

## FRAMEWORK EXTERNAL REVIEW

## SUSTAINABLE LENDING FRAMEWORK

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Commerzbank AG  
13 February 2025

### VERIFICATION PARAMETERS

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Covered instruments	▪ Sustainable loans <sup>1</sup>
Type of framework	▪ Sustainable Lending Framework
Scope of verification	▪ Commerzbank's ESG Framework (as of Jan. 28, 2025)
	▪ Commerzbank's sustainable lending classification system (as of Jan. 28, 2025)
Validity	▪ Valid as long as the Framework remains unchanged

<sup>1</sup> Transition loans were not assessed under the scope of the External Review.

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## SCOPE OF WORK

Commerzbank AG (“the Financial Institution,” “the Bank” or “Commerzbank”) commissioned ISS-Corporate to assist with its ESG Framework (“the Framework”) by assessing four core elements to determine the quality of its classification system<sup>2</sup> for identifying sustainable lending activities and the sustainability quality of the eligibility criteria:

1. Sustainable Lending Framework, benchmarked against market practices and guidelines<sup>3</sup> for loan market approaches to environmental and social sustainability (see Annex 1).
2. Commerzbank’s sustainable lending classification system<sup>4</sup> — the soundness of the eligibility parameters for identifying eligible sustainable lending activities (see Annex 1).
3. ESG risk management — an assessment of Commerzbank’s overarching risk management procedures considered relevant in the context of the Bank’s sustainable lending activities and the underlying Framework (see Annex 1).
4. Consistency of the Sustainable Lending Framework with Commerzbank’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by Commerzbank.

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<sup>2</sup> The methodology of external reviews provided for sustainable financing, lending and investment strategies has been developed based on our expertise in assessing a range of sustainable finance-related instruments and frameworks. In general, these types of external reviews are not to be treated as a “pass or fail” assessment of the sustainability quality of sustainable financing, lending or investment strategies but rather as an overall assessment. Thus, obtaining an external review of an overarching financing framework does not imply a detailed assessment of the sustainability quality of each underlying transaction. A qualitative assessment of sampled eligible ESG products is not in the scope of the verification procedures.

<sup>3</sup> The assessment is based on current market practices for sustainable loan markets, referring to different market standards and voluntary guidelines including but not limited to the Loan Market Association’s [Green Loan Principles](#) and [Social Loan Principles](#); UNEP FI’s [Principles for Responsible Banking](#); and the [guidelines](#) proposed by the European Banking Authority (EBA) with respect to environmentally sustainable lending.

<sup>4</sup> Transition loans were not assessed under the scope of the External Review.

## COMMERZBANK OVERVIEW

Commerzbank AG engages in the provision of commercial banking services. It operates through the following business segments: private and small-businesses customers, corporate clients, and others and consolidation. The private and small-businesses customers segment focuses on the universal bank services for private and small-business customers, online securities transactions, and asset management. The corporate clients segment includes credit products and financing solutions for mid-size corporate clients, international corporations and financial institutions. The others and consolidation segment contains the income and expenses that are not attributable to the business segments. The company was founded on Feb. 26, 1870, and is headquartered in Frankfurt, Germany.

### *ESG risks associated with the Bank's industry*

Commerzbank is classified in the commercial banks and capital markets industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies<sup>5</sup> in this industry are sustainability impacts of lending and other financial services/products, customer and product responsibility, sustainable investment criteria, labor standards and working conditions, and business ethics.

This report focuses on the sustainability credentials of the classification system. Part IV of this report assesses the consistency between the Framework and the Bank's overall sustainability strategy.

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<sup>5</sup> Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within that industry.

## ASSESSMENT SUMMARY

SECTION	SUMMARY <sup>6</sup>
<p><b>Part I:</b></p> <p><b>Review of Commerzbank's Sustainable Lending Framework</b></p>	<p><b>The Sustainable Lending Framework reflects market practices.</b></p> <ol style="list-style-type: none"> <li>1. Objectives, targets and progress: The Financial Institution has clearly disclosed the purpose of this Sustainable Lending Framework. In its Sustainable Lending Framework, the Financial Institution puts forth a clear definition of the sustainability objectives for its entire financing activities and a quantified target for Commerzbank AG in Germany in line with the Bank's wider strategy (as outlined in Part IV of this report). The Financial Institution does not disclose the financing target in value. Commerzbank is a member of various industry associations and has committed to disclose long-term and intermediate targets to support meeting the temperature goals of the Paris Agreement.</li> <li>2. Definition of sustainable financing activities: The Sustainable Lending Framework presents a definition of Commerzbank's green and social lending classification system with clear and transparent criteria for each financing approach and refers to relevant market principles. The eligibility parameters to identify eligible sustainable financing activities is further analyzed in Part II of this report. The Sustainable Lending Framework defines exclusion criteria. The Financial Institution considers the EU taxonomy in its classification system.</li> <li>3. Evaluation and selection process: The process for sustainable lending transaction evaluation and selection is defined based on the eligibility criteria and structured in a congruous manner for corporate clients. For retail clients, the selection and evaluation process is predefined for certain types of loans, each with specific financing conditions, and any approval of a new loan type will need to follow the New Product Process. Responsibilities that mainly lie with the relationship managers across different departments are described in the internal guideline shared by Commerzbank. ESG risks associated with sustainable activities to be financed are identified and managed</li> </ol>

<sup>6</sup> The evaluation is based on Commerzbank's Sustainable Lending Framework (January 2025 version), on the analyzed selection criteria as received on Jan. 28, 2025.

