



COMMERZBANK

Group Communications

Commerzbank policy framework for handling environmental and social risks in its core business

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1 Introduction

Humanity faces complex challenges in the 21st century. The way they are handled will have a decisive impact on the living conditions for future generations. The main factors driving these challenges are the steady increase in population and global economic growth. To shape worldwide developments in conjunction with social justice and within the Earth's ecological limits, two elementary principles apply: preserving the stability of our biosphere (i.e. natural habitat) and the integrated shaping of our anthroposphere (our social habitat).

The United Nations have made these premises part of its "Sustainable Development Goals"¹, passed in 2015. The objective of these goals is to bring about a successful transformation into an inclusive society that uses resources in a sustainable way and attains an improved quality of life. The UN sustainability agenda embraces all states, civil society and the private sector. Commerzbank supports these aspirations, among other ways, by taking into account environmental and social risks in its business decisions. As a leading commercial bank operating worldwide, we are conscious of our responsibility to our stakeholders and the environment. Through a Group-wide, modern and holistic sense of responsibility, we are making a significant contribution to the UN's global goals.

Commerzbank's sense of corporate responsibility is manifested, among other areas, in its positions and policies on environmental and social issues. The Reputational Risk Management department specialises in these areas. It systematically and intensively examines products, transactions and business relationships for potential environmental and social risks and provides differentiated assessments.

The following sections outline our internal management of environmental and social risks and positions and policies.

2 Management of environmental and social risks

2.1 Integration in the Group

Decisive factors for successful risk management are the identification of all material risks and risk drivers, the independent measurement and evaluation of these risks and, on that basis, risk and return-based management within the framework of a forward-looking risk strategy. Commerzbank defines risk as the danger of possible losses or lost profits as a result of internal or external factors. We distinguish between quantifiable – i.e. measurable in the Annual Report or in terms of capital commitment – and non-quantifiable categories of risk such as reputational risk.

The risk policy guidelines applicable throughout the Group are set as part of the Group risk strategy established by the Board of Managing Directors. They define the conditions for the business and risk strategy of the individual segments and banking divisions.

Through the management of reputational risk, the early identification and appropriate handling of environmental and social risks is integrated in the Group's overall risk strategy and management.

2.2 Risk management process

Reputational risk is the risk of Commerzbank's stakeholders losing confidence in it, or its image being harmed as a result of negative events in the course of its business activities. Stakeholders comprise members of the general public, the media, customers and non-governmental organisations (NGOs).

The main task of the Reputational Risk Management department is to manage intrinsic reputational risks by means of a qualitative approach. This process involves continuous monitoring of media and NGO reporting with regard to environmentally and socially controversial issues, projects and companies. It also includes regular communication with NGOs and the preparation and updating of positions and policies for the Bank on sensitive issues. Moreover, the department informs and raises the awareness of Commerzbank employees in Germany and abroad through regular visits, presentations and newsletters.

¹ The Sustainable Development Goals (SDG) were passed by the United Nations with the goal of reducing poverty, protecting the planet and fostering prosperity. The 17 goals address environmental, social and economic dimensions. The goals have been given concrete form in 169 sub-goals, and are headed by five guiding principles for action:

people, planet, prosperity, peace and partnership. Commerzbank also acknowledges the importance of the Sustainable Development Goals and is contributing in various ways to achieving them.

The subject of the risk assessment is a product, transaction or business relationship. The front office checks whether one of the sensitive areas defined by Commerzbank is involved. If that is the case, the product, transaction or business relationship in question must be presented to the Reputational Risk Management department. It conducts an intensive investigation of potential environmental and social risks that may be associated with potential or existing business partners or the business activity, drawing on information and reports from NGOs and analysts as well as media reports and company publications. This is followed by a comprehensive analysis that concludes with a differentiated assessment.

