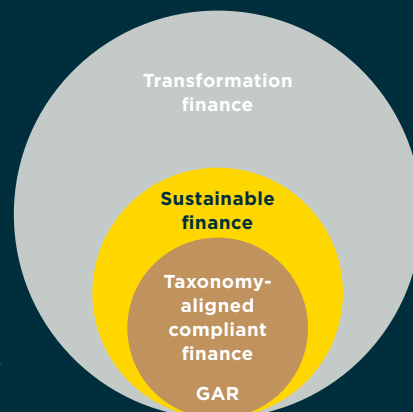
As a financial institution, we can channel financial flows into projects and technologies that reduce greenhouse gas emissions and promote climate change-resilient development. This includes innovations that combat climate change (climate change mitigation) as well as adapt to the unavoidable consequences of climate change (climate change adaptation). We fund technologies that support these two approaches and thereby make a measurable **contribution to our net-zero target by 2050**. In doing so, we are guided by the Sustainable Development Goals (SDGs) and the [EU taxonomy](#).

Based on our holistic understanding of sustainability, we already include commitments in our definition of sustainable finance that fulfill social purposes or go beyond the existing ecological criteria of the EU taxonomy. As the EU taxonomy evolves, we will continuously review our parameters and, if necessary, adapt them to EU regulation.

In the area of social responsibility, the SDGs and the principles of the UN Global Compact currently provide us with orientation. We focus in particular on the protection of human rights, fair working conditions and equal opportunities. We also combat corruption and other forms of white-collar crime for which financial services can be misused.

Portfolio

The diagram is for illustrative purposes only - the size of the circles does not correspond to the size of the investment volume

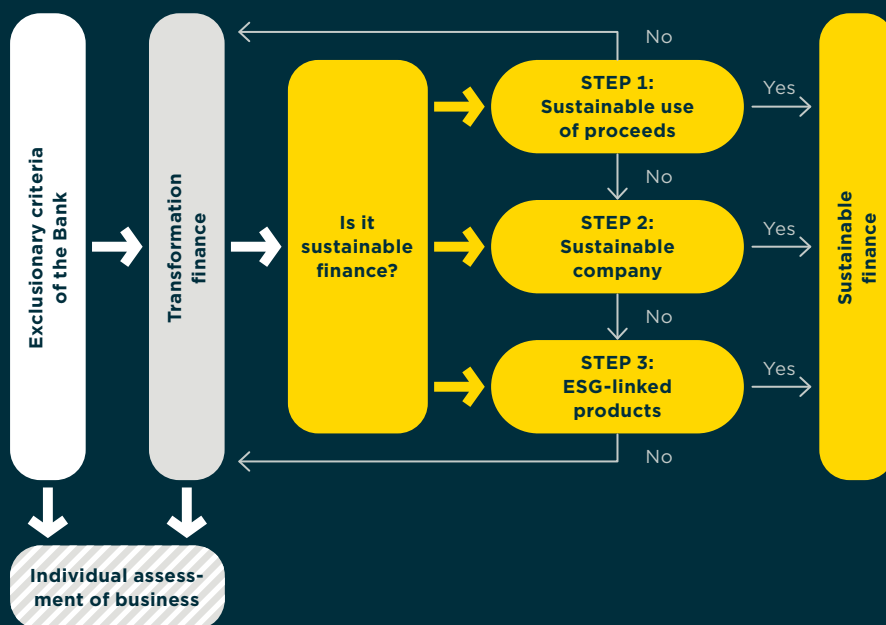


Target by 2025

By 2025, we want to have reached €300 billion in clearly defined sustainable business volume.

To clearly determine which commitments meet our sustainability requirements and can therefore be included in the sustainable finance portfolio, we have developed a transparent assessment scheme and our own criteria (→ section 3.1). In the future, we will use this assessment scheme to underpin our goal of mobilising around €300 billion for sustainable finance by 2025.

Assessment scheme sustainable finance



In the first step, financing can only be allocated to Sustainable Finance if the **intended purpose** can be assigned to a criterion in our list of sustainable finance activities (→ section 3.1). This primarily concerns bilateral loans such as Commerzbank's green mortgage loans and products from KfW programmes for efficient buildings. We distinguish here between environmentally sustainable activities (→ section 3.1.1), environmentally transitory activities (→ section 3.1.2) and socially sustainable activities (→ section 3.1.3).

If the financing is not a dedicated transaction with a special or sustainable purpose, we check the **sustainability of the company** in the second step according to or based on the KPIs of the companies calculated in the taxonomy (→ section 3.2).

Alternatively, certain **products classified as sustainable**, such as sustainable bonds, can be assigned to our sustainable finance portfolio in the next step. These products have a sustainable intended purpose at their core or are based on existing and internationally recognised market standards (→ section 3.3).

3.1 Sustainable use of proceeds

3.1.1 Criteria for sustainable finance activities

External review

The Framework was developed by Commerzbank with reference to the latest sustainable finance classification practices. It is reviewed and updated on an annual basis with support from Sustainalytics to ensure it reflects current market best practice.

Sustainalytics, a Morningstar company, is a leading global provider of ESG and corporate governance research, ratings, and analytics with extensive experience in supporting financial institutions in developing eligibility criteria and providing second-party opinions for sustainability bonds and funds. The firm has 25 years of experience in responsible investment and has developed a comprehensive understanding of trends and best practices and a thorough process to assist organisations in integrating environmental, social, and governance (ESG) considerations into their investment processes.



Impact area and associated SDGs

Impact area energy: Renewable energy (solar [photovoltaic, solar thermal], wind [onshore and offshore], ocean energy, hydropower, geothermal) | Bioenergy (Biofuels) | Energy transmission, distribution, and storage | Battery storage | Hydrogen production from wind and solar resources | Landfill gas capture and utilisation in permanently closed landfills | Development or manufacture of components for renewable energies generation and storage | Development of renewable energy projects | O&M provision for renewable energy projects



Eligibility criteria

- Generation of electricity from renewable sources.
- For solar thermal facilities, at least 85% of electricity generated from the facility is derived from solar energy resources and with less than 15% from fossil fuel back-up.
- For existing hydropower facilities, where power density is either greater than 10 W/m², or life-cycle carbon intensity is below 50 g CO₂e/kwh, or run-of-the-river facilities are without artificial reservoir or with low storage capacity.
- New hydropower projects that are either run of river without artificial reservoir or have life-cycle carbon intensity below 100 g CO₂e/kwh or power density is greater than 5 W/m². Hydropower projects should also have an environmental and social impact assessment undertaken by a credible third party and no significant risk, negative impact or significant controversy surrounding the project.
- Heat generation from solar and geothermal resources.
- Bioenergy subject to reviewing the feedstock. For waste sources such as forestry agricultural, and fisheries that are certified by MSC or ASC.
- For biofuels production, bioenergy installations that have life-cycle emissions that is at least 65% lower than the fossil fuel baseline.
- Infrastructure directly connecting renewable energy or integrating renewable energy into existing transmission networks.
- Development and/or manufacture of renewable energy technologies and/or technologies for the energy transition/for the decarbonisation of the economy, including but not limited to equipment for renewable energy generation and energy storage.
- Energy generation from landfills requires the landfill to be closed and to have a gas capture efficiency rate greater than 75%.
- Other measures dedicated to improving the efficient use of energy, prevent system losses such as e.g. smart grid technologies.

