

Sustainability at Commerzbank

Disclaimer



This presentation contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include, inter alia, statements about Commerzbank's beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates, projections and targets as they are currently available to the management of Commerzbank. Forward-looking statements therefore speak only as of the date they are made, and Commerzbank undertakes no obligation to update any of them in light of new information or future events. By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, among others, the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which Commerzbank derives a substantial portion of its revenues and in which it holds a substantial portion of its assets, the development of asset prices and market volatility, potential defaults of borrowers or trading counterparties, the implementation of its strategic initiatives and the reliability of its risk management policies.

In addition, this presentation contains financial and other information which has been derived from publicly available information disclosed by persons other than Commerzbank ("external data"). In particular, external data has been derived from industry and customer-related data and other calculations taken or derived from industry reports published by third parties, market research reports and commercial publications. Commercial publications generally state that the information they contain has originated from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the calculations contained therein are based on a series of assumptions. The external data has not been independently verified by Commerzbank. Therefore, Commerzbank cannot assume any responsibility for the accuracy of the external data taken or derived from public sources.

Sustainability, ESG and sustainable Finance, are different aspects of the same topic



Sustainability



"Sustainable development is development that meets the needs of the present without compromising the ability of the future generations to meet their own needs."

Brundtland Report (1987)

ESG

Environmental, Social, Governance



"All three components - environmental, social and governance (ESG) - are integral parts of sustainable economic development and financing."

The European Commission (2018)

Sustainable Finance



"The Federal Government understands sustainable finance as, financial market players take sustainability aspects into account in their decisions. An appropriate integration of sustainability-related risks into the risk management of financial market actors is essential"

BMF Monthly Report (2020)

ESG criteria show the topics for sustainable entrepreneurial action, current focus is on climate protection



Environmental

Climate Strategy/Climate Protection

Sustainable use of resources: Water, energy
Waste prevention/recycling
Protecting healthy ecosystems

Social

Labor standards (no child/forced labor)

Fair pay, equal opportunities, diversity

Occupational health and safety

Same claim on supply chain/business partners

Governance

Prevention of corruption

Avoid "aggressive" tax practices

Compliance with data protection

Transparent communication

Regulatory and voluntary commitments set the framework for our sustainable transformation



Legal requirements

EU-Taxonomy

Framework for climate and environmentally friendly activities and investments

Supply Chain Act

German law requiring companies to monitor human rights and environmental risks in their supply chains

ECB Guide & Climate Stresstest

Assessment of how well banks are able to cope with financial and economic shocks

Voluntary commitments*

Principles for Responsible Banking (PRB)

Framework for ensuring that signatory banks' strategy and practice align with SDGs and Paris Agreement

Taskforce on Climate-related Financial Disclosures (TCFD)

Disclosure of climate-related risks and opportunities

SBTi

Collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) for set a science-based climate target



*Exemplary excerpt

The foundation of our sustainability strategy: we become net-zero



SCIENCE
BASED
TARGETS

2020

Joining the
**Science-
based
targets
Initiative**



FINANCE
INITIATIVE
UNEP

2021

Joining the
**Net-zero
Banking
Alliance**

2040

Banking operations
net of zero

2050

Customer portfolio
net-zero



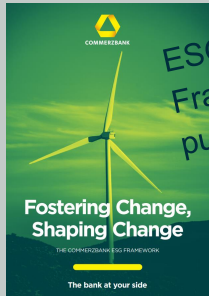
Ongoing progress in ESG according to plan



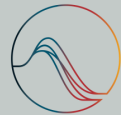
Main achievements 2022

€246bn

sustainable
finance volume
mobilised

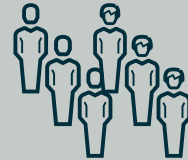


ESG-
Framework
published



SCIENCE
BASED
TARGETS

SBTi targets set



ESG Committee in
Supervisory Board
implemented

External Sustainability
Advisory Board
established

...besides others:



initiative
joined!

Employee training:
sustainability basics
launched



We continue to work diligently and drive our sustainability strategy forward

Sustainable
finance volume of

€257bn



Development and
launch of new
ESG products



SCIENCE
BASED
TARGETS

Official validation
on SBTi targets



Driving forward
our net zero-
strategy

Screening and steering of
additional ESG-related
topics such as biodiversity
and social sustainability



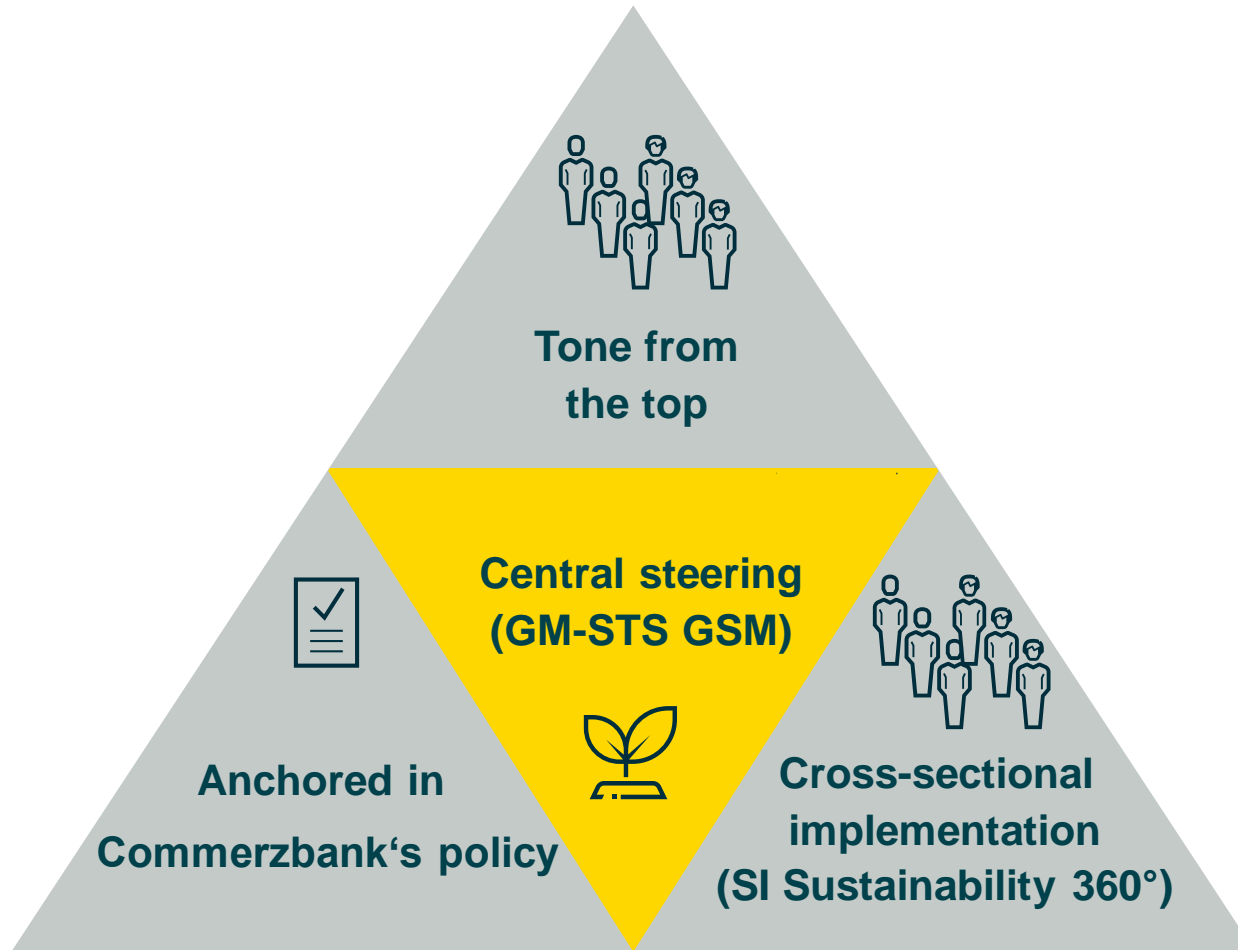
Employee training:
develop advanced
sustainability trainings