Environmental and social risks are evaluated on a five-point scale (no, low, average, significant, high), potentially resulting in the product, transaction or business relationship being rejected outright. Whenever the department identifies a significant reputational risk in its assessment, the respective Member of the Divisional Board is informed. In cases of high reputational risks, the matter may be escalated to the Group Board of Managing Directors. The reputational risks identified and addressed by the department are incorporated into the quarterly reputational risk report for the Board of Managing Directors and the Supervisory Board's Risk Committee.

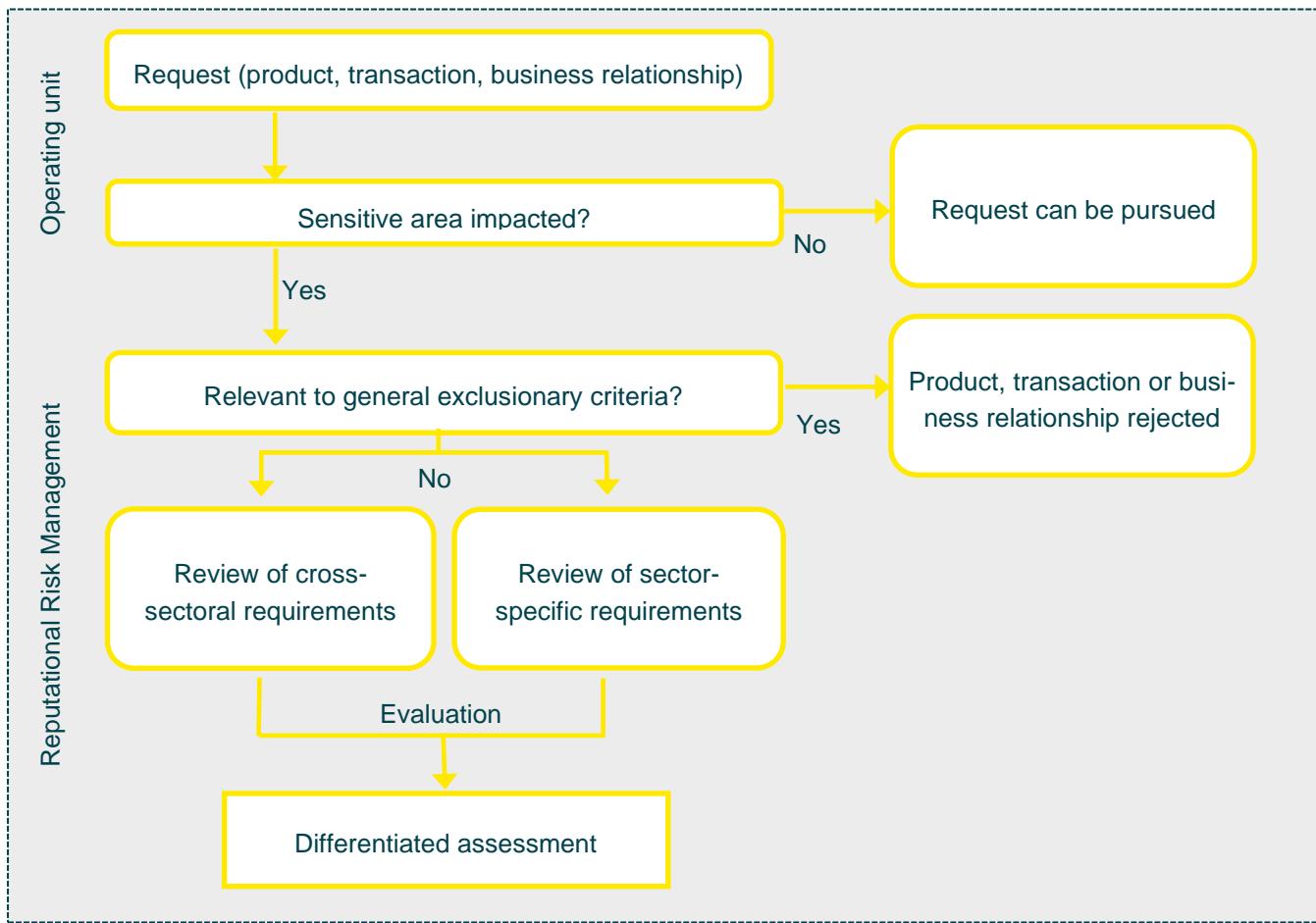


Figure 1: Environmental and social risk management process in Commerzbank

3 Positions and policies

In general, the positions and policies of Commerzbank with regard to environmental and social issues can be divided into three categories: General exclusionary criteria, cross-sectoral and sector-specific requirements.

3.1 General exclusionary criteria

The following exclusionary criteria apply to all products, transactions or business relationships of Commerzbank:

	No financing of projects related to coal extraction using the Mountain-Top-Removal (MTR) process, and no business relationships with companies engaging in MTR
	No financing of projects for the expansion or new construction of coal mines
	No financing of projects related to the expansion or new construction of coal infrastructure
Mining	No new business relationships with companies that are active in the coal mining or coal infrastructure sector, and exceed the threshold of 20 % (coal share of revenue) or that have expansion plans in the coal sector
	No financing of new uranium mines
	No financing of projects for the expansion or new construction of coal-fired power plants
Energy	No new business relationships with companies from the energy supply sector whose coal share of power generation exceeds the threshold of 20 %, or who have expansion plans related to coal-fired power plants
	No financing of new nuclear power plants
	No financing of projects for any oil and gas extraction projects (conventional and unconventional extraction methods such as fracking, arctic drilling, tar sands, ultra-deep-water drilling)
Oil and gas	No financing of projects for new oil-fired power plants
	No new business relationships with companies with expansion plans in the oil and gas sector
Palm oil	No business relationships with companies with dealings in palm oil that are not members of the Roundtable on Sustainable Palm Oil (RSPO)