SECTION	SUMMARY <sup>6</sup>
	<p>appropriately. Commerzbank defines exclusion criteria for controversial sectors to conduct an enhanced due diligence process when financing controversial sectors. The Financial Institution has guidelines in place to mitigate climate risks associated with the eligible transactions, including but not limited to asking for clients' strategy in managing physical risks and transitional risks.</p> <ol style="list-style-type: none"> <li data-bbox="520 640 1401 1025">4. Governance and monitoring: The Financial Institution clearly describes the process to monitor if a financial transaction remains eligible during all its life cycle on a regular basis and explains the data collection, tracking and reporting mechanisms of the current/past transactions in its internal guidelines. In the Framework, Commerzbank clearly explains how the board and dedicated committees provide oversight of ESG-related issues, specifically the sustainable finance classification system. Furthermore, the Bank set a delisting mechanism.</li> <li data-bbox="520 1043 1401 1249">5. Reporting: Commerzbank commits to publicly and annually report its sustainable lending share as long as its ESG targets remain in place. The Bank discloses the impact of its banking activities following robust guidelines such as the Principles for Responsible Banking.</li> </ol>

<p><b>Part II:</b></p> <p><b>Assessment of Commerzbank’s sustainable lending classification system</b></p>	<p><b>The Bank’s sustainable finance classification system reflects market practices.<sup>7</sup></b></p> <p>Commerzbank has put forth multiple sets of eligibility parameters for its financing activities to be classified as green, social or EU taxonomy-compliant: dedicated purpose lending.</p>
<p><b>Part III:</b></p> <p><b>Assessment of Commerzbank’s ESG risk management</b></p>	<p><b>ESG risks relevant in the context of the Bank’s sustainable financing activities are considered to be managed.</b></p> <p>Commerzbank has defined ESG risk assessment processes applicable to its sustainable lending activities. Sectoral exposures are considered. The Financial Institution has measures/policies/guidelines in place to address the main ESG risks faced by its sector. Finally, the Bank is transparent about the volumes of fossil carbon-related financing throughout all the business units and subsidiaries and has committed to public targets to scale these down and track its financed emissions across various sectors.</p>
<p><b>Part IV:</b></p> <p><b>Consistency of the Sustainable Lending Framework with Commerzbank’s sustainability strategy</b></p>	<p><b>The Sustainable Lending Framework is consistent with the Bank’s sustainability strategy.</b></p> <p>The Sustainable Lending Framework is consistent with the Bank’s sustainability strategy. The rationale for establishing a Sustainable Lending Framework is clearly described by the Bank.</p>

<sup>7</sup> Transition loans were not assessed under the scope of the External Review.

# FRAMEWORK EXTERNAL REVIEW ASSESSMENT

## PART I: REVIEW OF COMMERZBANK’S ESG FRAMEWORK

In its ESG Framework, Commerzbank defines its methodology for the classification of eligible lending transactions as sustainable for the purpose of tracking and disclosing the performance against its sustainable lending targets.

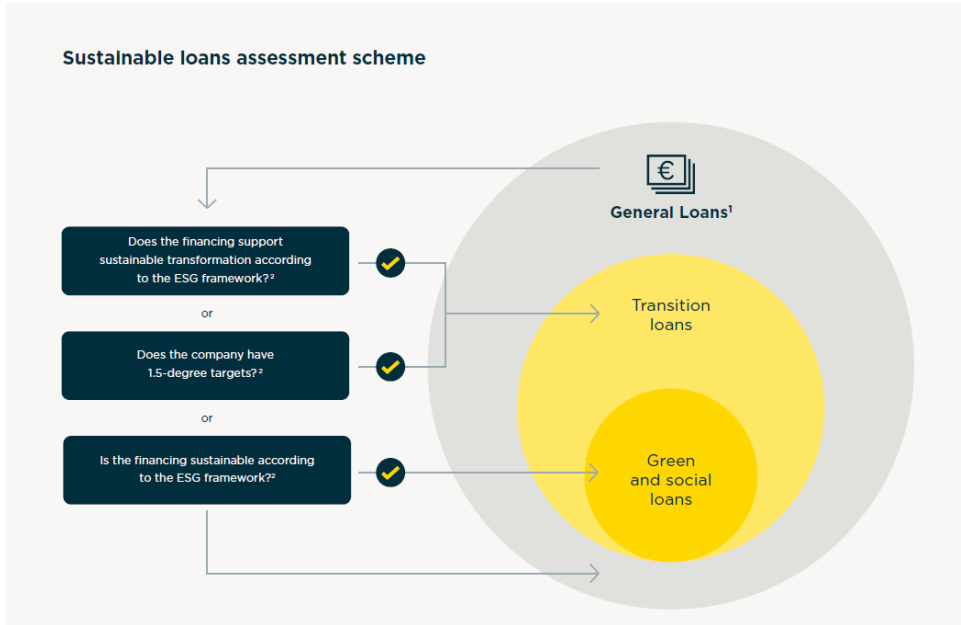
This External Review assesses the Framework against current market practices for sustainable loan markets derived from market standards and established guidelines. The assessment focuses on key principles for transparency, public disclosure and non-contamination of sustainable-labeled products, set out in, among other standards, the Loan Market Association’s Green Loan Principles, Social Loan Principles, and the TEG final report on the EU taxonomy and technical annex for ESG factor integration in equity and fixed-income.

