

COMMERZBANK

The bank at your side



Commerzbank Green Bond Framework

28th September 2018



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1 Introduction

1.1 Commerzbank's Approach to Sustainability

Corporate responsibility is a guiding principle of Commerzbank: environmental, social and ethical aspects have a crucial role in the way we manage our company. We want our core business to influence sustainable development; we aim to offer our clients fair and professional advice, to continuously reduce our environmental footprint, to be an employer of choice for our staff and to be an asset to the society. In order to ensure sustainable corporate governance, we have set up comprehensive positions and standards throughout the bank across different fields of activity.¹

We promote environmental protection in our core business, for example by funding renewable energies, placement of sustainable investments and in supporting our customers in managing CO₂ emission allowances. We also systematically seek ways to reduce the resources we consume in the bank. To this end, we have implemented a group wide, certified environmental management system. Our primary objective and part of our overall climate strategy is to reduce CO₂ emissions. Thanks to a number of measures in facility management and mobility in particular, we have already been able to pare down 68% of the greenhouse-gas (GHG) emissions in comparison to 2007. Remaining GHG emissions are compensated through the purchase and retirement of CO₂ certificates from high-quality projects. As such, Commerzbank has been climate-neutral since 2015.

Commerzbank is fully committed to the development of the sustainable bond market. We are a member of the Green Bond Principles since 2014 and a regular lead-manager of green and social bond transactions.

1.2 Background of the Green Bond Framework

Commerzbank is a regular issuer in the bond market in covered, senior unsecured and subordinated format. Green bond transactions combine the international bond market with the engagement on sustainability. We see a clear benefit in the additional transparency offered by green bonds on the use of proceeds and their impact. We are convinced that green bonds can help to raise the necessary funds to combat climate change and we are committed to support and promote the green bond market.

Against this background, Commerzbank has decided to establish a Green Bond Framework as the basis for potential Green Bonds to be issued by Commerzbank. The first edition of Commerzbank's Green Bond Framework will focus on renewable energy as eligible asset category. The Green Bond Framework and related documents (such as the Second Party Opinion) may be updated and additional eligible asset categories may be added.

1.3 Commerzbank's Lending for Renewable Energies

Commerzbank has been active for more than 25 years in the field of financing renewable energies and in 2003 founded its Competence Center Energy in Hamburg, which today holds one of the largest renewable energy project finance debt portfolios in Europe.

Through offices in Hamburg and New York, more than 50 specialists provide a wide range of corporate banking and project finance services to the renewable energy industry. This integrated approach across the entire renewable energy value chain provides Commerzbank a holistic market overview with regards to technologies, market players, financing structures and upcoming trends.

Competence Center Energy provides project finance for large-scale wind farms (both onshore and offshore) and solar parks operated by institutional investors, municipal utility companies, energy conglomerates and private investors worldwide. Our core markets are Germany, other Western Europe and the

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<https://www.commerzbank.de/en/nachhaltigkeit/nachhaltigkeitsstandards/nachhaltigkeitsstandards.html>

Americas. As of December 2017
Commerzbank's renewable energy portfolio
reached a volume of EUR 5.2bn².

economy. It is an integral part of our
sustainability strategy and supports our key
objective to contribute to reduce GHG
emissions.

2 Sustainability Objectives

Our lending activity in the renewable energy
sector is an active contribution to mitigate
climate change and to finance the transition to a
more environmental-friendly and sustainable

By investing into a Commerzbank Green Bond
where the proceeds are earmarked to refinance
Renewable Energy Loans, investors can
participate in this positive contribution.

In addition, our lending activity in the renewable
energy sector supports the achievement of
several UN Sustainable Development Goals:



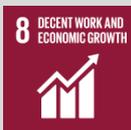
Ensure healthy lives and promote well-being for all at all ages

Renewable energy helps to reduce pollution and thereby makes an active contribution to healthier lives and better well-being.



Ensure access to affordable, reliable, sustainable and modern energy for all

Our lending activity increases the share of renewable energy in the global energy mix and promotes the development of new and innovative energy and clean technology solutions.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Investments in the renewable energy sector support the development of new and sustainable industries, create new jobs and promote the transition into a less carbon-intensive and more sustainable economy.