Targets 2023

Governance and Organisation

Sustainability is a "top priority" and anchored at all levels of the organization



- Establishment of multiple **committees at management level** (Group Sustainability Board; Sustainability Advisory Board; ESG Committee)
- Holistic management by **the central division "Group Sustainability Management"** with reporting line to our CEO
- **Projects in segments and staff functions** within the scope of the Group program, bank-wide **information and exchange formats**, (e.g. Sustainability Working Group)
- ESG is successively anchored in the bank's policies in consultation with the relevant units

To reach our goals we bundle and manage the integration as a group program



Embedding in
superordinate Transformational Control



Objectives of the sustainability program / SI¹

- Close linking of overarching topics to realize synergies and potential for scaling and to avoid duplication of work
- Integrated collection, coordination and structuring of overarching sustainability topics
- Integrated analysis of the results of sustainability activities in line functions / separate projects
- Bundling of requirements and resources for integration into DO logic
- Integration of sustainability into higher-level transformation management as a link to the corporate strategy
- Uniform internal and external communication
- Flexible and on-demand exchanges alongside existing formats



Executive Board	
Group Sustainability Board	
Group program /SI Sustainability 360°	
Group Sustainability Management	
1	Products / Ecosystems <ul style="list-style-type: none"> • Development of sustainable products, services & ecosystems • Market/customer analysis and sales
2	Policies & ESG Framework <ul style="list-style-type: none"> • Development of a framework for portfolio control • Dealing with "brown" customers in particular
3	Regulatory & Reporting <ul style="list-style-type: none"> • Implementation of Taxonomy, CRR & TCFD (PwC) • Future reporting and other regulatory activities
4	Risk <ul style="list-style-type: none"> • Portfolio Orientation • Stress Tests, Scenario Analysis, Risk Identification
5	Eco Management <ul style="list-style-type: none"> • Implementation Net-Zero-Banking & climate-neutral supply chain
6	IT infrastructure & data <ul style="list-style-type: none"> • Definition of data requirements, structure of data management, data provision • Customization IT architecture
7	Communication & Qualification <ul style="list-style-type: none"> • Internal & external communication • Modular employee qualification

¹ SI = strategic initiative

Visibility of sustainable strategic progress through three key KPIs¹

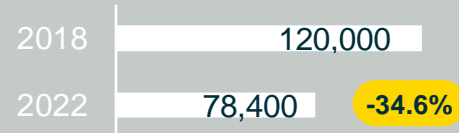


Strategic KPI 1:
Net zero in own banking operations by 2040



Interim target 2025: -30%

CO₂ in tons



- Residual CO₂ generation of ~30,000t CO₂
- Compensation by own CO₂ - negative measure, e.g. afforestation

Strategic KPI 2:
Net zero portfolio by 2050 at the latest



- ✓ ESG Framework published
- ✓ Reduction targets 2030 set for 7 CO₂-intensive portfolios²

- Paris Climate Agreement: Greenhouse gas emissions have to fall to net-zero by 2050 to limit global warming to 1.5°C
- Commitment to SBTi in September 2020, targets defined in 2022

Strategic KPI 3:
€300bn sustainable business volume by 2025



12/2022: €246bn
 Target 2022: €207bn
 Target 2023: €257bn

- Volume target for sustainable products in 2025 expresses our commitment
- Supporting the sustainable transformation of our customers

1) For more KPIs: [Non-financial Report](#)

2) According to SBTi (Science Based Target initiative) approach

ESG Framework

Our ESG Framework offers a structured overview of our sustainability approach and activities



ESG Framework by Commerzbank



Transformation: our three performance indicators

- Customer transformation**
 - 0 kg: Net-zero CO₂ emissions from financing in the investment portfolio by 2025
- We empower our customers in their sustainable transformation**
 - €300bn: Volume of sustainable products by 2025
- Bank transformation**
 - 0 kg: Net-zero CO₂ emissions of own banking system by 2025

1.4 Our portfolio approach

To achieve our net-zero targets, we will be guided by the following questions in mind:

- Which companies/investments do we not fund?
- Which companies/investments do we support most because we believe in their future value?
- And which companies/financing arrangements are most sustainable for our business today?

The answer to the first question is provided by our **ESG**, such as those set out in our guidelines for our support companies or financing arrangements (see chapter 2).

All companies/investments not affected by our **ESG** from the **Transformation Finance** portfolio. We aim to position ourselves for the future in a way that aligns with our sustainability goals. We actively support them in this process and set SBTi CO₂ reduction targets, amongst others (see chapter 2).

2.2.1 Sector delineation

To ensure the most specific stewardship possible in CO₂ intensive sectors, the SBTi 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

Power	Power generation	Distribution	Electricity off-takers
Fixed Fuel: Oil and Gas	Upstream	Trading	Midstream
Fixed Fuel: Coal	Mining	Separation and Preparation	Storage
Commercial Real Estate	Suppliers	Construction	Owners
Residential Mortgage	Suppliers	Construction	Home owners
Consumer	Suppliers	Production	Recycling
Steel	Raw material	Transport	Production
Automotive	Suppliers	Production	End user
Airline	Suppliers	Production	End user

Commerzbank can manage all asset classes and sectors stipulated under SBTi with a particular focus on the emissions-intensive parts of the value chain with the respective SBTi. This currently includes the credit 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 private construction finance portfolio, which is optional under SBTi, is also covered in full.