CRITERIA	SUMMARY AND OPINION
<p><b>1. Objectives, targets and progress</b></p>	<p>Commerzbank developed its ESG Framework to provide transparency and comprehensive information on how the Bank understands sustainable finance. The Framework sets out how Commerzbank structures sustainable financial products and processes.</p> <p>Once the ESG Framework is published, Commerzbank commits to permanently allocate at least 10% of new loan business<sup>8</sup> to sustainable projects and business models to actively support sustainable transformation. The ESG Framework applies without restriction to Commerzbank AG in Germany, and the scope of this External Review is limited to its lending business for corporates, SMEs and private customers. The Bank defined an action plan to reach the target. It is guided by the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement. Commerzbank aims to accompany its clients toward more climate-friendly investments by continuously expanding its range of innovative and environmentally friendly products and solutions. For corporate clients, the focus is on transforming their business models and financing renewable energy plans. Retail customers are rewarded with an interest rate discount if they choose to finance green construction. More concrete actions are formulated in the Bank’s internal Sustainability 360° program. These actions include enhancing green loan products, incentive programs for clients, monitoring and reporting processes within the Bank, sector-specific client engagement dialogues to move toward sustainable financing solutions, customized client transformation advisory, client</p>

<sup>8</sup> As of Dec. 31, 2023, the loan volume of Commerzbank AG (excluding mBank) was EUR 219 billion. Commerzbank defines new loan business as the total volume of newly recorded and outstanding loan commitments within the past 12 months as of the reporting date. In the corporate clients segment, this includes not only new agreements but also the extension of existing contracts.



CRITERIA	SUMMARY AND OPINION
	<p>classification under SBTi criteria translated into specific actions and financing solutions, and partnerships and alliances to explore best practices across the industry.</p> <p>The Bank also announced its ambition to achieve net-zero CO<sub>2</sub>e emissions from its banking operations by 2040 and net zero in its portfolio by 2050 at the latest. Finally, Commerzbank is a member of various industry associations including, but not limited to the United Nations Environment Programme Finance Initiative (UNEP FI) and its Principles for Responsible Banking, the United Nations Global Compact, the Principles for Responsible Investment, the Science Based Targets initiative (SBTi), the Net-Zero Banking Alliance, and the Partnership for Carbon Accounting Financials (PCAF).</p> <p><b>Opinion:</b> <i>The Financial Institution has clearly disclosed the purpose of the Sustainable Lending Framework. In its ESG Framework, the Financial Institution puts forth a clear definition of the sustainability objectives for its entire lending activities and a quantified target for Commerzbank AG in Germany in line with the Bank’s wider strategy (as outlined in Part IV of this report). The Financial Institution does not disclose the financing target in value. Commerzbank is a member of various industry associations and has committed to disclose long-term and intermediate targets to support meeting the temperature goals of the Paris Agreement.</i></p> <p><i>Where feasible, the Framework may be further improved by:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Disclosing the financing target in value.</i></li> </ul>
<p><b>2. Definition of sustainable lending activities</b></p>	<p>Under Commerzbank’s ESG Framework, “sustainable finance” includes green loans, social loans and transition loans and includes both financings of expenditures tied to a specific purpose and general corporate expenditures. Transition loans were not assessed under the scope of the External Review.</p> <p>Commerzbank bases its definition of green and social lending on established national and international standards, frameworks and principles, including the LMA’s Green Loan Principles (GLP) and Social Loan Principles (SLP). Furthermore, the Bank considers the EU taxonomy.</p>

CRITERIA	SUMMARY AND OPINION
	<p><b>Eligible types of green and social lending</b></p> <p>Commerzbank’s ESG Framework sets out types of lending that the Bank considers eligible as green and social lending for tracking and disclosing its performance against its public targets, which include:</p> <ul style="list-style-type: none"> <li>▪ <b>Dedicated purpose lending</b>, where the use of proceeds are EU taxonomy-compliant or satisfy either the green or social eligibility criteria.</li> </ul> <p>In addition to the above requirements, lending will not be eligible as sustainable lending for the purpose of its targets if it is covered by Commerzbank’s exclusion criteria and requirements disclosed in the Framework.</p> <p><b>Classification of sustainable lending</b></p>  <p>Figure 1. Commerzbank’s sustainable lending classification system<sup>9</sup></p> <p><b>Instrument scope</b></p> <p>The Bank is including new facilities and, for the corporate clients segment, the extension of existing facilities. The ESG Framework applies without restriction to Commerzbank AG in Germany.</p>

<sup>9</sup> Sustainable loans include transition, green and social loans.

