Corporate Responsibility & Sustainability
Commerzbank’s Corporate Responsibility is anchored in the competence of the Chief Executive Officer

Organisational structure of corporate responsibility at Commerzbank

Commerzbank AG | Corporate Responsibility & Investor Relations | Frankfurt / January 2019
The bank informs its stakeholders regularly and transparently about sustainability issues in various formats

Overview of various communication elements regarding sustainability issues

**Sustainability magazine**
- Semi-annual reporting since 2005
- Transparent, open and future-orientated report including the bank’s sustainability initiatives

**Sustainability portal**
- Comprehensive portal including all sustainability initiatives and policies
  - sustainability.commerzbank.com
  - climate-neutral.commerzbank.com

**Corporate Responsibility Report**
- Published in Group Annual Report
- Focuses on sustainability, climate change, integrity, civil society
- Non-financial Report

**Factsheet & Newsletter**
- Sustainability Factsheet and Newsletter reported quarterly
  - sustainability@commerzbank.com

**GRI results / Progress report about UN Global Compact**
- Progress report on UN Global Compact implementation and DNK declaration of conformity

**Capital markets disclosure**
- Sustainability ratings as a part of quarterly Investor Relations disclosure

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1) GRI = Global Reporting Initiative
2) DNK = Deutscher Nachhaltigkeitskodex (German Sustainability Codex)
We meet the global challenges as a responsible partner for sustainable economic and social development

Sustainable Corporate Governance
› We foster responsibility and transparency as elements of our corporate culture and act exclusively in accordance with the law.
› We assume responsibility for our actions, our products and services, and their impact.
› We are a supportive and attractive employer for our employees and future talents.

Markets and Clients
› We face up the global challenges and offer our customers suitable products and services.
› We ensure Commerzbank’s long-term profitability by assessing risks comprehensively.
› We are satisfied with our performance only if our customers and clients are satisfied with us.

Environment and Society
› We are working to reduce our ecological footprint.
› We engage in a dialogue with our stakeholders and support sustainable development in the financial market.
› We are actively committed to creating a future-ready society.
We take advantage of the opportunities offered by Sustainable Finance and are a responsible partner for Renewable Energy Finance funding.

Renewable Energy Project Finance Portfolio

<table>
<thead>
<tr>
<th>Year</th>
<th>Portfolio Composition</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>3.8</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>4.2</td>
<td></td>
</tr>
<tr>
<td>Q3 2018</td>
<td>4.2</td>
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</table>

+(20%)

- Onshore
- Solar
- Offshore
- Bio Mass

70% Invested in Germany

28% Invested globally

We are the leading German provider of Renewable Energy Finance funding.

- In 2017, Commerzbank has assisted eight issuers (2016: five) in preparing relevant transactions and their placement on international capital markets – total volume €5.5bn (2016: €5.2bn).
- Sustainable Asset Management for wealth management and institutional clients.
- Since 2015 own sustainability fund “Commerzbank Global Stocks – Catholic Values”.
- One of the leading players in emissions trading in Europe (EU ETS) and member of the World Bank’s Carbon Pricing Leadership Coalition since 2015, supporting a price on carbon.

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Our climate strategy defines the framework for our commitment to the environment

Targets of the climate strategy

- Reducing greenhouse gas emissions by 70 percent until 2020 (in relation to base year 2007)
- Offsetting unavoidable carbon emissions
- Sustainability-oriented core business
- Awareness and active commitment for climate protection

Reduction of Carbon Emissions since 2007

- Reduction by 68% so far

Reduction of the ecological footprint through certified environment and energy management system, mobility strategy, facility management and sustainable procurement
We incorporate environmental and social risks based on sustainable and ethical decision-making criteria into our overall risk strategy.

**Evaluation / Decision at Rep. Risk Management**
- Explicit integration of sustainability criteria (= ecological, social and ethical) into banks business
- in 2018: Verification of ~5,900 individual cases

**Group-wide early warning system**
- Internal sensitization of employees, i.e. using roadshows, lectures, the quarterly RepRiskRadar, and the direct reporting to CFO

**Examples of sensitive topic areas**
- Deforestation e.g. Palm-Oil
- Nuclear Power
- Political Tensions
- Radical groups & parties
- Ship breaking
- Oil & gas
- Armaments

**Positions and binding policies**

<table>
<thead>
<tr>
<th>Cross-sector positions</th>
<th>Sector-specific positions</th>
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</thead>
<tbody>
<tr>
<td>Human rights</td>
<td>Agriculture and forestry</td>
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<tr>
<td>Indigenous peoples</td>
<td>Mining</td>
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<tr>
<td></td>
<td>Ship breaking</td>
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<td>Food staples</td>
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<tr>
<td></td>
<td>Oil and gas</td>
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<td></td>
<td>Cotton and textiles</td>
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<td></td>
<td>Armaments</td>
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<td>Energy</td>
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<table>
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<tr>
<th>Sector-specific policies</th>
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<tbody>
<tr>
<td>Armaments</td>
<td>Coal</td>
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</tbody>
</table>
Comprehensive positions and policies enable responsible and sustainable risk management (1/4)