Non-eligible activities

- Waste bioenergy from non-RSPO-certified palm oil operations (e.g. waste and residues).
- For electricity generated by geothermal energy, emissions intensity should not exceed 200 g CO₂/kWh.
- Hydrogen produced through steam reforming, using natural gas, or produced with oil or coal.
- For energy storage, power-to-gas project where hydrogen is produced using steam reforming or where CO₂ is sourced from fossil fuel operations.
- Projects either improving energy efficiency of fossil fuel production and/or distribution, or inherently carbon intensive and/or primarily driven by fossil fuels and/or within heavy industries such as steel or cement.

Impact area energy efficiency: Financing the retrofit of buildings (commercial, residential, industrial) to achieve energy-efficient improvements | Financing improvements to manufacturing processes and systems to reduce energy consumption and/or greenhouse gas (GHG) emissions in a production facility or supply chain | Development or manufacture of components to achieve energy efficiency



Eligibility criteria

Non-eligible activities

- Projects either improving energy efficiency of fossil fuel production or distribution.
- Projects which are inherently carbon-intensive or are primarily driven by fossil fuels.
- Projects within heavy industries such as steel or cement.⁴

Impact area water and waste: Water management | Waste management | Recycling | Material recovery from non-hazardous waste | Anaerobic digestion facilities for production of biogas and digestate from biowaste | Facilities for composting biowaste | Development or manufacture of components to achieve water efficiency or waste reductions | Capture of CO₂ under certain conditions



Eligibility criteria

Non-eligible activities

- Front-to-end water collection, treatment, and supply systems with high energy efficiency in terms of water consumption per cubic meter.
- Activities which improve water quality and/or water-use efficiency.
- Waste reuse and recycling.
- The processing of recyclable waste fractions into secondary raw materials such as steel, aluminum, glass, and plastics.
- The refurbishment of products for reuse.
- Direct air capture of CO₂ from nature-based and technical-based solutions.

- The chemical recycling of plastic.
- CO₂ emissions from primarily fossil fuel operations, coal mining, landfill gas flaring, and industrial gas destruction.
- Treatment of wastewater from fossil fuel operations.
- Refurbishment of products for use in the extraction of fossil fuels or that inherently rely on fossil fuels.

⁴ Projects in heavy industries may be eligible for Transition Finance but not Sustainable Finance at this time (→ section 3.1.2).

Impact area real estate and green building: Construction | Renovation | Acquisition | Individual measures and professional services related to improving efficiency



Eligibility criteria

- Construction of highly energy-efficient buildings:
 - Buildings performing in alignment with the nearly zero energy buildings regulations (i.e. no more than 50 kWh/m²; ⁵ i.e. KfW-Effizienzhaus-Bedingungen) or
 - primary energy demand is within top 15% of local stock or compliant with local regulations on energy efficiency; or
 - for commercial real estate: Minimum certification requirements preferable, e.g. LEED Gold, BREEAM Excellent, DGNB Gold, HQE Excellent; or
 - EPC Level A.
- Renovation achieves energy savings ≥30% or primary energy demand after renovation is within top 15% of local stock or compliant with local regulations on energy efficiency.
- Measures increasing the energy efficiency of buildings and/or enabling use/production of renewable energies, energy-efficient technologies, e.g. installation of energy management systems, installation of solar photovoltaic systems, replacement of doors, windows with energy-efficient options, installation of LED lightning systems etc.

Non-eligible activities

- Buildings directly involved in extraction, storage, transportation, or refining of fossil fuels.

Impact area transportation and storage: Rail and road transport (passenger and freight) | Inland water transport (passenger and freight) | Infrastructure for low carbon transport (land and water)



Eligibility criteria

- Any zero direct emission vehicles (electric, hydrogen, etc.).
- Other passenger vehicles and light commercial vehicles (vans) with direct emissions below 50 g CO₂e/km or 80.46 g CO₂e/mi.
- Other freight vehicles (including commercial vehicles) with direct emissions below 25 g CO₂e/tkm or 40.23 g CO₂e/tmi.
- Heavy truck below the threshold of 25 g CO₂/tkm or 40.23 g CO₂/tmi.
- Freight transport meeting respective vehicle-specific thresholds set by the EU Taxonomy.
- Infrastructure required for zero direct emissions transport and low carbon transport including electric vehicle charging stations.
- Infrastructure for active mobility (e.g. cycling).

Non-eligible activities

- Any fossil fuel-based transportation or infrastructure dedicated to fossil fuel transport.

⁵ This performance level is aligned with the KfW new construction and new homes programmes.
See: <https://www.kfw.de/inlandsfoerderung/Privatpersonen/Neubau/index-2.html>.

Impact area information and communications technology: Data infrastructure | ICT for climate change monitoring | Development and operation of networks, services, and products that are specific to enabling the Internet of Things (“Industry 4.0”)



Eligibility criteria

- Energy-efficient data centres with power usage effectiveness (“PUE”) below 1.5.
- Technology used to monitor GHG emissions.
- R&D and manufacture of IoT technology provided the main use and purpose is to achieve energy or GHG emissions reduction.
- Mobile network upgrade to 5G from older technologies, achieving a 5G product portfolio that is more energy-efficient.

Non-eligible activities

- Data centers with annualised PUE above 1.5.
- Technologies that increase the energy efficiency of fossil fuel production and/or distribution.