Contents

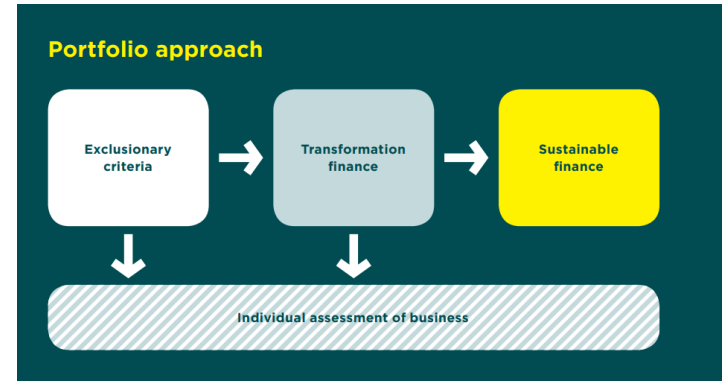
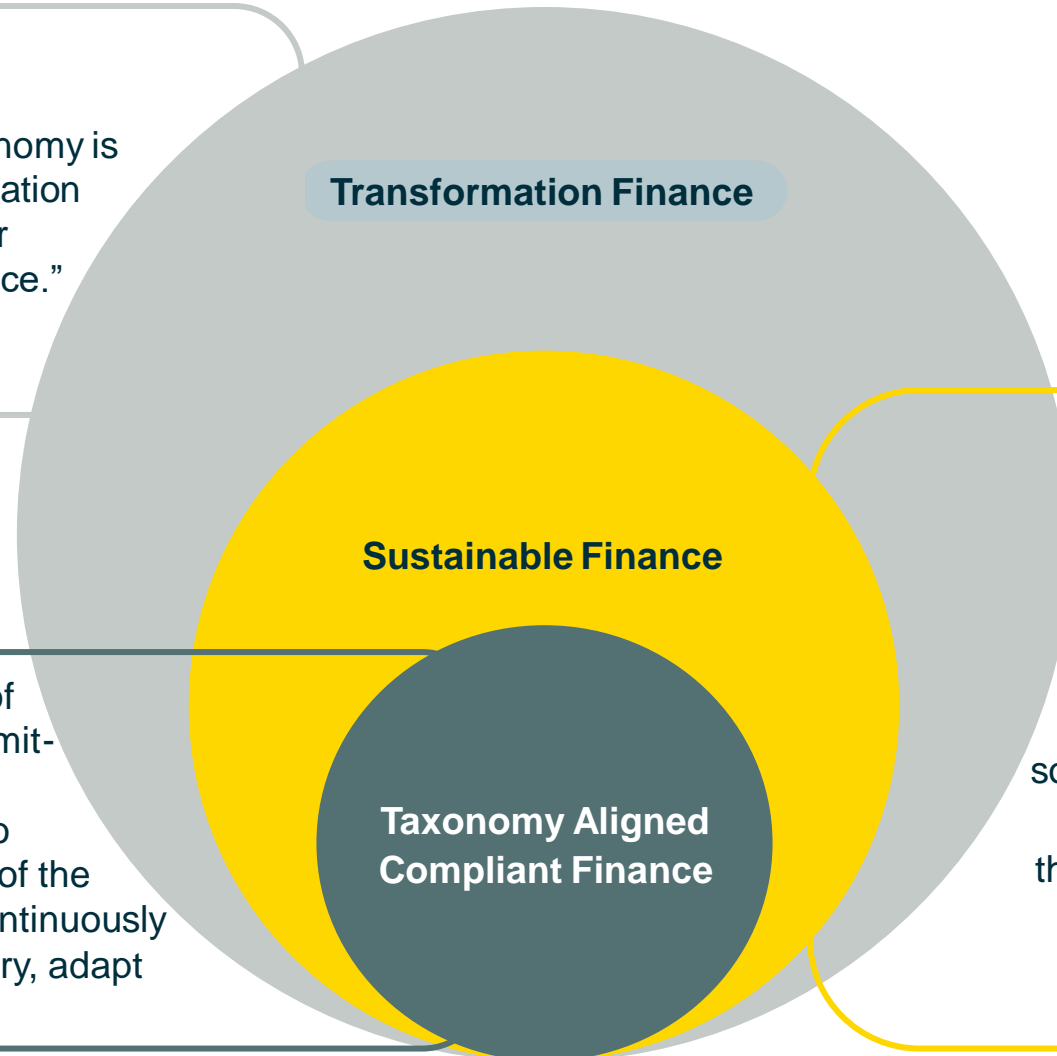
- ESG as a governance framework
- Transformation Finance
- Sustainable Finance
- Sustainable Operations
- Stakeholder Management