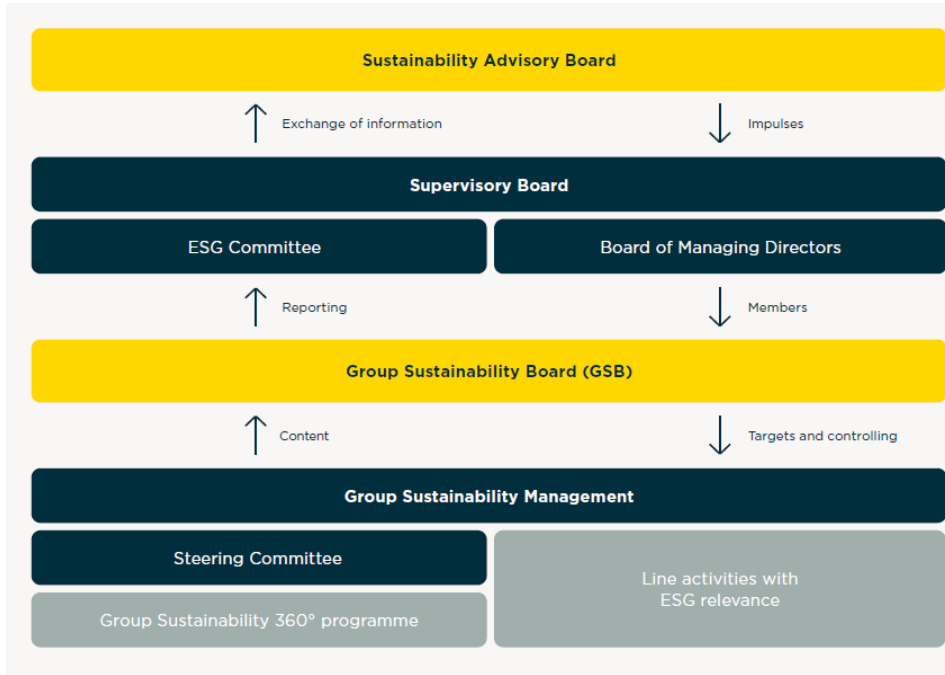
CRITERIA	SUMMARY AND OPINION						
	<p>The product offering addresses corporate and retail clients and includes:</p> <table border="1" data-bbox="435 398 1385 775"> <thead> <tr> <th data-bbox="435 398 695 459">PRODUCT</th> <th data-bbox="695 398 1054 459">DESCRIPTION</th> <th data-bbox="1054 398 1385 459">CRITERIA</th> </tr> </thead> <tbody> <tr> <td data-bbox="435 459 695 775"><b>Dedicated purpose green, social and taxonomy-compliant loans</b></td> <td data-bbox="695 459 1054 775">Term lending or revolving credit facility with a dedicated purpose that is EU taxonomy-compliant or falls within the green or social eligibility criteria.</td> <td data-bbox="1054 459 1385 775">GLP, SLP and TEG final report on the EU taxonomy and its technical annex</td> </tr> </tbody> </table> <p>Table 1. Commerzbank’s product scope</p> <p>The Bank does not disclose information in the Framework on how it ensures alignment with the principles, but it shared internal guidelines with ISS-Corporate. The guidelines describe the procedures in the Bank’s corporate clients segment. Alignment with the LMA principles is ensured for corporate clients. The guidelines follow the structure of the principles, including, for dedicated purpose lending, guidance on the use of proceeds; the project selection and evaluation; steps for business initiation; monitoring, reporting and governance.</p> <p>Commerzbank considers the EU taxonomy in its classification system.</p> <p><b>Opinion:</b> <i>The Sustainable Lending Framework presents a definition of Commerzbank's green and social lending classification system with clear and transparent criteria for each lending approach, and refers to relevant market principles for its corporate clients. The eligibility parameters to identify eligible sustainable lending activities are further analyzed in Part II of this report. The Sustainable Lending Framework defines exclusion criteria. The Financial Institution considers the EU taxonomy in its classification system for the subcategory of green use of proceeds.</i></p> <p>Where feasible, the Framework may be further improved by:</p> <ul style="list-style-type: none"> <li>▪ <i>Disclosing an estimated share of each instrument mentioned in its Framework.</i></li> </ul>	PRODUCT	DESCRIPTION	CRITERIA	<b>Dedicated purpose green, social and taxonomy-compliant loans</b>	Term lending or revolving credit facility with a dedicated purpose that is EU taxonomy-compliant or falls within the green or social eligibility criteria.	GLP, SLP and TEG final report on the EU taxonomy and its technical annex
PRODUCT	DESCRIPTION	CRITERIA					
<b>Dedicated purpose green, social and taxonomy-compliant loans</b>	Term lending or revolving credit facility with a dedicated purpose that is EU taxonomy-compliant or falls within the green or social eligibility criteria.	GLP, SLP and TEG final report on the EU taxonomy and its technical annex					
<b>3. Evaluation and selection process</b>	For all transactions — both new and existing customer relationships — the compliance department checks whether Commerzbank’s clients follow relevant national legislation and international standards, including						

CRITERIA	SUMMARY AND OPINION
	<p>human rights and environmental aspects. The Bank conducts checks and documentation within the know your customer process. More details can be found in Part III of this Review.</p> <p>Then, Commerzbank has guidelines in place to determine which social and environmental requirements apply for controversial sectors, including strict exclusion criteria. The exclusion criteria and requirements are disclosed in the Framework. Commerzbank assesses allegations against companies or projects on a case-by-case review with information from NGOs, analysts, media reports and company publications.</p> <p>To screen new business with customers active in carbon-intensive sectors, it uses the portfolio management transformation criteria from the SBTi. Commerzbank engages in sector-specific client dialogues, particularly in these emissions-intensive sectors.</p> <p>Beyond exclusionary criteria and requirements, the Bank’s <a href="#">reputational risk management policy</a> includes early identification and management of environmental/social risks, incorporated in the group’s overall risk strategy. Transactions and business relationships in which sustainability aspects are considered material are researched, analyzed and evaluated. The final assessment of environmental and social risks is executed by the reputational risk management team. A five-point scale of reputational risk (none, low, medium, significant, high) is used and can lead to the rejection of a product, transaction or business relationship. In cases where a risk is classified as high, the reputational risk management team can exercise a veto, which can only be lifted after escalation to the board level. Identified risks are included in the quarterly reputational risk report to the board of managing directors and the supervisory board’s Risk Committee.<sup>10</sup></p> <p>This ESG risk identification and management process is applicable to all products (sustainable finance and general finance). The process for ESG risk identification and mitigation does not apply to retail clients.</p> <p>Regarding the evaluation and selection process, Commerzbank developed a transparent assessment scheme to classify sustainable loans with dedicated purposes. This review focuses on the process applied to green, social and EU taxonomy-compliant loans. Within the assessment</p>

<sup>10</sup> For more details, please refer to Part III.