Impact area agriculture and forestry | Sustainable management of living natural resources | Sustainable land use: Growing of crops in a sustainable and efficient manner | Forestry (afforestation, reforestation, restoration, rehabilitation, forest management) | Conservation | Decontamination



Eligibility criteria

- Measures aimed at improving the sustainability of agricultural processes, e.g. optimise water consumption, use of fertilisers including organic fertilisers etc.
- Avoidance or significant reduction of GHG emissions from agriculture or forestry operations.
- Financing of forests or forest products that are certified by FSC or PEFC or smallholder forests that comply with the requirements of a forest management plan.
- Financing conservation measures, provided a forest management plan is in place.

Non-eligible activities

- Energy improvements in agriculture operations where technologies are driven by fossil fuels.
- Manufacture or purchase of inorganic or synthetic fertilisers.
- Decontamination by the company that caused the contamination.

Impact area circular economy: Financing projects that aim to substitute the use of virgin raw materials with secondary (recycled) materials⁶ | Financing projects that aim to repair and reuse inputs



⁶ Subject to GHG reduction in absolute terms and no more waste creation at end of life.

3.1.2 Environmentally sustainable activities for transition

This list of transition activities is in accordance with the EU Taxonomy and therefore also counts towards our definition of sustainable finance.

Impact area and associated SDGs	
Impact area manufacture of cement: Manufacture of cement clinker, cement, or alternative binder (transitional activity)	
<div> <div> 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE </div> <div> 13 CLIMATE ACTION </div> </div>	
Eligibility criteria	Non-eligible activities
Financing of manufacturing: <ul style="list-style-type: none"> grey cement clinker where the specific GHG emissions are lower than 0.722 t CO₂e/t of grey cement clinker or cement from grey clinker or alternative hydraulic binder, where the specific GHG emissions from the clinker and cement or alternative binder production are lower than 0.469 t CO₂e/t of cement or alternative binder manufactured. 	Where CO ₂ that would otherwise be emitted from the manufacturing process is captured for the purpose of underground storage, the CO ₂ is transported and stored underground, in accordance with the technical screening criteria set out in the EU Taxonomy.
Impact area manufacture of aluminium: Manufacture of aluminium through primary alumina (bauxite) process or secondary aluminium recycling (transitional activity)	
<div> <div> 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE </div> <div> 13 CLIMATE ACTION </div> </div>	
Eligibility criteria	Non-eligible activities
Financing of manufacturing: <p>Either production of secondary aluminum or two of the following criteria until 2025 and all of the below listed criteria after 2025</p> <ul style="list-style-type: none"> GHG emissions do not exceed 1,484 t CO₂e/t of aluminum manufactured, the average carbon intensity for the indirect GHG emissions does not exceed 100 g CO₂e/kWh , the electricity consumption for the manufacturing process does not exceed 15.5 MWh/t. 	

Impact area manufacture of iron and steel: Manufacture of iron and steel (transitional activity)



Eligibility criteria	Non-eligible activities
<p>Financing of the production, if the following limits for GHG emissions are not exceeded:</p> <ul style="list-style-type: none"> - hot metal: 1.331 t CO₂e/t product, - sintered ore: 0.163 t CO₂e/t product, - coke (excluding lignite coke): 0.144 t CO₂e/t product, - iron casting: 0.299 t CO₂e/t product, - electric arc furnace high alloy steel: 0.266 t CO₂e/t product and steel scrap input relative to product output is not lower than 70%, - electric arc furnace carbon steel: 0.209 t CO₂e/t product and steel scrap input relative to product output is not lower than 90%. <p>In case carbon capture technologies are used, additional criteria apply for that activity (e.g. assessment of storage complex in line with directive 2009/31/EC, leakage detection systems, monitoring plan, compliance with ISO 27914:2017 for facilities in third countries).</p>	

3.1.3 Socially sustainable activities⁷

Impact area and associated SDGs

Impact area SME financing⁸ and women-owned business⁹ lending: Access to banking, financial services, and other economic resources | Financing/advisory services for micro, small, and medium-sized enterprises



Impact area affordable basic infrastructure: Projects providing/expanding affordable access to clean energy, clean drinking water, sanitation and transport¹⁰ | Development of telecommunication networks and related infrastructure specifically for underserved communities in developing countries



⁷ For these activities, there are assignability criteria due to the fact that there are no market standards that can be referenced.

⁸ An „SME“ is defined as an independent, non-subsidiary firm with less than 250 employees and with annual turnover less than €15 million. This definition includes “micro enterprises” (source: OECD). Commerzbank may apply stricter definitions in certain countries and regions to ensure a reasonable definition is applied.

⁹ A “women-owned business” is defined as an independent, non-subsidiary firm where either the Board of Directors or the Executive Management is comprised of at least 50% women.

¹⁰ For certainty, transport projects should ideally align with the “Transportation and Storage” impact area above. Roads will only be financed where they are specifically intended to promote economic inclusion without creating negative environmental impacts.

Impact area access to essential services | Access to free or subsidised essential services: Financing to improve access to universally available health care | Financing to enhance access to, quality of and/or affordability of public education | Inclusive access without discrimination on the basis of sex or other factors, e.g. race, disability



Impact area affordable housing: Financing the building of and/or ownership of affordable housing buildings, homes, and apartments provided the target population is well-defined. For example: residential housing stock which fulfills one of the following criteria:

1. assets only accessible for tenants with a permit for subsidised housing,
2. tenants where part of the rent is paid directly by local public authorities,
3. in markets with rent cap: assets offer a rent 15% below comparable market rent.



Impact area food security: Investments in smallholder¹¹ farming operations aiming to enhance agricultural productivity without causing environmental or social harms | Financing for projects aiming to provide access to sufficient, sustainably grown food to populations without access to healthy food



- Financing should not be used to increase the use of chemical fertilisers, pesticides, etc.

¹¹ "Smallholder" farm is defined as <10 hectares (source: UN FAO).

3.2 Assessment per company purpose

If there is no intended purpose of funds, we classify the activity on the basis of the company profile. If 90% or more of a company's activities or sales can be assigned to one of the criteria listed under 3.1, we include it in our sustainable finance portfolio. We apply this methodology in particular to our SME portfolio, most of which is not subject to reporting requirements.

For our reporting clients, we will use the published taxonomy ratios as a guide in the future.

3.3 Definition of sustainable products

In assessment step 3, we also include other products that we classify as sustainable products because they promote sustainability in a different way. In doing so, we rely as much as possible on existing and internationally recognised standards.

This product list was published as Commerzbank's Sustainable Finance Framework in May 2021 and will be integrated into our ESG framework from now on. It continues to serve, alongside the first and second steps of our assessment framework, as the foundation for our €300 billion volume target.