	No financing of the supply of weapons or armaments intended for conflict zones or areas of tension
Armaments	No financing of controversial weapons
	No financing of the supply of weapons to non-governmental end recipients such as arms dealers
	No financing of the supply of weapons unless all applicable laws, embargoes and regulations are complied with
Ship breaking	No involvement in transactions with shipyards not able to furnish proof of certification under EU standards or internationally recognised environmental and social standards (ISO 14001, ISO 30000, OHSAS 18001, the Hong Kong Convention, or IMO Resolution MEPC.210(63))

3.2 Cross-sectoral requirements

As a rule, Commerzbank assesses products, transactions and business relationships in terms of possible violations of human rights or the concerns of indigenous peoples.

3.2.1 Human rights

1 Definition of human rights

States have the primary responsibility for the protection and enforcement of human rights. However, in the preamble of the Universal Declaration of Human Rights by the United Nations (UN), all organs of society are called upon to strive for the realisation of these rights. Financial institutions are also expected to take responsibility for the protection of human rights.

Commerzbank's position on human rights

Commerzbank is committed to respecting human rights. Commerzbank's position on human rights is derived from the internationally accepted human rights standards, including the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights (ICCPR), the International Covenant on Economic, Social and Cultural Rights (ICESCR), and the International Labour Standards of the International Labour Organization (ILO). As a company headquartered in Germany, Commerzbank is tied to the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development (OECD). Furthermore, the Bank follows the United Nations Guiding Principles for Business and Human Rights.

Commerzbank has been committed to the UN Global Compact since 2006 and undertakes to

- support and respect the protection of international human rights,
- ensure that it does not become complicit in human rights violations,
- uphold the freedom of association and the effective recognition of the right to collective bargaining,
- promote the elimination of all forms of forced and compulsory labour,
- work towards the abolition of child labour, and
- strive to eliminate discrimination in respect of employment and occupation.