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

The renewable energy sector creates industry innovation and helps build a cleaner, more reliable and sustainable infrastructure.



Take urgent action to combat climate change and its impacts

The expansion of the renewable energy sector and related reduction in pollution is an active contribution to combat climate change and to reduce associated climate-related hazards.

² Exposure at Default EUR 4.5bn as of December 2017

3 Green Bond Framework to refinance Renewable Energy Loans

Under this Framework the bank may issue green senior unsecured bond transactions (preferred senior or non-preferred senior bonds) to finance and refinance Renewable Energy Loans. In the future, the bank may update its Green Bond Framework and also include other eligible asset categories or other types of debt, e.g. covered bonds, for its Green Bond transactions.

Green senior unsecured bonds issued under this Framework may take the form of public transactions or private placements, in bearer or registered format, issued under Commerzbank's Debt Issuance Programmes³ or on a stand-alone basis. Commerzbank's Green Bonds will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the Renewable Energy Loans.

Commerzbank's Green Bond Framework is aligned with the Green Bond Principles (2018 edition) (GBP). It is presented through the GBP's four core components as well as its recommendation for External Review:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

3.1 Use of Proceeds

An amount equivalent to the net proceeds of the Green Bond issue will be exclusively used to finance or refinance, in whole or in part, eligible Renewable Energy Loans with a positive environmental impact. The date of first drawdown of such eligible Renewable Energy Loans will be no more than 3 years before the settlement date of the Green Bond issue.

³ Commerzbank's Debt Issuance Programmes are available at https://www.commerzbank.com/en/hauptnavigation/aktione/ere/informationen_f_r_fremdkapitalgeber/emissionsprogramm/me/mtn_programm/MTN_Programm_Vorspann.html

Eligible Renewable Energy Loans are loans to finance assets in the category renewable energy, which fulfil the selection criteria as outlined in this Framework.

These may include loans to finance equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources:

- Offshore and onshore wind energy
- Solar energy

3.2 Process for Project Evaluation and Selection

3.2.1 Green Bond Committee

Commerzbank has established an internal Green Bond Committee to manage the process for Project Evaluation and Selection.

Commerzbank's Green Bond Committee consists of one representative from each of the following departments: Commerzbank Group Treasury, Corporate Responsibility, Investor Relations and Debt Capital Markets - Bonds. In addition, the Committee includes a representative of the business unit for the relevant assets, i.e. in the case of Green Bonds to refinance Renewable Energy Loans, a representative of our Competence Center Energy. The Corporate Responsibility department acts as the chair of the Green Bond Committee.

Commerzbank's Green Bond Committee is responsible for the content and implementation of Commerzbank's Green Bond Framework, including the definition of criteria for and the selection of eligible assets, the management of proceeds, reporting and external review.

For Green Bonds to finance or refinance Renewable Energy Loans, Commerzbank's Competence Center Energy screens the portfolio of existing and future Renewable Energy Loans on the basis of the selection criteria as defined in this framework and selects Renewable Energy Loans that are eligible for the use of proceeds from a Green Bond transaction (Eligible Assets). The selection is reviewed by the Green Bond Committee to

confirm the selection and the amount of identified Eligible Assets.

At time of issuance of a new Green Bond, the Green Bond Committee identifies from the pool of Eligible Assets such projects that will be financed or refinanced, in whole or in part, with the new bond and assigns Eligible Assets in an aggregate notional amount of at least the net proceeds of the bond to the new Green Bond issue (Assigned Assets).

If over the lifetime of a Green Bond any Assigned Assets are redeemed or no longer comply with the eligibility criteria, such assets will be replaced by other Eligible Assets (Replacement Assets) to make sure that the net proceeds of the Green Bond are always used to refinance a portfolio of Assigned Assets.

The Green Bond Committee reviews on a semi-annual basis the portfolio of Assigned Assets. The Green Bond Committee will select new Replacement Assets from the pool of Eligible Assets.

The Green Bond Committee will take minutes on the identification of Eligible Assets, the allocation of Green Bond proceeds to Assigned Assets and any changes to the portfolio of Assigned Assets over the lifetime of a Green Bond. The chair of the Green Bond Committee will share the minutes with Commerzbank's executives in charge of Group Treasury, Group Communications and Investor Relations as well as the executive in charge of the business segment for the Assigned Assets.