3.3.1 Products in the Private and Small-Business Customers segment

3.3.1.1 Green mortgage loans

Commerzbank's green mortgage loans serves to finance the purchase, new construction, or modernisation of buildings with a final energy requirement of less than 75 kWh per square meter of usable floor space. As of 1 April 2022, we have adjusted the threshold to the current market standards and regulatory requirements and reduced it to 50 kWh per square meter, as also listed in the table above under 3.1.1.

These buildings are among the most energy-efficient and account for only 15% of the building stock. They are therefore – according to the current state of debate – classified as sustainable. Proof of the total energy consumption is provided by the energy certificate and is recorded by Commerzbank.

Commerzbank includes the entire portfolio of green mortgage loans in its sustainable business portfolio.

3.3.1.2 KfW programmes for private and small-business customers

All financing projects in connection with the following KfW programmes are considered sustainable products by Commerzbank:

- Federal subsidy for efficient buildings (BEG) – KfW programme number 261, 262, 263,
- KfW Renewable Energies Programme (KfW programme numbers 270, 271),

- KfW Energy Efficiency Programme – production plants/processes (KfW programme number 292),
- Energy-Efficient Refurbishment (KfW programme number 151, 152) – replaced by programs BEG 261, 262 and 263,
- Energy-Efficient Construction (KfW programme number 153) – replaced by programs BEG 261, 262 and 263,
- Energy-Efficient Refurbishment – supplementary loan (KfW programme number 168) – suspended since 21 January 2022,
- KfW Energy Efficiency Programme – Energy Efficient Construction and Renovation (KfW programme numbers 276, 277, 278) – replaced by programmes BEG (261, 262, 263).

Commerzbank includes the entire stock of credit lines granted in these products in the sustainable business portfolio. In addition, future programmes with clear environmental benefits are included in the calculation from the time they become available.

3.3.1.3 KlimaDarlehen¹² (commercial Commerzbank universal credit with a sustainability-oriented purpose)

This credit offer serves to finance specific purposes and is aimed at clients for commercial use. The individual purposes are based on the activities listed under 3.1.1.

Commerzbank includes the entire portfolio of commercial universal loans with a sustainability-oriented purpose in the sustainable business portfolio.

3.3.1.4 Sustainable asset management

As a signatory of the UN Principles for Responsible Investment (UN PRI), the Asset Management of Commerzbank Aktiengesellschaft (public company) is committed to taking responsible investment decisions. Commerzbank Asset Management therefore offers various solutions for wealthy private and corporate clients that consider ecological and social characteristics as well as criteria of good corporate governance. Clients can arrange individual sustainable asset management, in which the stock selection not only considers exclusion criteria and sustainability ratings, but also aims to invest proportionately in companies with sustainable economic activities ([Commerzbank-Vermögensberatung](#)).

All asset management profiles managed according to sustainable strategies meet at least one sustainability standard as defined by MiFID II. In addition, all profiles meet the transparency requirements of Article 8 of the EU Disclosure Regulation. The total volume of assets under management in these strategies counts towards our goal of sustainable assets. These are currently Asset Management Sustainability, Asset Management (VV) by CIO and Asset Management Index (Evolution). We also include the Commerzbank endowment funds, which are managed as part of a sustainable strategy, as a contribution to our goal of sustainable assets.

¹² previously Green CBU

3.3.1.5 Securities advisory

For the securities business, Commerzbank has made a classification in accordance with the EU Disclosure Regulation (EU Regulation 2019/2088). This distinguishes between:

- No classification – all products that do not fall under Article 8 or 9 of the EU Disclosure Regulation,
- “Article 8 product” – a financial product (e.g. investment fund) that takes into account and promotes environmental or social characteristics as part of its investment strategy, and
- “Article 9 product” – a financial product (e.g. mutual fund) that, as part of its investment strategy, seeks to make a sustainable investment as defined in the Disclosure Regulation.

All assets under management in the categories “Article 8 product” and “Article 9 product” are considered sustainable products at Commerzbank.

3.3.1.6 klimaVest

klimaVest is an investment fund that combines the issues of “sustainability” and “return” for private investors in the form of an “impact fund”. Thanks to its design as an ELTIF (European Long-Term Investment Fund), klimaVest is an impact fund that makes sustainable real asset investments such as wind farms or photovoltaic systems available to private investors as a diversified portfolio. In this way, it contributes to the realisation of the environmental goals defined in the EU taxonomy, in particular climate protection and adaptation to climate change. In addition, in line with the “Do No Significant Harm” criterion, none of the objectives may be significantly negatively impacted and minimum standards are checked with regard to social and governance aspects.

The klimaVest impact fund meets the requirements of the Disclosure Regulation for sustainable investing in accordance with Article 9 (impact product). Commerzbank includes the entire volume of the fund in the portfolio of sustainable products, minus the volume held in Commerzbank portfolios, in order to avoid double counting with the securities advisory category.

3.3.1.7 hausInvest

hausInvest is a dividend-paying open-ended real estate fund of Commerz Real for private investors. With the enactment of the EU Disclosure Regulation in March 2021, hausInvest fulfills the requirements of Article 8. hausInvest has undertaken to consistently reduce the CO₂e emissions of its portfolio and thereby make an important contribution to achieving the goals of the Paris Agreement. In addition, all properties in the acquisition and portfolio are evaluated according to defined ESG criteria.

Commerzbank calculates the total volume of the fund as the volume of sustainable products, minus the volume held in Commerzbank depositories, in order to avoid double counting with the securities advisory category.

3.3.1.8 Provisions

Allianz's security assets and KomfortDynamik special assets take ecological and social characteristics into account in accordance with Allianz's sustainable investment strategy. All investments held entirely in the security assets or KomfortDynamik special assets are thereby considered sustainable.

Commerzbank includes the respective new business volume in the sustainable business volume.

3.3.1.9 Securities business comdirect and onvista

The volume of products defined as ESG products in accordance with the EU Disclosure Regulation is added to the sustainable business portfolio (assets under management).

3.3.2 Products in the Corporate Clients segment

3.3.2.1 Financing of green infrastructure

Project and corporate financing in the area of green infrastructure at Commerzbank is bundled in a specialised competence centre, the Center of Competence Energy (CoC).

Commerzbank includes all financing commitments from the CoC Energy in its sustainable business volume.

This financing corresponds to the list of activities in 3.1.1 and 3.1.2.