2 Implementation of our responsibility for human rights

Within its sphere of influence, Commerzbank makes a differentiated contribution to the protection and promotion of human rights. This relates primarily to the following relevant stakeholder groups:

- employees
- suppliers
- customers

2.1 Employees

Commerzbank respects and supports the human rights of its employees. The overwhelming majority of Commerzbank employees work in member states of the European Union. These countries have already enshrined the UN and ILO human rights standards in their laws.

As a matter of course, Commerzbank implements the requirements of national laws. In addition, all employees worldwide are required to safeguard human rights in accordance with the Bank's Code of Conduct. The Code of Conduct is part of Commerzbank's corporate culture and documents the obligation to make integrity part of everyday life within the Bank. The guidelines clearly formulate existing rules of conduct and thus provide all employees with a binding guidance framework for acting with integrity – also in relation to human rights. The guidelines apply without exception to all Commerzbank employees, from senior management to apprentices.

Based on the so-called "Diversity Charter", Commerzbank deeply respects all of its employees irrespective of gender, nationality, ethnic background, religion or worldview, disability, age, sexual orientation, and identity. In addition to its comprehensive diversity management, Commerzbank inter alia adopted a company agreement on the integration of severely disabled persons in 2009 and has committed itself to the advancement of gender equality by signing the UN Women's Empowerment Principles.

2.2 Suppliers

Commerzbank also strives to respect and promote human rights to the greatest possible extent when selecting service providers and suppliers. Commerzbank's Code of Conduct requires the Bank to respect human and personal rights as fundamental rules of society worldwide and expects its business partners to do the same. The adherence to social standards by our suppliers is an integral part of Commerzbank's Purchasing and Procurement Guidelines.

The Sustainable Procurement Standard clearly regulates the ecological, social, and ethical requirements for Commerzbank's suppliers and service providers. All suppliers and service providers maintaining business relations with Commerzbank must comply with the specific social requirements of that standard (Subsection 4.2 of the Sustainable Procurement Standard) and ensure compliance on the part of their own suppliers and service providers. Compliance with social standards is addressed in annual supplier meetings. When selecting suppliers, special analysis is also carried out by Reputational Risk Management as needed. Violations of the Sustainable Procurement Standard by a supplier or service provider may result in termination of the business relationship.

2.3 Clients

Commerzbank also takes human rights into account in its dealings with clients.

Universal human rights are protected by national and international laws. The Bank's employees, and in particular the Compliance department, monitor compliance with all national and international laws and policies by the Bank and its business partners. The Compliance employees thus help to ensure that Commerzbank lives up to its corporate responsibilities, for example by ensuring compliance with embargoes and sanctions against regimes committing human rights violations as well as preventing money laundering and terrorist financing.

In addition, the Reputational Risk Management department performs intensive research and analysis on transactions and business that touch on sensitive topics and in which human rights play a significant role (for example in mining, resource extraction and the cotton sector) and arrive at differentiated assessments. This may lead to the rejection of the relevant transaction or even the termination of a business relationship.

3 Complaint mechanism

Commerzbank is committed to its responsibility to respect human rights. All stakeholders can contact the Bank if they feel that it has not adequately lived up to its responsibility. Various channels are open to clients, employees, shareholders, the public and all other persons and groups. For example, they can approach Commerzbank with their concerns locally at the branches, by telephone, through the website or by regular mail.

4 Transparency and review

Commerzbank reports annually on developments and improvements in the field of human rights in its UN Global Compact progress report, which is published in the Corporate Responsibility Report.

This position on human rights is continuously reviewed and updated. The current position and information on other positions and policies of Commerzbank can be found on our website.

5 Further Information and links (in alphabetical order)

- [Client Feedback](#)
- [Code of Conduct](#)
- [Commerzbank complaint management](#)
(German only)
- [Compliance at Commerzbank](#)
- [Diversity management at Commerzbank](#)
- [Reputational Risk Management at Commerzbank](#)
- [Sustainable procurement standard](#)
- [United Nations Global Compact](#)

3.2.2 Indigenous peoples

As a signatory to the UN Global Compact, Commerzbank is committed to upholding and promoting fundamental human rights (see subsection 3.2.1), ensuring fair working conditions, combating corruption, and protecting the environment. This includes the protection of indigenous peoples, who are often subjected to coercive measures such as involuntary resettlement or dispersion.