ESG Framework divides portfolio into Transformation and Sustainable Finance



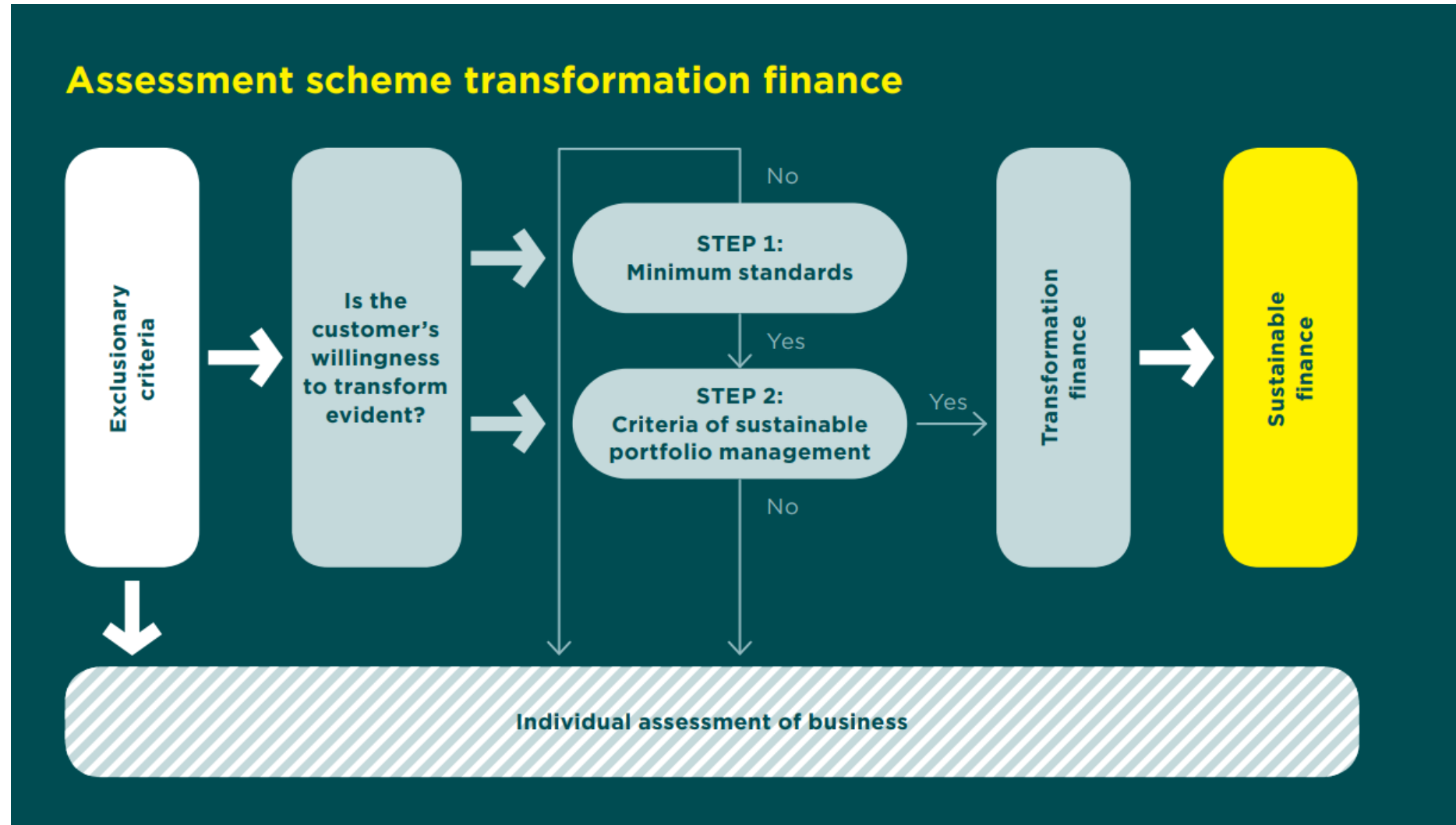
„We are convinced that the whole economy is impacted by the sustainable transformation and must act. Therefore, we define our whole portfolio as transformation finance.”

„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 it evolves, we will continuously review our parameters and, if necessary, adapt them to EU regulation.”

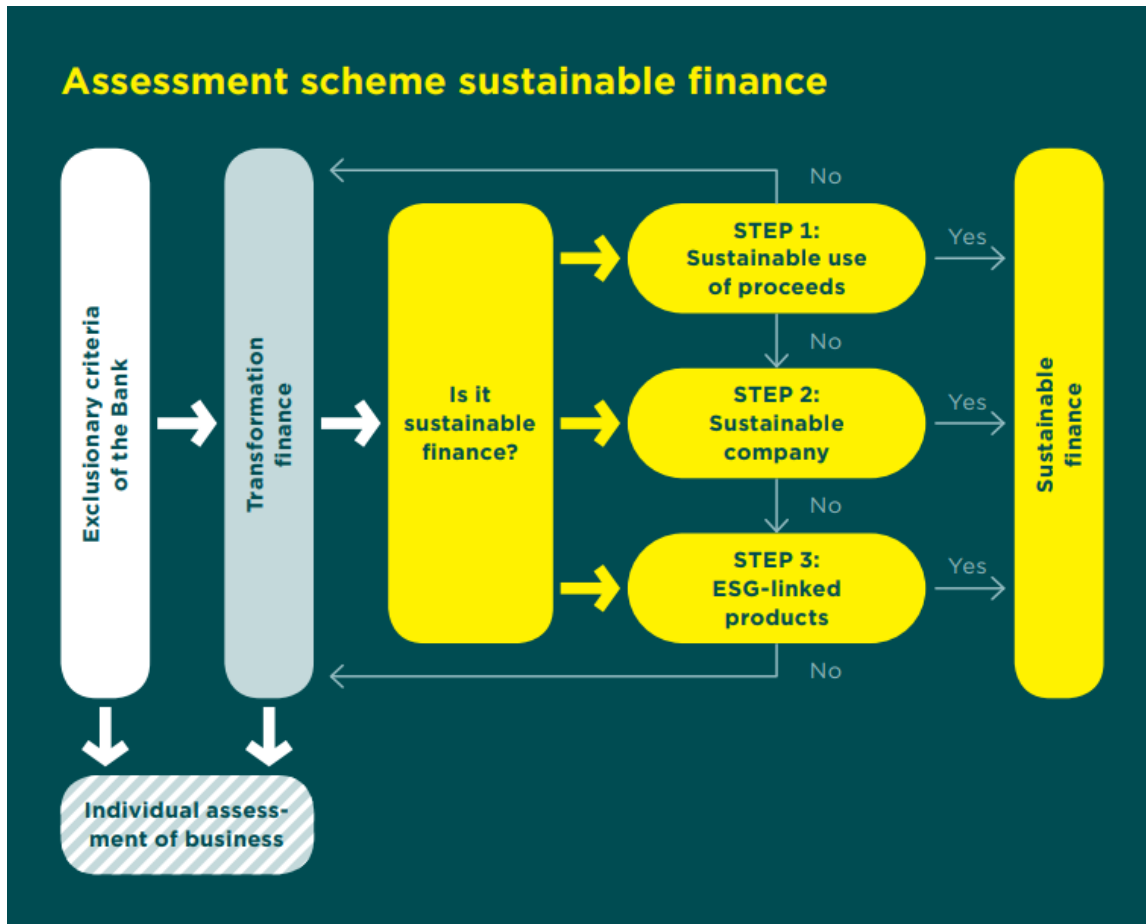


„Sustainable finance describes the share of our portfolio that we already classify as sustainable. This includes financial products and services that promote positive environmental and/or social purposes and therefore contribute, for example, to achieving the goals of the Paris Climate Agreement and the UN Sustainable Development Goals.“

Compliance with **exclusion criteria** is compulsory to be included into **transformation finance** portfolio



Three-step assessment scheme makes definitions of sustainable finance transparent



Step 1 of the assessment

- Newly defined list of criteria for sustainable (finance) activities
- Defined in cooperation with Sustainalytics
- Based on EU-Taxonomy and Sustainable Development Goals

NEW

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
<ul style="list-style-type: none"> Projects which improve 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.* 	<ul style="list-style-type: none"> Projects which improve 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.*

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
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The chemical recycling of plastic. CO₂ emissions from primary 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.