3.3.2.2 Sustainable bonds

Green, social, sustainability, and sustainability-linked bonds issued in accordance with the respective Green, Social, Sustainability, and Sustainability-linked Bond Principles and Guidelines of the International Capital Markets Association (ICMA) are considered sustainable products by Commerzbank.

Green bonds, social bonds, and sustainability bonds are bonds whose issue proceeds are explicitly used to finance green, social, or a combination of green and social purposes.

Sustainability-linked bonds are bonds whose financial and/or structural features depend on whether the issuer achieves predefined sustainability performance targets (SPTs). As a result, sustainability-linked bonds can promote transparency and create an incentive to achieve ESG targets. The proceeds from the issuance of sustainability-linked bonds can be used for general corporate purposes.

The ICMA Principles and Guidelines are a voluntary standard for the issuance process of such products. They ensure the high quality of the issuance process, the standardisation of the products, the transparency of the use of funds as well as the reporting obligations for issuers and have established themselves on the international capital markets.

Commerzbank allocates the total volume of sustainable bonds in whose issue it was involved as a lead in the respective financial year to the sustainable business volume of that financial year.

3.3.2.3 ESG-/Sustainability-linked loans and promissory note loans

Syndicated loans and promissory note loans whose use of funds are linked to sustainable projects or whose margin development during the term of the financing instrument depend on the achievement or non-achievement of pre-defined sustainability targets by the borrower, and which are also based on the Green Loan Principles (GLP) or Sustainability-linked Loan Principles (SLLP) of the Loan Market Association (LMA), are considered sustainable products by Commerzbank.

Furthermore, bilateral loans whose use of funds is linked to sustainable financing purposes or whose margin development during the term of the financing instrument depends on the achievement or non-achievement of predefined sustainability targets by the borrower are considered sustainable products by Commerzbank. Currently, the bilateral loans are offered as ESG rating-linked loans, key performance indicator- (KPI-) linked loans or green loans (use of proceeds).

Commerzbank includes the total volume of these products, in the coordination, structuring, and syndication or placement of which it played a leading role in the respective financial year or in which it was involved, in the sustainable business portfolio of this financial year.

The total volume of loans whose use of funds is linked to sustainable financing purposes or whose margin development during the term of the financing instrument depends on the achievement or non-achievement of predefined sustainability targets by the borrower is added to the sustainable portfolio.

3.3.2.4 Public funding programmes for corporate clients

All financing in connection with the following KfW programmes are considered sustainable products at Commerzbank:

- Federal subsidy for efficient buildings (BEG) – KfW programme numbers 261, 262, 263,
- Climate protection offensive for SMEs (KfW programme number 293),
- Renewable Energies Standard and Premium (KfW programme numbers 270, 271, 281),
- KfW Energy Efficiency Programme – Energy Efficient Construction and Renovation (KfW programme numbers 276, 277, 278) – replaced by programmes BEG 261, 262 and 263,

- Federal Promotion programme for Energy and Resource Efficiency (KfW Programme number 295),
- KfW Energy Efficiency Programme – Production (KfW programme number 292),
- Sustainable mobility investment loan (KfW programme numbers 268, 269),
- KfW Environmental Programme (KfW programme number 230),
- IKU – Energetic urban redevelopment – neighbourhood supply (KfW programme number 202),
- NRW.Bank Efficiency Loan,
- NRW.Bank Efficiency Loan-Building,
- NRW.Bank Electromobility,
- NRW.Bank Energy Infrastructure.

Commerzbank includes the respective volume of new business in the sustainable business portfolio. In addition, future programmes with clear environmental benefits are included in the calculation from the time they become available.

3.3.2.5 Investment management

For the securities business, Commerzbank has made a classification in line with the EU Disclosure Regulation, which is described in more detail in → section 3.3.1.5. In the Corporate Clients segment, all portfolio items in the “ESG products” and “ESG impact products” categories are also considered sustainable products. These include, in particular, sustainable funds (e.g. klimaVest, hausInvest), ESG Bonds (ESG-linked bonds, green bonds, social bonds, sustainability bonds), and sustainable products from third-party providers. Also included are securities with MSCI ESG rating AAA and controversy exclusions.

In addition, the sustainable business portfolio also includes investments brokered by the Corporate Clients segment in cooperation with external asset managers (e.g. special funds) and investments in companies pursuing a recognised sustainable strategy.

3.3.2.6 Foreign trade finance

Commerzbank traditionally handles a significant share of the foreign trade transactions of our corporate clients. The products which we offer in this area to our corporate clients are of critical importance to them and also contribute to the production of sustainable goods, such as wind farms, through e.g. the export of machinery. Commerzbank is actively involved in the process of defining globally applicable criteria for sustainable Trade Finance under the umbrella of the International Chamber of Commerce (ICC).

Until then, the applicable criteria to which parts of Trade Finance transactions are allocated to sustainable business volume are based on sustainable use of proceeds of bilateral loans (→ section 3.3.2.3).¹³

¹³ Only trade finance products for which a loan amount is actually extended, e.g. pre-export or post-import financing, are included in the sustainable business portfolio.

3.3.3 Mobilisation of around €300 billion in sustainable finance

It is both the expectation of the EU and the German government of the financial industry and Commerzbank's own aspiration to finance the enormous demand for investment and innovation resulting from the transformation of the economy and society. As a universal bank, Commerzbank is fulfilling this task across its individual business areas. Accordingly, the goal of mobilising around €300 billion by 2025 takes into account not only the provision of capital but also funds that customers could obtain with the help of Commerzbank via the capital market, for example through sustainable bonds and sustainable loans. Where Commerzbank plays a leading role in the issuance of such products, the total volume of the issue is taken into account. Credit lines that have been committed but not yet drawn down or KfW programmes that have been made available are also considered. Here, it is up to the clients to take advantage of these offers.

3.3.4 Sustainability criteria for other activities

3.3.4.1 Sustainable finance in Treasury

Sustainability aspects are playing an increasingly important role not only in customer business, but also in the Bank's investments. As part of its liquidity management, Commerzbank is increasingly investing in sustainable bonds and is managing its own ESG portfolio, which is constantly growing. Green, social, sustainability-linked, and sustainability bonds are automatically considered as sustainable finance if they comply with the Green/Social/Sustainability-linked Bond Principles of the International Capital Market Association (ICMA) or the ICMA Sustainability Bond Guidelines.

However, this volume will not be used to achieve the target of mobilising around €300 billion in sustainable finance by 2025.