Indigenous peoples warrant special protection. In its transactions and business relationships, Commerzbank takes into account the potential impact on indigenous peoples, in particular:

- compliance with their human rights,
- observance of their land rights,
- dispersion and forced resettlement,
- environmental impact on the region.

3.3 Sector-specific requirements

Some areas are particularly susceptible to social and ecological risks. They are therefore subject to additional requirements above and beyond those applicable to all sectors and activities. As a general rule: Commerzbank performs an intensive and critical assessment of all transactions and business relationships with connections to the following areas, possibly resulting in outright rejection.

3.3.1 Deforestation and agricultural commodities

The destruction of the rainforest continues apace and has reached an alarming peak of almost 30 million hectares per year.

Most of the deforestation of the tropical rainforest is due to the cultivation of agricultural commodities such as palm oil or soy for further processing and human consumption. Consequences of deforestation are evident in the loss of biodiversity, endangered species and valuable ecosystem functions. Apart from that, harvesting and the use of harmful pesticides and fertilisers lead to air and water pollution. The poor working conditions and low wages of farm workers, who often include children, are also criticised by the media and non-governmental organisations.

In addition to the ecological and social risks, Commerzbank therefore also takes the following into account with regard to business relationships with companies that are active in the area of deforestation/agricultural commodities:

- compliance with human rights (especially the rights of local communities and indigenous peoples),
- compliance with International Labour Organization (ILO) standards on working conditions,
- child labour and forced labour,
- the use of environmentally harmful chemicals and illegal logging or uncontrolled burning of forests.
- protection of High Conservation Value Areas (HCVAs) and UNESCO World Heritage sites or similar protected areas (if applicable, with the involvement of local specialists or NGOs).

In the context of deforestation and agricultural commodities, Commerzbank primarily considers the following sub-topics:

3.3.1.1 Cotton

Apart from the social grievances in the cotton industry, the contamination of air and soil caused by the use of toxic pesticides and the high water consumption are heavily criticised. Cotton is thus also considered very questionable from an environmental perspective.

Therefore, in the context of its business relationships with companies in the cotton industry, Commerzbank takes into account the membership of its clients in the [Better Cotton Initiative](#).

3.3.1.2 Wood/ Pulp & Paper

Forests are home to most of the world's flora and fauna. They act as carbon reservoirs and regulate the climate. Deforestation can threaten endangered plant and animal species and accelerate climate change. It is primarily carried out for the production of wood and paper and for the cultivation of agricultural commodities such as soy or palm oil. In addition to the ecological impacts of deforestation, NGOs and the media also refer to social and health risks that arise from deforestation, such as resettlement or displacement.

Illegal logging is another fundamental problem and one of the greatest threats to forests today. Environmental organisations estimate that around one in five trees logged worldwide is used to make paper. Paper production also involves the use of chemicals. This can lead to water pollution and health risks.

With regard to its business relationships with companies in the timber and pulp and paper industry, Commerzbank therefore takes into account compliance with requirements set out for the timber industry, e.g. the [Forest Stewardship Council \(FSC\)](#) and the [Programme for the Endorsement of Forest Certification Schemes \(PEFC\)](#).

3.3.1.3 Palm oil

At 66 million tonnes per year, palm oil is the most widely produced vegetable oil globally and is found in around every second supermarket product. The creation of palm oil plantations contributes significantly to the deforestation of the rainforest. In order to establish certain minimum standards for the sustainable production of palm oil, the Roundtable on Sustainable Palm Oil (RSPO) was founded by the WWF in 2004.