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

Commerzbank/ESG Framework 37

Sustainable portfolio management is based on SBTi-reduction paths for CO₂-intensive sectors



Interim targets of seven CO₂-intensive sectors incl. a choice of diagrams

Power generation - 73%

Iron & steel - 37%

Cement - 20%

Automotive production - 31%

Aviation - 12%

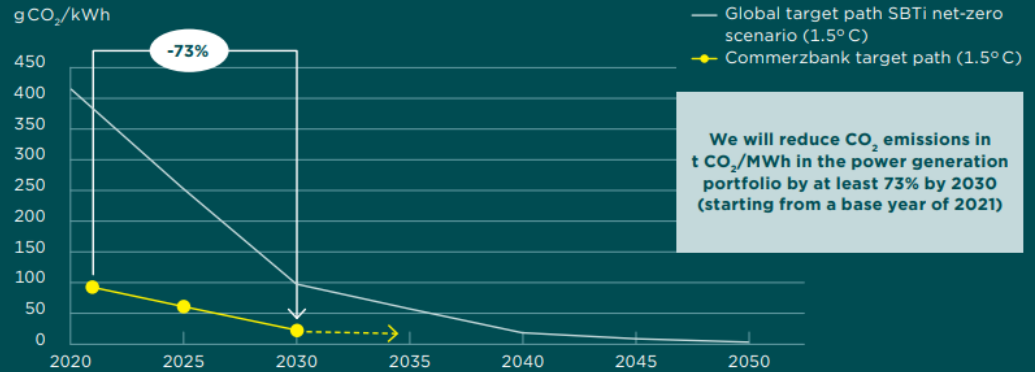
Resident. mortgages - 57%

Commercial real estate

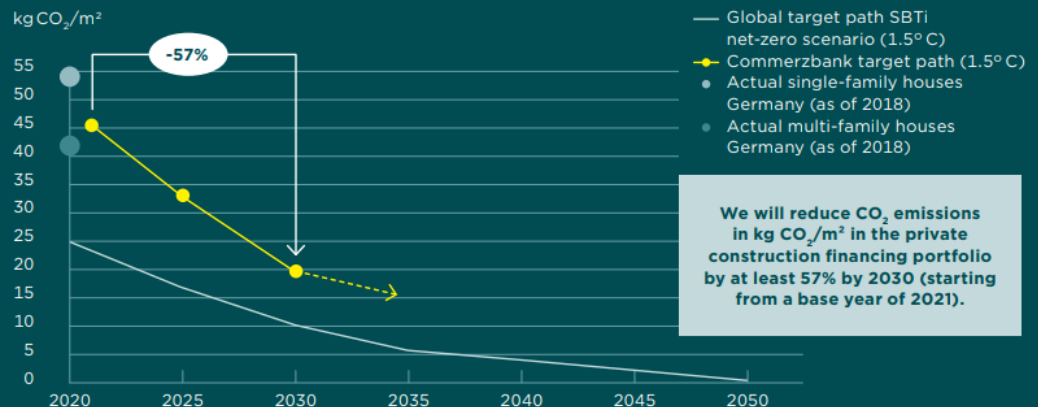
- Commercial use - 68%
- Residential use - 57%



Power generation: emission intensity and target



Private construction financing: emission intensity and target





KPI details



Definition of scope 1, 2 and 3 emissions



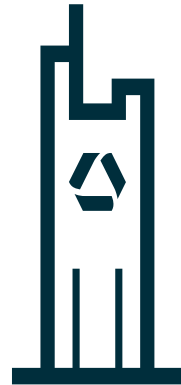
Scope 1: direct emissions

- Emissions directly caused by the organization, organization as the source of the emission
- Within Commerzbank mostly caused by normal business continuity



Scope 2: indirect emissions

- Indirect emissions caused by the organization through the use of energy
- Within Commerzbank, this could be the power consumption of our IT infrastructure



Scope 3: further indirect emissions

- Emissions caused by our business activities, without any source in the organization
- Scope 3 emissions for Commerzbank could be divided into:

Other „bank“ emissions

- This is caused, for example, by business travel



Financed emissions

- By financing CO₂-intensive companies and households

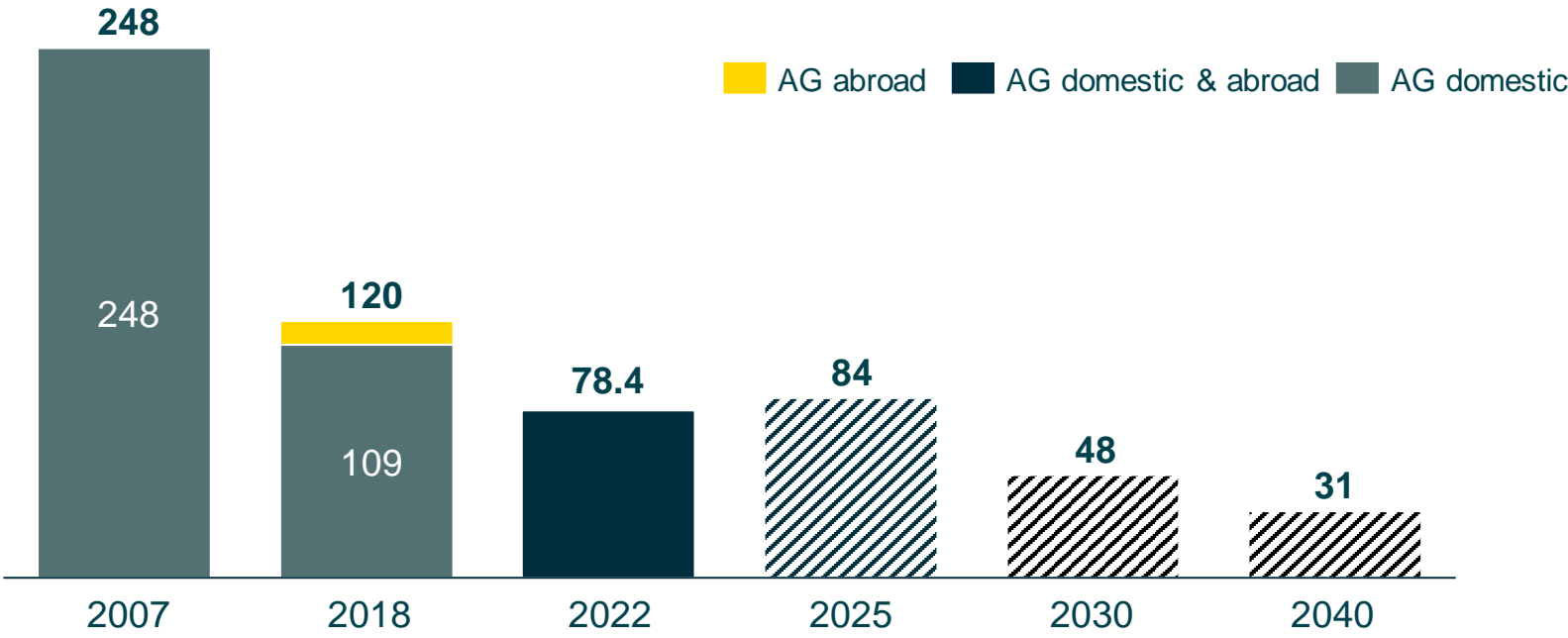


1st goal: net-zero emissions in bank operations by 2040



Gross CO₂ emissions Commerzbank AG

(Scope 1, 2 and 3 emissions, excl. financed emissions and subsidiaries), in '000 tCO₂



- Actions for CO₂ reductions already defined
- In 2040, residual CO₂ emissions will be reduced to net-zero by own actions like reforestation (no certificates)

Since 2015 Commerzbank is operating climate-neutrally in Germany

2nd goal: net-zero financed emissions by 2050



With science-based targets we can reduce our financed emissions

What is SBTi?