3.2.2 Selection Criteria

All loans included in Commerzbank's renewable energy portfolio comply with our standard credit process. This implies that loans have to comply with all regulatory requirements, Commerzbank's overall and sustainability strategy as well as our risk management policies. Such policies are part of our policy framework for handling environmental and social risks and include, amongst others, policies on the mining and energy sector, cotton and textile or agriculture and forestry.

In addition, to qualify as an Eligible Asset for the use of proceeds of a Green Bond to refinance Renewable Energy Loans, loans

need to comply with the following selection criteria:

- Project finance loans for wind or solar energy
- Exclusion of loans refinanced by third parties
- Date of first drawdown of the loan no more than 3 years before the settlement date of the Green Bond issue
- Internal minimum rating requirement
- Exclusion of non-performing loans
- Exclusion of uncommitted transactions

We recognise that standards and requirements in the green bond market are evolving. The Green Bond Committee will take such developments and best practices into consideration when applying its selection criteria.

3.3 Management of Proceeds

The proceeds of Commerzbank's Green Bonds will be used to refinance Renewable Energy Loans which comply with the selection criteria and which have been identified by the Green Bond Committee as Eligible Assets. At time of issuance such Eligible Assets already exist in Commerzbank's portfolio. The assets will not be segregated into a separate sub-portfolio, but allocation of proceeds will be assigned to Eligible Assets. The pool of these Assigned Assets and any replacement of Assigned Assets will be recorded and monitored regularly by Commerzbank's Green Bond Committee.

If for any unexpected reasons the bank is not able to fully replace Assigned Assets that are repaid or no longer qualify with the eligibility criteria and as a consequence the net proceeds of a Green Bond are no longer fully assigned to Eligible Assets, the bank intends to temporarily invest an amount equal to the balance between Assigned Assets and the net proceeds of outstanding Green Bond transactions into Green Bonds of European issuers that are in line with our Treasury investment guidelines.

Over the lifetime of a Green Bond, Commerzbank will report on the allocation of proceeds to Assigned Assets, including changes to the portfolio of Assigned Assets due

to any additions and replacements, as further detailed in the next section.

3.4 Reporting

Over the lifetime of a Green Bond Commerzbank will provide investors with information on the allocation of proceeds and the environmental impact of projects refinanced with a Green Bond issue on a project portfolio basis. Commerzbank will provide such reporting for each Green Bond issue separately.

3.4.1 Allocation Reporting

Commerzbank will inform investors at least annually, and on a timely basis in case of any material changes (as determined by the Green Bond Committee), on the allocation of net proceeds to Assigned Assets

The report shall include the following information:

- The notional amount and maturities of outstanding Green Bond issues
- The amount of Assigned Assets and any unallocated proceeds
- Assigned Assets by technology (wind onshore, wind offshore, solar)
- Assigned Assets by geographic distribution and by currency
- Assigned Assets by year of first drawdown of the refinanced loan
- Assigned Assets by maturity year of the refinanced loan

3.4.2 Impact Reporting

Commerzbank will inform investors at least annually on the environmental impact of Assigned Assets refinanced with the Green Bond issue.

The report shall include the following information for Assigned Assets:

- Renewable energy capacity financed
- Energy output
- Estimated avoidance of CO₂ emissions

Allocation and Impact Reporting will be made available for investors on Commerzbank's Investor Relations homepage.⁴

3.5 External Review

3.5.1 Second Party Opinion

Commerzbank has commissioned Sustainalytics to provide a second party opinion for Commerzbank's Green Bond Framework. Sustainalytics reviewed Commerzbank's Green Bond Framework and confirmed its alignment with the four core components of the Green Bond Principles 2018.

The Second Party Opinion from Sustainalytics is available on Commerzbank's Investor Relations homepage.⁴

3.5.2 Annual Review

Over the lifetime of a Green Bond issued under this framework, Commerzbank will commission Sustainalytics or any other party selected as a successor for Sustainalytics, to annually assess the issued Green Bonds' compliance with this framework.

⁴ <https://www.commerzbank.com/greenbond>