CRITERIA	SUMMARY AND OPINION
	<p>process, the Bank first checks whether the lending is EU-taxonomy-compliant. The specific sales or business units are responsible for collecting the necessary data. Depending on the use case, the assessment is either performed by these units or a back-office unit. If the lending does not meet the EU taxonomy criteria, Commerzbank defined its own list of sustainable investments, including green and social categories. The borrower must provide the Bank details of the project description before the loan agreement is concluded, which serves as a basis for evaluation of whether the loan transaction is sustainable or not.</p> <p>According to the Framework, for all transactions in the scope of this External Review, relationship managers apply the standards to classify transactions by using specially developed tools. The relationship managers are monitored by the sustainability management team for use of proceeds loans. For lending that remains unclear, the Sustainable Finance Expert Group is consulted, which consists of experts from the areas of corporate clients, sustainability management and environmental risk controlling.</p> <p>For retail clients, predefined types of loans (green mortgage loans, KlimaDarlehen (investment loans for specific sustainable uses in the energy, real estate, transport and storage sectors) and KlimaKredit (installment loans for retail customers to help them improve their private energy efficiency) are automatically considered sustainable finance. The process to add new types of loans to the list of sustainable products is defined in the internal "Product inclusion in Sustainable Finance (incl. New Product Process)" guideline and operationalized by the group sustainability management and capital and risk analytics departments. Further guidance for flagging loans as sustainable is provided for every type of loan. The process is executed by the relationship manager and includes checking the use of proceeds.</p> <p><b>Opinion:</b> <i>The process for sustainable lending transaction evaluation and selection is defined based on the eligibility criteria and structured in a congruous manner for corporate clients. For retail clients, the selection and evaluation process is predefined for certain types of loans, each with specific financing conditions, and any approval of a new loan type will need to follow the New Product Process. Responsibilities that mainly lie with the relationship managers across different departments are described in the internal guidelines shared by Commerzbank. ESG risks associated with sustainable activities to be financed are identified and managed</i></p>

CRITERIA	SUMMARY AND OPINION
	<p><i>appropriately. Commerzbank defines exclusion criteria for controversial sectors to conduct an enhanced due diligence process when financing controversial sectors. For example, the Financial Institution has guidelines in place to mitigate climate risks associated with the eligible transactions, including but not limited to asking for clients' strategy in managing physical risks and transitional risks.</i></p>
<p><b>4. Governance and monitoring</b></p>	<p>According to the New Product Process (NPP), Commerzbank internally reviews NPP-approved products, including all financial products that are classified as sustainable, at least once a year. The sustainability management team ensures that the classification is appropriate.</p> <p>Loans with a dedicated purpose are monitored by the responsible credit administration unit, which oversees and reviews the timely submission of the documents of proof. In the event of any deviations, the responsible relationship manager or product specialist must be informed and will clarify the matter with the customer. If a deviation occurs during the term, the responsible relationship manager or product specialist must confirm whether the use of proceeds continues to be sustainable according to the Framework.</p> <p>Each transaction is tracked and flagged in the central ESG data hub. Based on the flagging, the share of green and social loans is calculated. Flags change automatically based on the data in the underlying systems. This can lead to delisting dedicated purpose loans, if the criteria are no longer met. The ESG Hub updates flags for the entire loan portfolio daily.</p> <p>For use of proceeds loans, Commerzbank relies on information provided by the customer. EU taxonomy compliance is based on data from external providers.</p>

CRITERIA	SUMMARY AND OPINION
	 <p style="text-align: center;">Figure 2. Sustainability governance at Commerzbank</p> <p>Within Commerzbank, the board of managing directors develops the strategy (including sustainability issues), discusses it with the supervisory board and ensures its implementation. Each member of the board of managing directors is responsible for implementing measures to improve sustainability in its area. Central sustainability management reports to the chairwoman of the managing board. The Group’s sustainability board, which meets every eight weeks, defines the Bank’s strategic sustainability goals and oversees management and implementation measures. The ESG Framework was approved by the Group’s sustainability board. The Group’s sustainability management is responsible for the further development of the sustainability strategy and comprehensive governance. The sustainable business management or the CC expert group is involved in the selection and evaluation process of the transactions.</p> <p><b>Opinion:</b> <i>The Financial Institution clearly describes the process to monitor if a financial transaction remains eligible during all its life cycle on a regular basis and explains the data collection, tracking and reporting mechanisms of the current/past transactions in its internal guidelines. In the Framework, Commerzbank clearly explains how the board and dedicated committees provide oversight of ESG-related issues through the development of the ESG framework, specifically the sustainable finance classification system. The Bank set a delisting mechanism.</i></p>