- Science-based target initiative
- Partnership between Carbon Disclosure Project, UN Global Compact, World Resources Institute and WWF
- Defines and promotes best practices for emissions reduction and net zero targets in line with climate science
- About 2,800 companies worldwide participate in SBTi, including 90 European financial institutions

Advantages



- Enables scientifically sound CO₂ target setting based on latest climate research
- Promotes standardization of target setting through structured and transparent framework
- External validation of SBTi targets



September 2020

Commerzbank joined SBTi



2021

Purchase of CO₂ data (financed emissions)



2021

Portfolio analysis



Q1 2022

Announcement of targets for first sectors



September 2022

Submission of targets to SBTi

We have handed in the SBTi targets for 9 intensive sectors in September 2022

3rd goal: €300bn for sustainable financial products by 2025

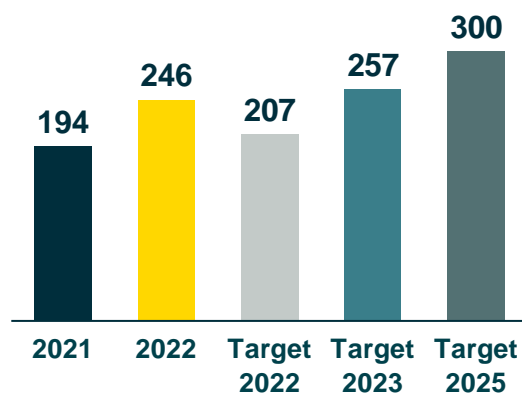


Advisory products
(no balance sheet impact, €bn)



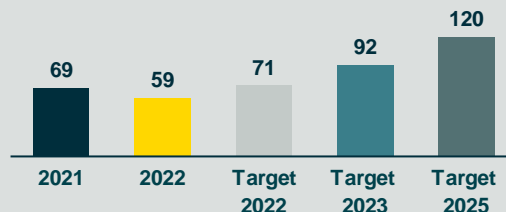
Loan products
(with balance sheet impact, €bn)

Sustainable products (€bn)

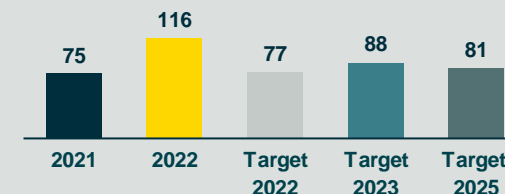


Corporate Clients

- Accompanied ESG bond transactions (e.g. green and social bonds)*
- Sustainable investment solutions for Corporate Clients**

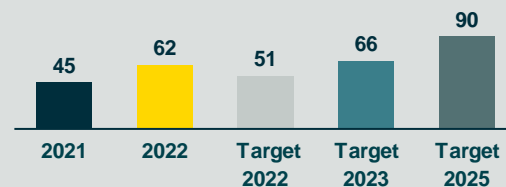


- Renewable energy loan portfolio**
- Sustainability linked loans*
- KfW sustainability linked programmes*

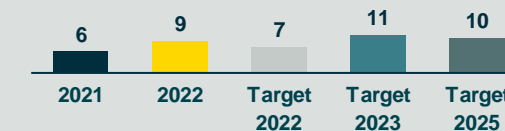


Private & Small-Business Customers¹

- Asset management, securities advisory and brokerage**
- Commerz Real products**
- Retirement solutions*



- Green mortgages**
- KfW programmes**

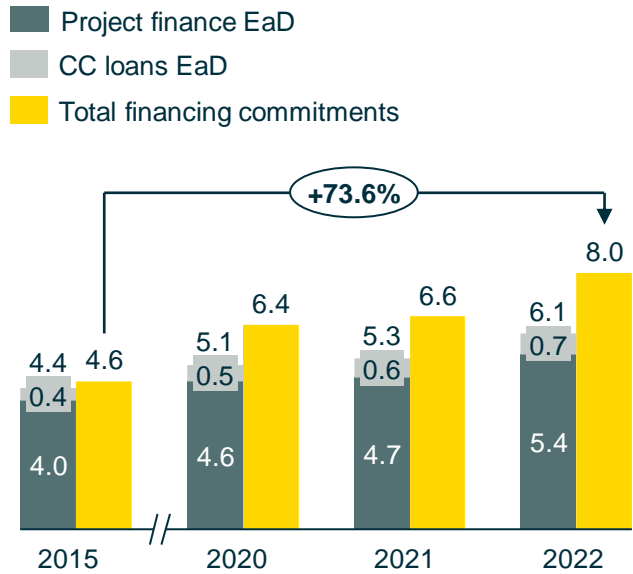


1) 2021 and 2022 numbers based on different method of calculation due to broader scope of included advisory products. * Flow value / ** Stock value

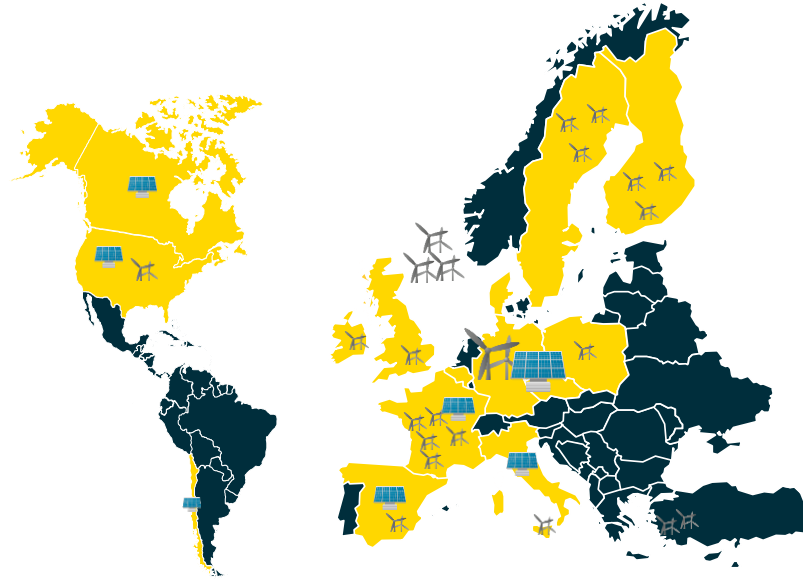
Development of renewable energy portfolio