Agriculture and forestry

- Agriculture and forestry are an important source of income and play a major role in the overall economy, especially in developing countries. However, the positive effects are often offset by negative environmental and social impacts.
- In case of proposed business activities connected to agriculture or forestry, Commerzbank investigates

1. Human rights compliance and measures aimed at combating discrimination against women
2. Compliance with International Labour Organization (ILO) standards on working conditions
3. Protection of High Conservation Value Areas (HCVAs) and UNESCO World Cultural Heritage
4. Illegal or uncontrolled clear-cutting of forests by companies

Mining

- Mining extracts raw materials such as coal, gold and diamonds. Although these materials are essential in many economic sectors, mining projects often have a negative impact on the environment and local populations.
- When making decisions on transactions and business relationships in the mining sector, Commerzbank therefore generally takes into account:

1. The mining methods used by the company (e.g. processing of mining waste)
2. Compliance with ILO and human rights, protection of HCVAs and UNESCO WCH sites
3. No financing of uranium mines and no financing of new coal mines
4. Implementation of environmental restoration measures

Commerzbank has introduced two cross-sector and eight sector-specific positions as well as two binding policies on environmental and social risks
### Comprehensive positions and policies enable responsible and sustainable risk management (2/4)

#### Ship breaking
- Hundreds of ships are broken up every year, above all in Asia. This is an important source of income for local economies and covers a substantial portion of the regional demand for steel.
- However, ship breaking often involves poor working conditions that frequently lead to workplace accidents and fatalities. Moreover, this activity often pollutes coasts and seas.
- To address these dangers, Commerzbank requires certification of shipyards under EU standards or internationally recognised environmental and social standards (ISO 14001, ISO 30000, OHSAS 18001 or the Hong Kong Convention) when entering into business relationships or supporting transactions related to ship breaking.

#### Food staples
- The United Nations has set the goal of ending hunger, achieving food security and improved nutrition and promoting sustainable agriculture by 2030.
- In November 2011, Commerzbank made the decision not to issue any new exchange-traded investment products based on food staples.
- Since then, Commerzbank has not issued any new products based on food staples such as wheat, corn, soy, rice or potatoes. In addition, all food staples have been removed from the only exchange traded fund referencing them (WKN ETF090).
- Commerzbank has also implemented this decision throughout its private client business. Commerzbank does not issue products that contain staple foods, nor does it actively market or recommend them. This of course applies to third-party products as well.
The extraction of oil and gas is associated with special risks for the environment, climate, indigenous peoples, workers and local populations. Commerzbank takes these risks into account in its decisions on transactions and business relationships in the oil and gas sector. Specifically, it takes into account:

**Oil and Gas**

1. How the company will conduct the **exploration of oil and gas fields**
2. Compliance with **ILO**, protection of **HCVAs and UNCESO World Cultural Heritage sites**
3. Project financing related to **fracking and to arctic drilling is not possible**
4. Critical approach to the issue of **liquefied natural gas (LNG)**

**Cotton and textiles**

1. The textile and cotton industry is frequently associated with child labour and forced labour, violations of labour regulations and workers’ rights, and with dangerous working conditions.
2. Commerzbank therefore tracks these issues closely, in particular with regard to **human rights** compliance and measures aimed at combating **discrimination against women**
3. Compliance with **International Labour Organization (ILO) standards on working conditions**
4. **Child labour and forced labour**
5. The use of **environmentally harmful chemicals**
Commerzbank as one of the first German major banks developed a compulsory guideline for the armaments sector, which was signed off by the Board of Managing Directors and implemented company-wide. The four basic principles of the Guideline Governing Armaments Transactions at Commerzbank Group are:

1. No financing of the supply of weapons or armaments to conflict zones or areas of tension
2. No controversial weapons (e.g. cluster bombs)
3. Only governmental end-recipients
4. All applicable laws and regulations must be met

In August 2016, Commerzbank implemented an extensive regulation regarding coal industry financing. The objectives of the Guideline Governing Coal-Related Transactions at Commerzbank are:

1. No financing of new coal mines or construction of new coal-fired power plants
2. No financing of coal extraction through mountaintop removal mining
3. Continuous monitoring of energy suppliers as clients of Commerzbank
4. Case by case assessment of financing coal-related infrastructure projects
Environmental and social risk management process at Commerzbank

**Request**
(Product, transaction, business relationship)

**Operational Unit**

- Linked to sensitive topic area?
  - Yes: Product, transaction or business relationship has to be rejected
  - No: Business can be pursued

**Reputational Risk Management**

- Linked to exclusion criteria?
  - Yes: Product, transaction or business relationship has to be rejected
  - No: Evaluation
    - Review of cross-sector requirements
    - Review of sector-specific requirements
    - Differentiated assessment
      - May lead to a rejection of product, transaction or business relationship
Holistic approach enables our vision to become Germany’s most sustainable commercial bank

Holistic sustainability approach

› Internal climate- / CO2-Strategy
› Compliance & Policies
› Involvement of Stakeholders
› Diversity / women’s quota
› Employer attractiveness
› Work-Life-Balance
› Health management