4 Sustainable Operations



We lead by example and have long had ambitious environmental and social goals firmly anchored in our banking operations. In doing so, we are safeguarding our credibility and making our contribution to a more sustainable society and economy.

Michael Varona,
Divisional Board Member Group Organisation & Security

4.1 Corporate environmental management

Commerzbank has maintained a systematic environmental and energy management system, which is recognised by our stakeholders, for many years. The basis for this is the environmental and energy policy which is incorporated in the [environmental guidelines](#). Our **environmental management system** has been certified to the international ISO 14001 standard since 2009 and to the energy management standard ISO 50001 since its introduction in 2016. We have combined the two in an integrated environmental and energy management system (iUEMS). The ongoing improvement of our environmental and energy performance is reviewed in annual certifications by third parties.

Environmental and energy management

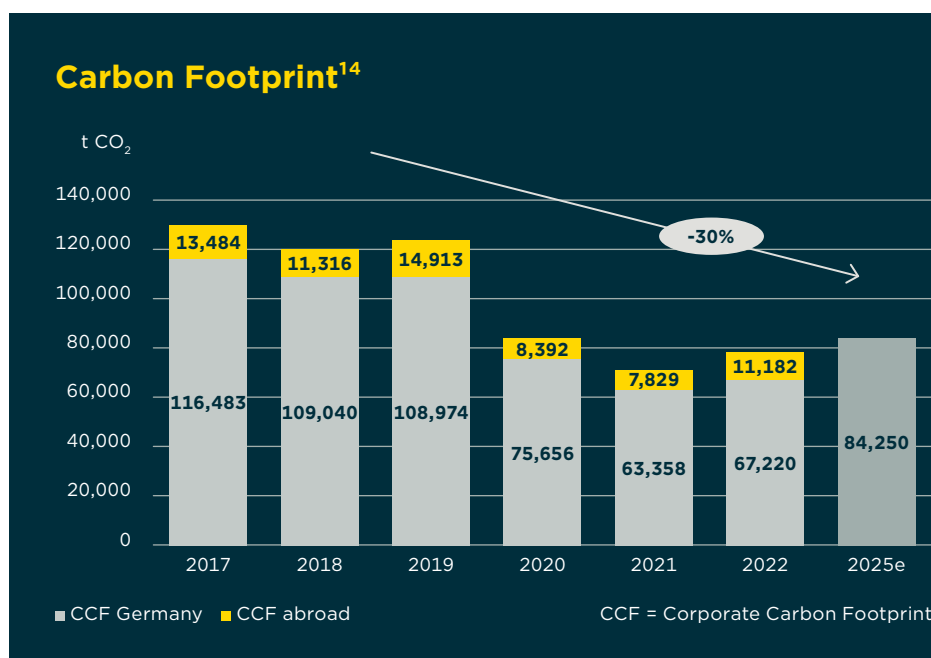
In addition to the head office, branches and subsidiaries are also integrated into the Commerzbank management system.

In addition to the headquarters in Frankfurt/Main, **all Commerzbank locations in Germany and 14 subsidiaries are involved** in data collection and certification – an overview of the locations is provided in each of the current audit certificates, which we publish in the [environmental management](#) section of our website. The iUEMS defines all responsibilities and reporting channels.

Environmental and energy management addresses all issues relating to electricity and heat supply, water consumption, materials consumption and waste management, transport logistics and commuter transport (the journey between residence and workplace), as well as the resulting greenhouse gas emissions and ecological product aspects.

Net-zero by 2040

Commerzbank has committed to achieving net-zero in its own operations by 2040. This applies to all locations in Germany and abroad. On the path to achieving this goal, we were already able to reduce emissions in Germany by around 80% between 2007 and 2020. With our new **climate target**, we aim to reduce greenhouse gas emissions by a further 30% by 2025. This target also includes international locations in around 20 countries. Where CO₂ emissions are unavoidable, we have been offsetting them since January 2015 using certificates from CO₂ reduction projects. As a result, Commerzbank is now operating climate-neutrally in Germany.



In addition to the climate target, we have also adopted two **energy targets** for 2020: We want to reduce total energy consumption by an average of 2% per year from 2018 to 2025 and keep electricity consumption per full-time employee constant – despite increasing digitalisation.

We achieve savings in operational emissions primarily through efficient and **sustainable building management**. This includes, among other things, gradually replacing light fittings with energy-efficient LED lights and a modern building management system that automatically adjusts to the weather. Since January 2013, Commerzbank uses green electricity exclusively for all its buildings in Germany.

Our **business travel policy** stipulates that business trips should be made by train wherever possible, the use of air travel should be largely avoided for short journeys, carpooling options should be considered, and technological alternatives such as video and telephone conferencing should be used where possible. A quarter of our greenhouse gas emissions before the coronavirus pandemic were caused by **commuter traffic**. In addition, Commerzbank pays its

¹⁴ Worldwide CO₂ emissions from banking operations fell by 34.3% between 2018 and 2022. Further developments of CO₂ emissions under observation.

employees in Germany a monthly **mobility allowance** of €20 for public transport costs and subsidises the leasing of an electric vehicle as a company car to the amount of €100 per month. We also offer a bike leasing scheme for the purchase of bicycles, including ebikes. Due to the pandemic, emissions from commuter transport have decreased significantly. We want to continue keeping them low by increasing the use of video conferencing and through working from home arrangements.

4.2 Sustainable procurement

Our sustainability performance also depends on our supply chain. Sustainability criteria therefore play an important role for us when purchasing goods and service.

In order to meet the **due diligence** requirements in the **supply chain**, the mutual rights and obligations between Commerzbank as a purchaser and our business partners and suppliers are governed by a [Standard for Sustainable Procurement](#). The criteria and rules of conduct set out in the standard help all those involved in the process to take sustainability aspects into account by creating an awareness of the associated risks and by setting binding rules. For our employees, the standard for sustainable procurement combines an (internal) purchasing-specific ethics guideline with the [Code of Conduct](#), our framework for ethical business practice.

As part of the Net-Zero Banking Alliance of UNEP FI and our associated commitment to Net-Zero banking operations by 2040, we have pledged to achieve a climate-neutral supplier portfolio by this target year.

Our suppliers and service providers are also committed to further environmental goals, to human rights and social standards, and to legal integrity. Suppliers' environmental management can be demonstrated, for example, by environmental labels on their products or by a certified environmental management system. **Human rights due diligence** on the part of suppliers includes, among other things, the prohibition of child or forced labour as well as ensuring freedom of association, decent working conditions, and health protection for employees.