- Renewable energy portfolio
- (€bn | eop)



- Global footprint of renewable energy financing

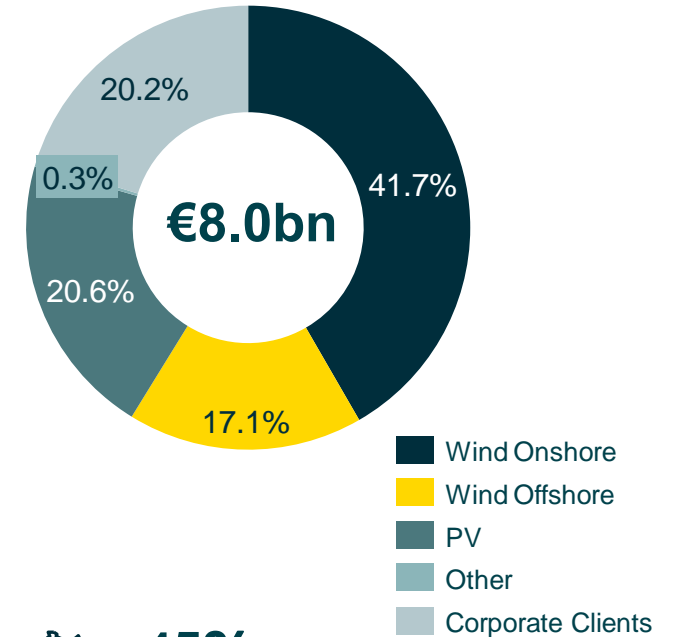


Offshore:
Commerzbank active globally as MLA¹ and lender with offshore projects in Germany, France, Belgium, UK and Taiwan

International RE project finance:
amongst others UK, France, Spain, US, Italy and Chile

Core market Germany:
approx. 45% of portfolio in Germany

- Renewable energy portfolio
- (€bn | financing commitments eop)



45% invested in Germany

55% invested globally

1) MLA = Mandated Lead Arranger

Commerzbank issued €1.5bn in Green Bonds



Commerzbank Green Bond Framework

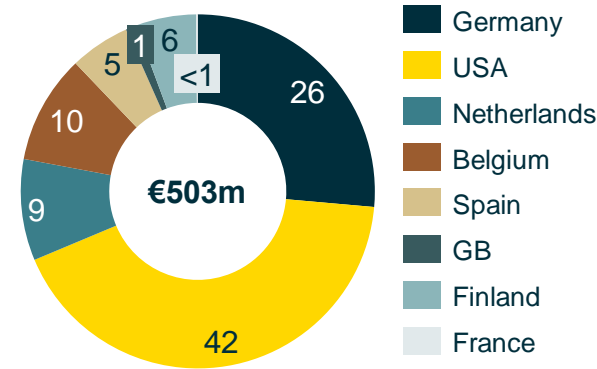


We are a member of the ICMA “Green Bond Principles” since mid-2014. The assigned green assets are subject to an annual review by the second party opinion provider Sustainalytics.

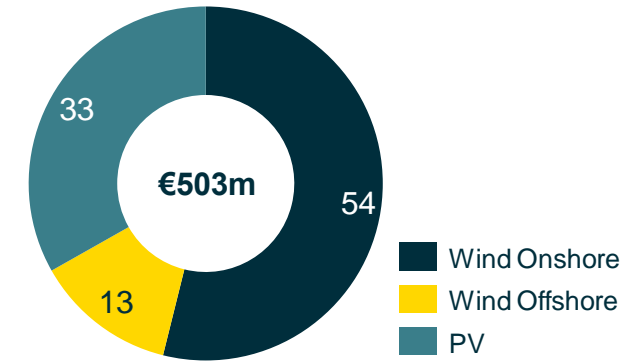


Green Bond II: Overview of assigned assets¹ [in percent]

Allocation by country

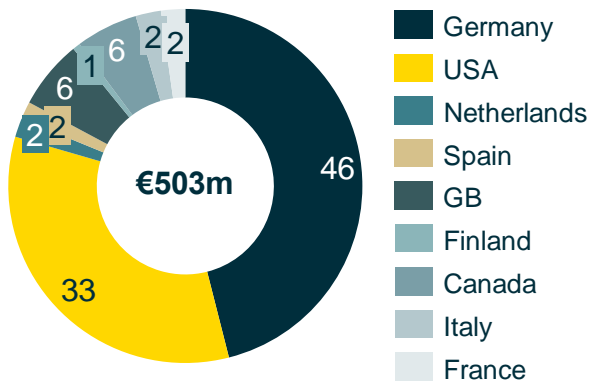


Allocation by technology

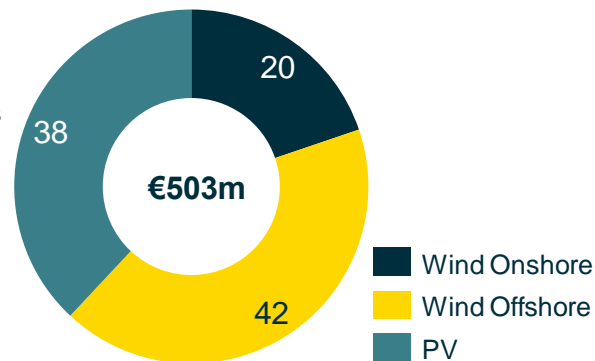


Green Bond I: Overview of assigned assets¹ [in percent]

Allocation by country

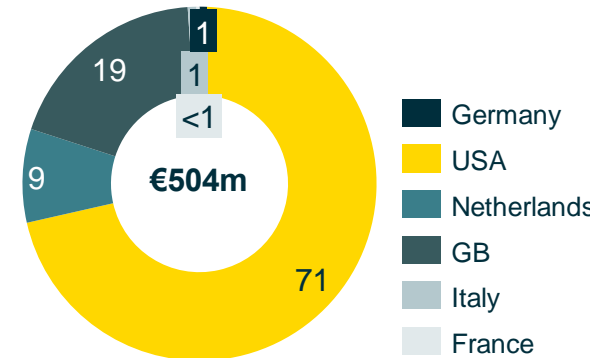


Allocation by technology

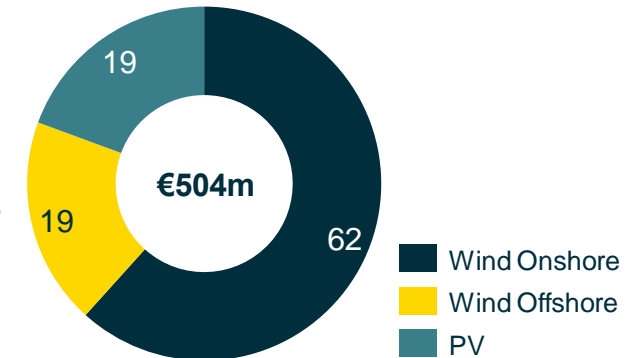


Green Bond III: Overview of assigned assets¹ [in percent]