CRITERIA	SUMMARY AND OPINION
<p><b>5. Reporting</b></p>	<p>Commerzbank will report on progress against its targets as part of its non-financial reporting and in its quarterly earnings reports, which are publicly available on its website as long as the ESG targets remain in place.</p> <p>The latest version of the ESG Framework is published on Commerzbank’s website.</p> <p>Additionally, Commerzbank publicly disclosed its answers on how it contributes to the SDGs through its financing activities within the Principles for Responsible Banking reporting in the non-financial reporting and self-assessment requirements.</p> <p><b>Opinion:</b> <i>Commerzbank commits to publicly and annually report its sustainable lending share as long as its ESG targets remain in place. The Bank discloses the impact of its banking activities following robust guidelines such as the Principles for Responsible Banking.</i></p>
<p><b>6. External Review</b></p>	<p>Commerzbank will report on the target in its sustainability reporting, which is part of the Group’s management report in the annual financial statements. The sustainability report is reviewed by an auditor with limited assurance.</p> <p>The Bank appointed ISS-Corporate to provide an External Review of the Sustainable Lending Framework and its alignment with the Bank’s overall strategy.</p> <p>The frequency that Commerzbank’s ESG Framework is reviewed is at Commerzbank’ discretion, including reviewing its alignment with evolving market practices and guidelines.</p> <p><b>Opinion:</b> <i>The Financial Institution commits to have an external auditor verify the transaction information for all sustainable finance instruments annually, with a minimal limited assurance level. Commerzbank sought an external review of the current ESG Framework, in line with best market practices. The Financial Institution conducts a regular review on the ESG Framework and provides updates based on best market practices.</i></p>



## PART II: ASSESSMENT OF COMMERZBANK'S SUSTAINABLE LENDING CLASSIFICATION SYSTEM

### ASSESSMENT OF THE CRITERIA OUTLINED IN COMMERZBANK'S ELIGIBILITY SUSTAINABLE LENDING CLASSIFICATION SYSTEM<sup>11</sup>

To provide an opinion on the sustainability credibility of each of the key sets of criteria defined by Commerzbank, this review evaluates the prevalence and robustness of the selection parameters, considering market practices across different sustainable finance asset classes.

Commerzbank has set forth the following sets of eligibility criteria for its lending activities to be classified as sustainable:

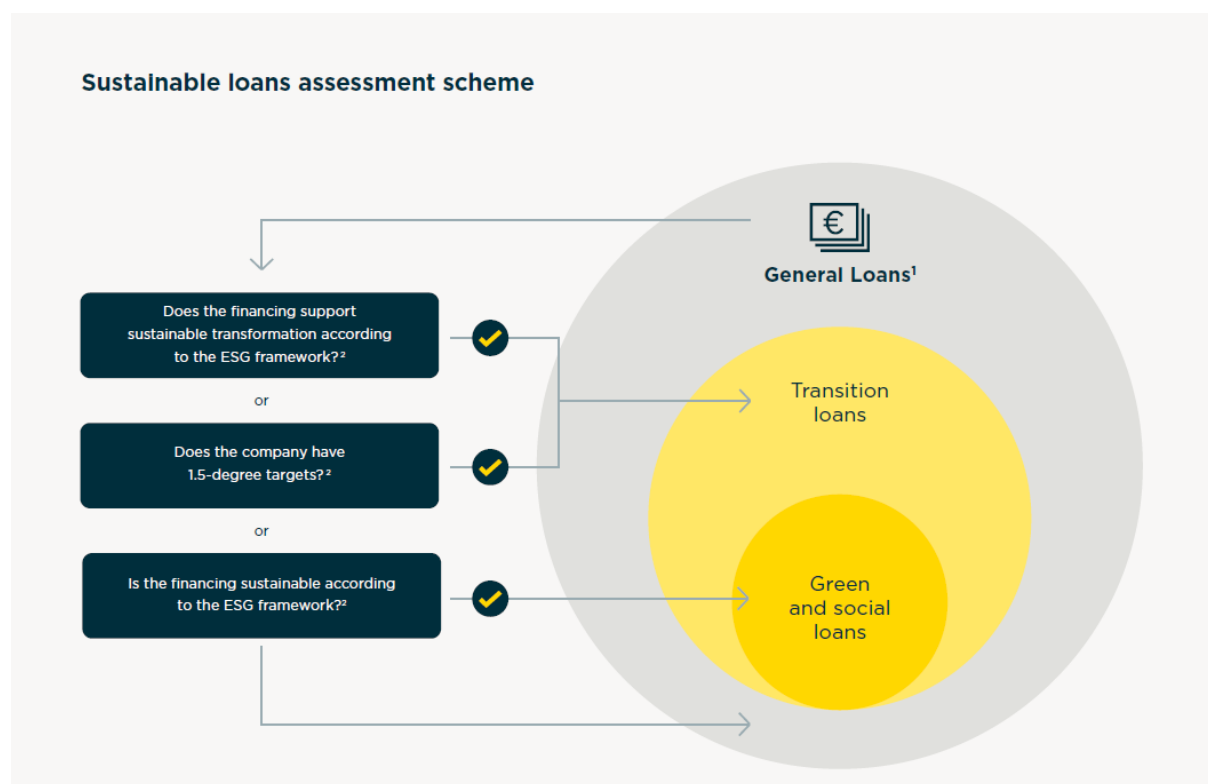


Figure 1. Commerzbank's sustainable lending classification system<sup>12</sup>

<sup>11</sup> Transition loans were not assessed under the scope of the External Review.

<sup>12</sup> Sustainable loans include transition, green and social loans.