Commerzbank would like to contribute to the most environmentally friendly cultivation of palm oil possible. Therefore, business relationships with companies from this

sector are analysed in a multi-stage process: When assessing business relationships, Commerzbank follows the guidelines adopted by the RSPO and has implemented a three-step assessment procedure:

1. Membership of the company in the Roundtable on Sustainable Palm Oil (RSPO)
2. Certification of the products/supply chain or at least the existence of a timetable of planned measures for sustainable production
3. Media check of the company with regard to current NGO and press coverage

3.3.1.4 Cattle breeding

The steady increase in cattle breeding activities is responsible for a large part of the deforestation caused by commercial agriculture. In addition to cattle breeding, the agricultural land needed for soy production deforestation is also criticised. The cattle industry in particular is accused of contributing to deforestation in the Amazon region through two main mechanisms: trees are logged to enable cattle to graze on the one hand and to grow soy plants for use as animal feed on the other. Cattle ranching is therefore seen as the main cause of deforestation in the Amazon region.

With regard to business relationships² with cattle breeders or beef producers, Commerzbank takes into account certification by the [Global Roundtable for Sustainable Beef](#).

3.3.1.5 Soy cultivation

The cultivation and production of soy have increasingly become the subject of media reports and campaigns by non-governmental organizations. Forests are being cleared to grow soybeans on large areas. Most of the soybeans are processed into grist and fed to farm animals.

Commerzbank wants to contribute to the cultivation of soy in the most environmentally friendly way possible. With regard to business relationships² with companies in the soy industry, Commerzbank takes into account certification by the [Round Table on Responsible Soy \(RTRS\)](#).

3.3.1.6 Tobacco

Tobacco cultivation is a controversial issue, mainly because of deforestation and the considerable use of chemicals. As a result, the cultivation of tobacco contributes to water pollution, soil impoverishment and the loss of

biodiversity. Furthermore, there is vast criticism regarding the social grievances associated with the tobacco industry. Criticism mainly refers to alarming working conditions and the violation of labor and human rights in connection with tobacco harvesting and processing.

Business relations with tobacco producers and cigarette manufacturers are subject to a differentiated case-by-case assessment at Commerzbank.

3.3.2 Mining

Through mining operations, raw materials such as coal, uranium, diamonds, rare earths, and conflict minerals, e.g. gold, are extracted. 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:

- the mining methods used by the company (e.g. environmental pollution from toxic chemicals, processing of mining waste);
- protection of High Conservation Value Areas (HCVAs) and UNESCO World Heritage sites or similar protected areas (if applicable, with the involvement of local specialists or NGOs);
- compliance with human rights, and especially the rights of local communities and indigenous peoples;
- compliance with minimum standards for occupational health and safety and the International Labour Organization (ILO) standards for working conditions;
- implementation of environmental restoration measures.

3.3.2.1 Coal mining and coal infrastructure

The Board of Managing Directors of Commerzbank AG has clearly regulated the handling of business relationships and business related to coal within its binding guideline for fossil fuel-related business and business relationships. The guideline covers the essential elements of the process chain from coal extraction, through coal infrastructure, to coal-fired power generation in power plants. Therefore, the following exclusionary criteria shall apply to the areas of coal mining and coal infrastructure:

² Regional focus: Amazon Basin

- No financing of projects related to coal extraction using the Mountain-Top-Removal (MTR) process, and no business relationships with companies engaging in MTR
- No financing of projects for the expansion or new construction of coal mines
- No financing of projects related to the expansion or new construction of coal infrastructure
- No new business relationships with companies that are active in the coal mining or coal infrastructure sector, and exceed the threshold of 20 % (coal share of revenue) or that have expansion plans in the coal sector

From our customers who are active in coal mining and coal infrastructure, we expect them to

- generate less than 20% of their revenue from activities related to coal and
- not pursue any expansion plans in the coal sector

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

3.3.2.2 Uranium mining

Commerzbank does not finance uranium mines.