› Sustainable Finance
› Client satisfaction
› Involvement of clients (e.g. Client Advisory Board)
› Partial exclusion of business (e.g. armaments)

› Corporate Volunteering
› Social Engagement
› Sport sponsoring
› Foundation center
› Environmental internships
› Educational projects

Our evidences of success

- Energy plants\(^2\) financed by Commerzbank avoid CO2 emissions in the amount of 14m tons annually
- Commerzbank has financed 15% of the total German on-shore wind power.\(^2\)
- Inclusion in various sustainability indices.
- Sustainability ratings above sector average Financials.
- Reduction of own CO2 emissions by 68% since 2007.
- In the view of various NGOs, we are already today Germany’s most sustainable commercial bank.\(^3\)

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1) Fair Finance Guide Germany, February 2017
2) Wind, solar, biogas and -mass energy plants
3) As of 31 December 2017
Overview sustainability ratings, indices and selected initiatives

**Sustainability Ratings**

- **MSCI**
- **CDP**
- **oekom research**
- **SUSTAINALYTICS**
- **ISS**

**Commerzbank’s Certificates**

- Certified *environmental management system* in line with ISO 14001 since 2006
- Certified *energy management system* in line with ISO 50001 since 2016
- Verification of the banks environmental and energy disclosure by the classification society DNV GL

**Sustainability Indices**

- Euro Ethical Equity
- EMU Ethical Equity
- Euro ESG Equity
- World ESG Equity

**Selected Initiatives and Memberships**

1) ISS Rating as of 3rd December 2018: Environmental = 1; Social = 1; Governance = 3, where 1 is the best and 10 the worst
We meet the global challenges as a responsible partner powered by the vision of becoming Germany's most sustainable commercial bank

Climate Change
The Earth system is changing faster as a result of human impact on the planet’s biology, chemistry, and physics. New physical and transitional risks arise that need to be measured and managed.

World Population
Global population doubled in the last 50 years and will grow further. The “global middle class” grows fast and leads to new patterns of global demand.

Scarce Resources
Limited resources and growing demand leads to rising pressure on natural resources. R&D in new technologies gains new importance.

Human Rights
Transparent supply chains increase social pressure to manage human rights aspects responsibly. Regulation is being strengthened.

Banking the Energy Transition
With more than 25 years experience in this field, we are one of the largest funders of renewable energy – €5.2bn current portfolio of renewable energy finance.

Climate Financing Policy
No more financing of new coal mines & coal-fired power plants – case-by-case assessment of other projects, e.g. coal-related infrastructure.

Regulation of Arms Trade Finance
As the first German commercial bank, we introduced our own compulsory policy for the armaments sector in 2008.

Reputational Risk Management
Our independent reputational risk management assesses every transaction bearing environmental or social risks – no matter the amount of the transaction.

Internal Climate Strategy
Appendix

Commerzbank’s External Commitments
United Nations Global Compact (UNGC)

The UN Global Compact was concluded in 2000 to make globalization more social and environmental - more than 8,000 businesses in more than 160 countries have signed the Global Compact so far.

Commerzbank has signed the Global Compact in 2006:

› Global Compact principles are integrated in the bank’s environmental and social risk framework and processes
› Commerzbank annually reports its communication on progress, i.a. in our non-financial disclosure
› Active member of the German Global Compact Network and member of the peer learning group on human rights

Voluntary principles that commit signatories to:

› The alignment of business operations and strategy with ten universally accepted principles in the areas of human rights, fair labor conditions, environmental protection, and anti-corruption
› Push sustainability deep into the corporate identity
› Report annually on their efforts
› Engage locally where they have presence

"By signing the Global Compact of the United Nations in 2006, we have made a commitment to act sustainably for the benefit of our clients, shareholders, employees and business partners."

Martin Zielke, CEO
The Sustainable Development Goals are political objectives of the United Nations aiming sustainable economic, social and environmental development.

The Sustainable Development Goals were adopted at the 2015 UN World Summit on Sustainable Development:

- The Sustainable Development Goals consist of 17 main objectives and 169 sub-goals to promote action on human rights, planet Earth, prosperity, peace and partnership.

Commerzbank …

- … is committed to contribute to reaching the sustainable development goals.
- … shows its current contribution to the SDG.
- … was guided by the sustainable development goals in developing its own sustainability program.
Paris Climate Agreement as a catalyst for climate action

The climate agreement of Paris is the first international legally binding climate agreement and was concluded in December 2015 of 195 countries at the Paris Climate Summit.

The agreement sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C. It is flexible and takes into account the needs and capacities of each country.

Focused on:
- **Mitigation**: reducing emissions
- **Adaptation**: support for adaptation to developing countries
- **Transparency** and global review process

Commerzbank …
- … offers new products for clients regarding mitigation (e.g. C.L.E.A.N.) and adaptation
- … is active member of international, European and national Sustainable Finance Working Groups
- … supports transparency initiatives such as TCFD
- … is partner of German Ministries and was part of the German business delegations at the climate summits in Paris 2015 and Bonn 2017
- … builds capacities internally (e.g. workshops) and externally (e.g. host of discussion panels on Sustainable Finance)
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