4.3 Employees

Although Commerzbank's greatest impact on sustainable development lies in ensuring a climate-friendly core business, we also perceive sustainability holistically: For us, developing our employees in a collaborative working environment is an absolute must.

We strive to be an attractive employer for our employees, one that promotes their personal development and qualifications and allows room for their diversity. Numerous optional and mandatory qualification modules, such as seminars, workshops and elearning courses, are offered for the **(further) training**

of employees. Commerzbank's development dialogue is a regular, online-supported personnel development process that focusses on the skills and knowledge needed to meet current and future requirements.

Further to professional development, we advocate a **healthy work-life balance**. Our concept includes options that are tailored to each phase of life, such as flexible working hours, sabbaticals, and facilitated return-to-work programmes after parental leave. We also offer advice and support services for childcare and for family members in need of care. Occupational safety and health (including mental health) are the focus of a broad range of occupational health management services.

In addition, Commerzbank is committed to a prejudice-free working environment characterised by mutual respect and acceptance for the variety of human lifestyles. We promote **cultural diversity** and sanction intolerance and violations of our unequivocal prohibition of discrimination.

Further information on our social commitment and our employees can be found in our Sustainability Report, the [GRI Report](#).

5 Stakeholder Management

Learning forums

For Commerzbank, stakeholder dialogue is an opportunity for our own development.

Receiving feedback from and exchanging ideas with stakeholders is important to Commerzbank. We maintain close contact with our key stakeholder groups through in-person meetings, discussion events, strategic partnerships, as well as numerous forms of public communication, such as our website and our annual sustainability report that we publish as per established standards. We use these formats to provide information about our sustainability goals and progress towards achieving them, but also to learn as an organisation from feedback.

5.1 Customer communications

We aim to provide fair and competent advice in our communications with customers. In the Private Customer segment, we use the award-winning [Kunden-Kompass](#) financial planning tool. We also offer corporate clients a strategy and entrepreneur dialogue and have developed the [“Entrepreneur Perspectives”](#) programme for this segment. This is an annual study in which we survey owners and first-level management of various companies and industries on **sustainability issues**. We present the study results in dialogue events where entrepreneurs can exchange ideas and network.

5.2 Investor relations

Investor Relations

Commerzbank discusses ESG topics with a wide spectrum of analysts and investors.

We discuss ESG issues with a wide range of stakeholders from the investor community, such as rating agencies, institutional investors, and analysts. The area of [Investor Relations](#) at Commerzbank actively conveys our commitment to the financial community, including a specific [ESG presentation](#), the processing of rating questionnaires, numerous one-on-one meetings, and discussions at the annual Capital Markets Day. We also discuss ESG issues with mainstream investors and are pleased to see the increasing integration of ESG issues into standard financial analyses.

Our sustainability commitment is periodically reviewed by rating agencies. An overview of our **ESG rating results**, which will be updated regularly, can be found in our [Factsheet Sustainability](#).

We receive regular awards for our ESG performance. In 2022, for example, Commerzbank was listed in Corporate Knights' Global 100 Most Sustainable Corporations in the World Index (G100) for the fourth time in a row. We are one of only six German companies in this index and the only German bank ([current ESG ratings and other awards](#)). An overview is also provided in the [sustainability factsheet](#), which is updated regularly.

5.3 Dialogue with non-governmental organisations

Commerzbank maintains an ongoing exchange with numerous organisations from civil society and academia about their needs, wishes, or suggestions for our company.

This is not just a matter of risk prevention and reputation management. For Commerzbank, active dialogue with NGOs is also a **decision-making and planning aid for our corporate strategy**. For instance, prior to the presentation of the fossil fuel guideline published in December 2021, we held intensive consultations with one NGO in particular, which had offered critical support for previous guidelines and made constructive suggestions for improvement.

NGOs

Commerzbank speaks to and cooperates with its critics.

5.4 Political communication

As a commercial bank with international operations, Commerzbank is expected by policymakers and the general public to **issue statements on relevant economic policy issues**. In order to act as an advocate for political stakeholders at both German and international level, we maintain liaison offices in Berlin, at the European Union in Brussels, and at the International Institute of Finance (IIF) in Washington. Here, the responsible Public Affairs department follows the political-regulatory debates and upcoming legislative proposals. After analysing these, we develop our own positions on the relevant issues and discuss them with stakeholders from the political arena.

Commerzbank is registered on the EU's transparency register and on the lobby register of the German parliament. We disclose the principles and guidelines of our work in this area in our [Guideline for Political Communication](#).

We have also established various event formats for dialogue with political representatives. These include the "Political Breakfast" in Berlin that is held in the weeks parliament is in session and features guests from the worlds of politics, academia and business. At "Commerzbank in Dialogue", the Commerzbank CEO debates with high-profile speakers from politics or business. The "Mittags:werkstatt" (Lunch:Workshop) is designed to promote the transfer of specialist knowledge and an exchange of views on current issues with members of parliament. The "Lunch:lab!" in Brussels pursues a similar objective. "SHE VIP" is a networking format by and with successful women from business, politics, society, media, or culture. These activities can be followed on social media channels under #cobapolitics.

5.5 Reporting

Commerzbank publishes annual [Reports](#) on its sustainability performance and challenges in accordance with internationally recognised reporting standards:

- We have been publishing sustainability reports in accordance with the **Sustainability Reporting Standards** of the Global Reporting Initiative (GRI) since 2005. The [GRI report](#) also serves as a progress report on our implementation of the ten principles of the UN Global Compact, which we signed in 2006.
- Since 2020, we have also been reporting in accordance with the guidelines of the **Sustainability Accounting Standards Board (SASB)**. In our [SASB report](#), we follow the requirements for commercial, consumer, mortgage banks, and investment banking and brokerage, with references to other publications of Commerzbank.
- From 2017 onwards, we additionally began publishing a [non-financial report](#) within the annual report in accordance with the Corporate Social Responsibility (CSR) Directive Implementation Act, which also includes our reporting in accordance with the recommendations of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) and information on the [EU taxonomy](#).

ESG reporting

We report in accordance with the main reporting standards and monitor their ongoing development.

Non-financial reporting based on EU regulation is currently undergoing very dynamic change. We continuously monitor developments and adapt our reporting formats to the changing requirements on an ongoing basis.

5.6 Socio-ecological commitment

In addition to its core business, Commerzbank is in regular contact with stakeholders from the Bank's area of social responsibility. We are a partner to numerous non-profit initiatives that advocate for the future viability of society, without which no company would be able to do business.