3.3.2.3 Gold

Throughout the Bank, Commerzbank has implemented the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas regarding the Bank's own trade with physical gold. Accordingly, Commerzbank only buys gold from suppliers who follow the OECD Guidance or comparable regulations.

3.3.3 Energy

Energy production is associated with various risks. Apart from the risks to people and the environment inherent in the various energy sources, problems frequently arise with regard to the expulsion of indigenous peoples or the destruction of conservation areas to build new power stations.

Commerzbank therefore generally takes into account the following factors in connection with transactions and business relationships involving the energy sector:

- implementation of environmental impact assessments;
- protection of High Conservation Value Areas (HCVAs) and UNESCO World Heritage sites or similar protected areas (if applicable, with the involvement of local specialists or NGOs);
- compliance with human rights (especially the rights of local communities and indigenous peoples).

In particular, Commerzbank investigates energy production involving coal-fired, nuclear and hydroelectric power.

3.3.3.1 Coal power

The burning of coal is a major contributor to climate change. Politicians are making efforts to move away from coal. For example, the coalition agreement under the current German government provides for the use of coal being phased out ideally by 2030 at the latest. At an international level, the "Paris Agreement" was concluded in 2015 at the UN Climate Change Conference in Paris, which envisages limiting global warming to well below 2 degrees – but preferably 1.5 degrees.

In order to support this development, the Board of Managing Directors of Commerzbank AG has clearly regulated the handling of business relationships and business related to coal within its binding guideline for fossil fuel-related business and business relationships. The guideline covers the essential elements of the process chain from coal extraction, through coal infrastructure, to coal-fired power generation in power plants. Therefore, the following exclusionary criteria shall apply to coal-fired energy generation:

- No financing of projects for the expansion or new construction of coal-fired power plants
- No new business relationships with companies from the energy supply sector whose coal share of power generation exceeds the threshold of 20 %, or who have expansion plans related to coal-fired power plants

Modernisation of coal-fired power plants

The financing of projects for the modernisation of coal-fired power plants is critically examined on a case-by-case basis. Factors such as lifetime extensions, retrofits and conversions (e.g. to biomass), the reduction of pollu-

tant emissions through more effective filters and carbon capture, utilisation and storage (CCUS) technologies are taken into account.

From customers in the energy supply sector, we expect that

- less than 20% of their power generation comes from coal; and
- no expansion plans in the coal sector are being pursued.

If customers do not meet these requirements, they must submit a plan to phase out coal by 2030 by the end of 2025. In addition, no expansion in the coal sector will be permitted after the end of 2025. If the requirements are not met, Commerzbank will terminate the business relationship. Companies that operate coal-fired power plants assessed by the Federal Network Agency (Bundesnetzagentur) as systemically relevant are exempt from this regulation.

3.3.3.2 Nuclear power

Power production in nuclear power stations is associated with many problems and risks. The operation of nuclear power stations harbours the risk of a release of radiation. The problems of proper long-term storage of nuclear waste also remain largely unsolved. After the reactor disaster in Fukushima, Japan, Germany decided to complete a phase-out of nuclear power by 2022. Commerzbank therefore does not finance nuclear power stations.

3.3.3.3 Hydro-electric power

Hydro-electric power accounts for a substantial share of global energy production. However, hydro-electric projects – especially dams – can involve risks and harm to the environment and the local population.

Consequently, in addition to all general positions and policies for the energy sector (see subsection 3.3.3), Commerzbank takes into account the following aspects for transactions and business relationships related to hydro-electric power:

- potential conflicts over competition for water resources (e.g. between neighbouring countries) and
- compliance with the recommendations of the World Commission on Dams (WCD).