The assessment process and criteria implemented under Commerzbank’s ESG Framework are outlined below. The evaluation is based on criteria derived from market practices.<sup>13</sup>

PARAMETER	CRITERIA	ASSESSMENT OF COMMERZBANK’S SUSTAINABLE LENDING CLASSIFICATION SYSTEM
<p><b>Dedicated purpose lending (standard approach)</b></p>	<p>Dedicated purpose lending contributes to sustainability objectives if proceeds are exclusively allocated to activities that are subject to specific and credible ESG-related eligibility criteria.</p>	<p>Under the dedicated purpose approach, the Bank classifies green, social and transition loans as sustainable. EU taxonomy-compliant loans are a subcategory of green use of proceeds loans, where funds are utilized in accordance with the EU taxonomy, including the technical screening criteria for substantial contribution, do no significant harm criteria and minimum social safeguards. Under sustainable loans, Commerzbank will finance green projects such as renewable energy, energy efficiency measures and conservation initiatives, as well as social projects, such as health and education projects, programs to combat poverty, or social integration initiatives. The criteria are described in the Framework.</p> <p>The Bank ensures that 100% of the financing is used for green and social eligibility activities. According to Commerzbank’s Framework, for transactions, the Bank internally checks alignment with the GLP and SLP for corporate loans. For retail clients, alignment with LMA principles is not applicable.</p> <p>The Bank has selection processes in place to ensure that borrowers have appropriate processes to identify and mitigate ESG risks. In the case of loans with a dedicated purpose, the use of proceeds must be proven before each disbursement. The obligation to submit corresponding proof of use of proceeds must be established in the loan agreement. The customer shall submit suitable documents (e.g., invoices, delivery documents) to the relationship manager or</p>

<sup>13</sup> These include but are not limited to the LMA’s Green Loan Principles, Social Loan Principles and Sustainability-Linked Loan Principles; UNEP FI’s Principles for Responsible Banking; and the EBA’s LOaM guidelines for environmentally sustainable lending.

PARAMETER	CRITERIA	ASSESSMENT OF COMMERZBANK'S SUSTAINABLE LENDING CLASSIFICATION SYSTEM
		<p>product specialist for the approved project and receive approval of the funds after a thorough review. The responsible credit administration unit monitors the use of proceeds for loans with a sustainable purpose. Additionally, the Bank encourages its borrowers to report frequently.</p> <p>For mortgages, a transaction might include several financing components which potentially leads to partial eligibility. Commerzbank only counts the pro-rated part of the transaction as sustainable finance.</p> <p><b>Opinion:</b> <i>The eligible project categories are based on market standards. In this report, we will not conduct a comprehensive assessment of the sustainability impact of the Bank's eligibility criteria, which are provided in the Framework. This may or may not result in the classification of lending as sustainable while the underlying asset is not positively contributing to environmental and social objectives. Commerzbank refers to relevant market standards (i.e., the GLP and SLP) for corporate loans. 100% of the proceeds are used for green and social eligibility activities. For corporate clients, the Bank has selection processes in place to ensure that borrowers have appropriate processes to identify and mitigate ESG risks, and encourages its borrowers to report frequently. Commerzbank encourages alignment of private instruments with market standards (i.e., the GLP/SLP) through an external verification process for syndicated loans. In cases of partial eligibility of mortgages, Commerzbank only counts the pro-rated part of the transaction as sustainable finance.</i></p>

PARAMETER	CRITERIA	ASSESSMENT OF COMMERZBANK'S SUSTAINABLE LENDING CLASSIFICATION SYSTEM
		<p><i>Where feasible, the selection process may be further improved by:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Ensuring alignment of private instruments with market standards (i.e., the GLP/SLP) through an external verification process.</i></li> </ul>

## PART III: ASSESSMENT OF COMMERZBANK'S ESG RISK MANAGEMENT

The table below evaluates Commerzbank's ESG-specific risk management measures and policies that are considered relevant at the Group level and in the context of its sustainable financing activities. The KPIs emphasize sustainability-related risks considered relevant to the Bank's operations. The KPIs are derived leveraging ISS ESG's [Corporate Rating](#) to identify the relevant topics based on its industry. These KPIs are then further integrated with additional elements derived from market principles such as the [Task Force on Climate-related Financial Disclosures](#). The minimum requirements for a positive assessment are based on the number of sub-indicators (specific to each KPI) that are satisfied as part of any KPI.

As of Aug. 1, 2024, 90% of assets are located in Germany. Potentially, assets can be located in the following countries: Australia, Austria, China, the Czech Republic, France, Italy, Japan, the Netherlands, Poland, Singapore, Spain, Switzerland, the U.K. and the U.S.

### ASSESSMENT AGAINST KPIs

#### ESG guidelines into lending process

Commerzbank divides its portfolio into general finance and sustainable finance. The following ESG guidelines apply to both types of financing.

Prospective borrowers active in defined controversial sectors are screened against established exclusion criteria and requirements set out by the Bank's reputational risk management function. Furthermore, prospective borrowers are also screened against the portfolio management transformation criteria (based on SBTi methodology) as described in Part I of this Review. Exclusions and requirements applying to the defense and fossil fuel sectors are defined in the following guidelines:

- Guideline for fossil fuel-related business and business relationships at Commerzbank AG
- Guideline on Defense and Surveillance Technology at Commerzbank AG

Reputational risks arising from environmental and social risks are assessed following the requirements set out by Commerzbank's reputational risk management function. The criteria and processes are internally defined in the Group-wide reputational risk management policy and the respective guidelines on reputational risk management in the corporate clients and private and small-business customers segments. Reputational risk screening is performed only for customers in controversial sectors such as defense, mining, energy and fossil fuel extraction.