Engagement

Commerzbank is also committed to climate protection beyond its business activities.

Among other things, **Commerzbank supports a large number of projects that promote climate protection**. For example, the nationwide "Paperless happy!" campaign has won over more than one million private customers for paperless account management since late 2018. In cooperation with [Bergwald-projekt e.V.](#), we have reforested one square meter of public forest in Germany for every electronic mailbox activated. With ["Commit to Action"](#) we support initiatives that were established in the run-up to the 2015 Paris Agreement, such as RE100 for an energy supply from 100% renewable energy sources. Commerzbank is also involved in the World Bank's Carbon Pricing Leadership Coalition (CPLC). These examples are just a small sample of the diverse [memberships and initiatives](#) of social stakeholders to which we make a contribution and whose work we in turn incorporate into our ESG commitment.

Our longest-running project is the [Commerzbank Environmental Internship](#), which we run in cooperation with 27 national parks, nature parks, and biosphere reserves in Germany. As part of the internship, students are actively involved in environmental education on site. The aim is to make children and young people aware of the need to protect nature and biodiversity. The programme, which was launched in 1990, was honoured as an official project of the UN Decade of Education for Sustainable Development in 2007, followed by recognition as an official project of the UN Decade on Biological Diversity 2015/2016 on its 25th anniversary in 2015.

Biodiversity is becoming an increasingly important issue in the sustainability debate. After all, the loss of biodiversity causes irreversible damage with far-reaching consequences for us all. Commerzbank's environmental internship and mountain forest project are socio-ecological commitments that serve to protect species. Up to now, our core business has primarily taken environmental and social risks into account. Looking forward, we intend to take a strategic view of the impact of our business activities on biodiversity and the consequences of species extinction for us as a bank. As a first step, we joined the Biodiversity in Good Company initiative in March 2022 to work with other companies to promote the sustainable management of biodiversity worldwide.

Glossary

United Nations Agenda 2030: comprises 17 interconnected global Sustainable Development Goals (SDGs) adopted by the United Nations in 2015, to be achieved by 2030

Climate neutrality: Commerzbank defines climate neutrality as follows: Climate neutrality is achieved as soon as an organization calculates its existing greenhouse gas emissions to be fully compensated. This complete compensation is achieved by purchasing so-called CO₂ certificates ("carbon offsetting"). CO₂ certificates refer to climate protection projects that can serve both **CO₂ avoidance** and **CO₂ removal**.

(CO₂-) Compensation measures ("Carbon offsetting"): Compensation of greenhouse gas emissions through the purchase of so-called CO₂ certificates, which represent, for example, anthropogenic activities such as the conservation of forest areas, but also the promotion of renewable energies. The certificates support projects outside organizational boundaries for **CO₂ avoidance** or **CO₂ removal** from the atmosphere. (See ISO 2022, IWA 42:2022(E), Chapter 3.3.4)

Compensation/Carbon offsetting method: CO₂ avoidance: CO₂ avoidance refers to the implementation of measures that prevent future greenhouse gas emissions. Examples include the expansion of renewable energies or energy efficiency improvements. (See ISO 2022, IWA 42:2022(E), Chapter 3.3.2)

Compensation/Carbon offsetting method: CO₂ removal: Withdrawal of a greenhouse gas from the atmosphere as a result of deliberate human activities. Types of removals include afforestation, building with biomass (plant-based material used in construction), direct air carbon capture and storage, habitat restoration, soil carbon capture, enhanced weathering (mixing soil with crushed rock), bioenergy with carbon capture and storage. (See ISO 2022, IWA 42:2022(E), Chapter 3.3.3)

CSR: Corporate Social Responsibility

DNSH principle: Do No Significant Harm, a principle of the EU taxonomy according to which none of the six environmental goals of the EU taxonomy may be pursued at the expense of any of the others

EPC: Energy Performance Certificate, a document that provides data on the energy efficiency of a building and creates comparability between properties by means of standardised classification

ESG: more common term for sustainability in the financial market: E = Environment, S = Social (social/human rights), G = Governance as equitable evaluation and management criteria

EU taxonomy: definitions of sustainable financial products established by the EU and, as such, part of the overarching European Green Deal

European Green Deal: Initiative of the European Union with the goal of making Europe the first climate-neutral continent by 2050

Financed emissions: All greenhouse gas emissions caused by Commerzbank's credit and investment portfolio.

FSC: Forest Stewardship Council, non-governmental organisation dedicated to protecting forests and certifying forestry operations, wood, paper, etc. according to sustainability criteria

GAR: Green Asset Ratio according to EU taxonomy regulation, proportion of financed taxonomy-compliant business that banks must report to the European Banking Authority

GSB: Group Sustainability Board, at Commerzbank the highest decision-making and advocacy body on sustainability issues below the full Board of Managing Directors

LNG: Liquefied Natural Gas

Net Zero: Condition in which anthropogenic residual greenhouse gas emissions (see **residual emissions**) are balanced by human-led removals (see **CO₂ removal**) over a specified period and within specified boundaries. (See ISO 2022, IWA 42:2022(E), Chapter 3.1.1)

PEFC: Programme for the Endorsement of Forest Certification Schemes, institution for ensuring and marketing sustainable forest management through an independent certification system

Residual emissions: Greenhouse gas emission that remains after taking all possible actions to implement emission reductions. All possible actions refer to what is technically and scientifically feasible. (See ISO 2022, IWA 42:2022(E), Chapter 3.2.9)

RSPO: Roundtable on Sustainable Palm Oil, organisation promoting sustainable palm oil cultivation methods

RTRS: Round Table on Responsible Soy, organisation promoting sustainable supply chains in the soy industry

SASB: Sustainability Accounting Standards Board, organisation for the development of standards for sustainability-related accounting

SBTi: Science-based Targets initiative, joint initiative of Carbon Disclosure Project (CDP), United Nations Global Compact (UNGC), the World Resources Institute, and WWF to develop science-based climate targets for companies

SDA: Sectoral Decarbonisation Approach, method for target setting under SBTi that calculates the remaining global CO₂ budget across economic sectors

SDGs: Sustainable Development Goals, 17 sustainable development goals adopted by the UN as part of the 2030 Agenda to be achieved by 2030

TCFD: Task Force on Climate-related Financial Disclosures, initiative launched in 2015 by the Financial Stability Board to promote the reporting of climate-related financial information

WCD: World Commission on Dams, a commission that existed until 2001 to study the environmental, social, and economic impacts of dams

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