3.3.4 Oil and gas

Oil and gas remain important energy sources and are therefore still essential to the global energy supply. However, 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:

- how the company will conduct the exploration of oil and gas fields;
- protection of High Conservation Value Areas (HCVAs) and UNESCO World Heritage sites or similar protected areas (generally with the involvement of local specialists or NGOs);
- compliance with human rights, and especially the rights of local communities and indigenous peoples;
- compliance with minimum standards for occupational health and safety and the International Labour Organization (ILO) standards for working conditions.

The Board of Managing Directors of Commerzbank AG has clearly regulated the handling of business relationships and business related to oil and gas within its binding guideline for fossil fuel-related business and business relationships. The guideline covers the essential elements of the process chain (upstream, midstream and downstream). Therefore, the following exclusionary criteria shall apply to these areas:

- No financing of projects for any oil and gas extraction projects (conventional and unconventional extraction methods such as fracking, arctic drilling, tar sands, ultra-deep-water drilling)
- No financing of projects for new oil-fired power plants
- No new business relationships with companies with expansion plans in the oil and gas sector

We also expect sustainable transformation from our customers in the oil and gas sector. Therefore, Reputational Risk Management subjects customer relationships to an annual, critical case-by-case assessment in the context of key environmental and social aspects.

Other arrangements for the financing of projects

The financing of projects for

- the construction of new pipelines

- LNG Infrastructure
- the construction of new gas-fired power plants
- the construction of new dual-fuel power plants

is critically reviewed and assessed on a case-by-case basis by Reputational Risk Management.

3.3.5 Armaments

For business relationships and transactions from the arms sector, Commerzbank implemented its own mandatory Group-wide policy in 2008 that was approved by the Board of Managing Directors. The policy is based on positions adopted by the German government, the European Union, the United Nations, other international agreements, and various NGOs.

Commerzbank recognizes the basic right of states to defend themselves. However, whether Commerzbank agrees to support transactions involving arms depends on the countries involved and the type of goods being financed. In addition, Commerzbank assesses other political, ethical and environmental criteria. If the fundamental principles of the arms policy as stated below are violated, Commerzbank will reject the transaction.

The four fundamental principles of the policy

1. No financing of the supply of weapons or armaments to conflict zones or areas of tension

To avoid the escalation of conflicts, Commerzbank does not involve itself in the supply of weapons or armaments to conflict zones or areas of tension. When assessing the country for which the shipment is intended, it also takes into account factors such as type of government and the current human rights situation.

2. No financing of controversial weapons

Commerzbank does not involve itself in transactions related to controversial weapons³.

3. Supply solely to clearly identifiable government bodies

Commerzbank only involves itself in financial transactions where the final recipient is a clearly identifiable governmental body.

4. Compliance with all applicable laws and regulations

Commerzbank requires its business partners to comply with all applicable laws, embargoes, and

regulations and performs any checks that it requires itself.

The policy covers weapons and armaments such as firearms and all military devices as defined in the German War Weapons Control Act (KrWaffKontrG), which covers all means for the application of force in internal or international armed conflicts, including spare parts and other components (in particular electronic components).

3.3.6 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, Hong Kong Convention, or IMO Resolution MEPC.210(63) "Guidelines for safe and environmentally sound ship recycling") when entering into business relationships or supporting transactions related to ship breaking.

3.3.7 Textile industry

Textile production in its entire manufacturing process (from cotton cultivation to textile manufacturing) is controversially discussed within the public sphere due to violations of human rights (e.g. child labour) as well as international labour standards, and is the subject of numerous campaigns by non-governmental organisations. The intensification of the debate is mainly due to the collapse of the RANA Plaza factory in Bangladesh in 2013, which killed over 1,100 people (mainly textile workers) and injured over 2,500.

In its business relationships with companies in the textile industry, Commerzbank takes into account the membership of its customers in the Partnership for Sustainable Textiles or the Ethical Trading Initiative.

³ The following weapons are currently classified as "controversial": cluster bombs, anti-personnel mines, incendiary weapons, laser

weapons with the capacity to blind, nuclear weapons, uranium core ammunition, biological and chemical weapons.