Allocation by country

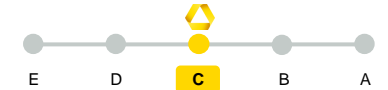
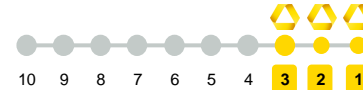


Allocation by technology



1) Based on [allocation_reporting](#) as of 09/2022
March 2023

ESG ratings prove that we are on the right track



ESG Rating

- Double A rated in the upper part of the MSCI ESG rating scale
- Above industry average positions in terms of privacy & data security, human capital development and financing environmental impact



ESG Risk Rating

- Commerzbank is at medium risk of experiencing material financial impacts from ESG factors (score of 20.9 / 100 with 0 being the best)
- Very well positioned above industry average on the 1st quantile



ESG Corporate Rating

- Rated in the ISS ESG prime segment – top 10% of industry group
- Excellent ratings especially in the categories staff & suppliers, environmental management, corporate governance and business ethics



ESG QualityScores

- Commerzbank assigned with low ESG risks by ISS ESG QualityScores
- Social QualityScore 1, Environmental QualityScore 2, Governance QualityScore 3



Climate Change Rating

- Until 11 / 22: rated B (above-average in financial sector); Positioned as “Sector Leader Financials” in DACH region (ranked top 15% of financials in Germany, Austria and Switzerland)
- 12 / 22: rated C, Global average (all industries)



Appendix



Diversity & Inclusion is an integral part of our ESG strategy and is evidenced by central KPIs



„DIVERSITY IS NO LONGER JUST A HR MANAGEMENT ISSUE. IT IS PART OF THE BANK'S SUSTAINABILITY MANAGEMENT AND OUR JOINT RESPONSIBILITY!“ Manfred Knof, CEO Commerzbank



40% of women in management positions by the end of 2030

- Our goal: By the end of the year 2030
- **40%** of women in management positions
- The proportion of women on the supervisory board is 45%
- There are two women on the seven-member board
- 12/2022: **35%** of women in management positions



Meet the overall requirement of 5% of employees with disabilities

- With more than **1,750** jobs filled by severely disabled people, the rate is **5.9%** for all jobs in the AG (this requirement has been regularly exceeded for 7 years)



5% of our employees are engaged in diversity networks

- The first network was founded as early as **1998**
- **Courage** and **Arco** are among the largest operational networks in Germany CEO as „Courage“ sponsor
- Strengthening our employer's reputation
- Currently 1500 employees in 7 diversity networks

Sustainability means acting in the present without endangering the future, the UN sets 17 goals for this



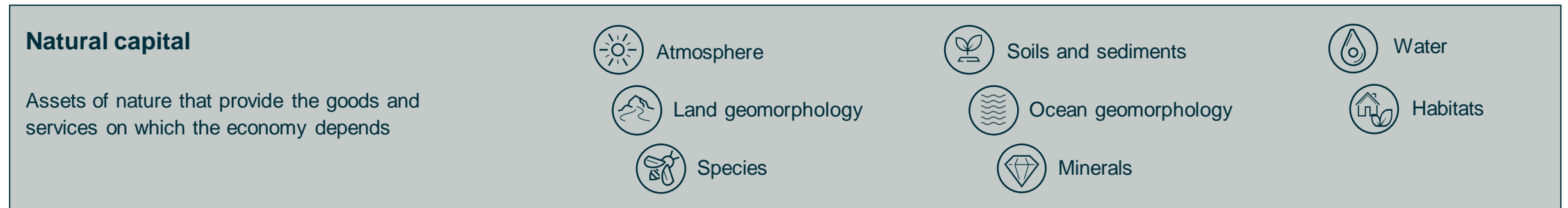
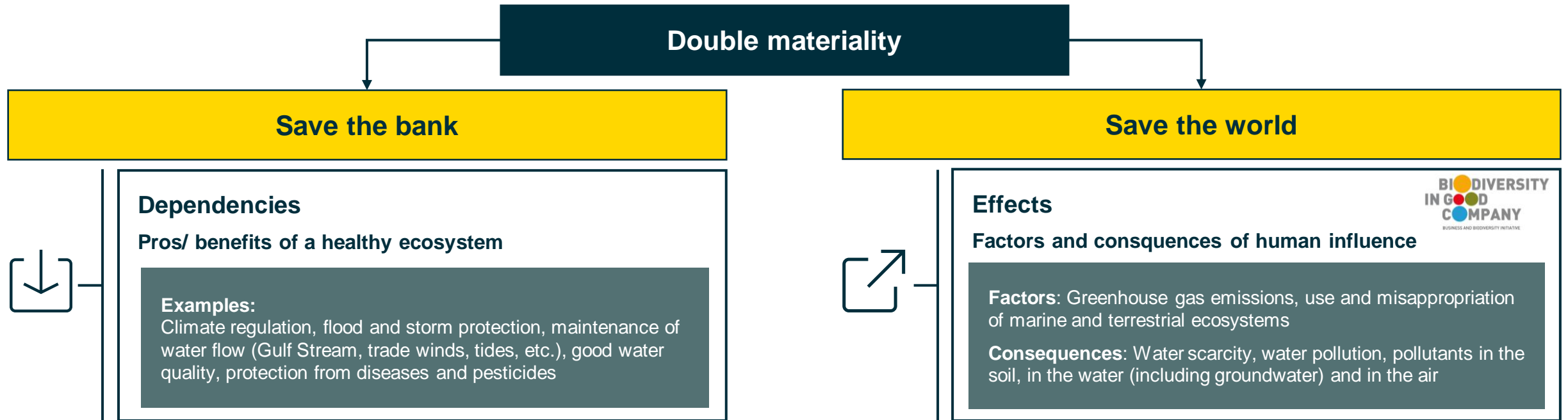
SDG-Mapping by Commerzbank

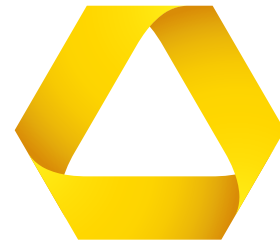
Client Transformation
We enable our customers to implement their sustainable transformation

Bank Transformation
We lead by example



Materiality assessment conducted in 2022 – dependencies and effects on natural capital identified





COMMERZBANK