For corporate clients in carbon-intensive sectors, Commerzbank established an ESG voting process within the existing decision-making body, the Inflow Steering Committee. As part

of the ESG vote, qualitative and quantitative information is reviewed to assess whether an exposure tends to be above, on or below the targeted carbon reduction path.

Additionally, for all transactions, the compliance department checks whether Commerzbank follows relevant national legislation and international standards for human rights and the environment. For new and existing customer relationships, the Bank conducts checks and documentation within its know your customer process.

At the institution level, Commerzbank conducts a materiality analysis for ESG risks annually across all risk types (i.e., environmental, social and governance risks). This assessment is part of Commerzbank's Internal Capital Adequacy Assessment Process and is conducted in accordance with regulatory requirements and internally developed methodologies. As a consequence of the analysis, material ESG risks are integrated into Commerzbank's strategy processes, the internal reporting and other capital adequacy assessment processes.

### **ESG guidelines into lending process for forestry, agriculture and aquaculture**

In recognition of the specific ESG risks in these sectors, Commerzbank defined specific exclusions and requirements that aim to mitigate ESG risks.<sup>14</sup> Additionally, Commerzbank defines the types of projects in these sectors that can be considered sustainable.<sup>15</sup>

#### **Labor, health and safety**

The majority of assets are and will be located in Germany, where high labor, health and safety standards are ensured by the relevant national legislation and the European Union's mandatory social standards.



Commerzbank's compliance department ensures that relevant local and international laws, including some human rights aspects, are verified in the relationship with the Bank's clients in OECD member countries. For non-OECD member countries and in the context of Equator Principles-relevant transactions, Commerzbank is, at the time of writing this External Review, in the process of adopting IFC Performance Standards, which will be used as a benchmark for due diligence assessments including labor, health and safety aspects, where relevant. The Equator Principles Office comprises three Equator Principles sustainability experts with technical experience in applying the Equator Principles and managing projects' sustainability risks.

An annual risk assessment in compliance with the [Act on Corporate Due Diligence Obligations in Supply Chains](#) is performed across the entire global

<sup>14</sup> The specific requirements for these sectors are explained on Page 12F of the Sustainable Lending Framework.

<sup>15</sup> The types of projects that can be considered sustainable by Commerzbank are described on pages 40 and 42 of the Sustainable Lending Framework.

portfolio. In this process, the Bank’s own business and direct suppliers are assessed and risks are identified and grouped into the following categories:

- Disregard for occupational health and safety and health hazards
- Disregard for freedom of association, freedom of assembly and collective bargaining
- Violation of the prohibition of unequal treatment in employment
- Violation of the prohibition of withholding an equitable wage
- Destruction of natural resources by environmental pollution

Identified risks will be weighted and prioritized based on severity, ability to influence and causal contribution, which determines the necessity and nature of preventive measures including controls, trainings, social audits and/or other measures.

A systematic review of the health and safety risks related to specific project(s) financed will be introduced following signature of the Equator Principles, which Commerzbank intends to complete in the first half of 2025.

Human rights controversy screening is performed systematically for corporate clients in sectors such as mining, raw materials extraction or cotton production by reputational risk management. The assessment may lead to the rejection of corresponding transactions or to the termination of respective business relationships.

**Biodiversity**

The majority of assets are and will be located in Germany, which is an Equator Principles Designated Country, meaning it is deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect its people and the natural environment.



Commerzbank also has pre-screening and relevant due diligence processes in place, systematically ensuring that financing offered does not impact High Conservation Value areas and UNESCO World Heritage Sites, and that the use of environmentally harmful chemicals or illegal slash-and-burn practices are considered as part of a case-by-case assessment. Additionally, in December 2023, it adopted a new policy and objectives to mitigate deforestation.

Commerzbank assesses and discloses nature-related risks and opportunities following the recommendation of the Taskforce on Nature-related Financial Disclosures.<sup>16</sup>

<sup>16</sup> As outlined in Commerzbank’s 2023 [Annual Report](#).

### Dialogue with local communities

The majority of assets are and will be located in Germany, as well as Australia and Japan for green infrastructure projects, so Commerzbank ensures that its impacts on the communities have been mitigated and reduced as these are Equator Principles Designated Countries.



Infrastructure financing is only awarded if permits for the development are available. As part of the permitting process, residents can submit applications and express their concerns. The process is valid for new and upgraded projects. In case of upgraded projects, the process might already have taken place when the project was built, but it will anyways be reviewed. If such concerns are raised, Commerzbank engages with legal experts.

### Inclusion

The majority of borrowers are and will be located in Germany. Therefore, Commerzbank relies on legislation to mitigate discrimination of people based on their gender, nationality, ethnic origin, religion or beliefs, disability, age, sexual orientation, or gender identity.<sup>17</sup> The Bank complies with Germany's [General Equal Treatment Act](#), which intends to prevent discrimination of employees and customers. Moreover, Article 3 of the [German constitution](#) states that no person shall be favoured or disfavoured based on characteristics previously mentioned. The Bank's [Code of Conduct](#) goes beyond legal and regulatory requirements and sets standards for employees in the Commerzbank Group, thereby indirectly affecting its customers.



Commerzbank integrates diversity and inclusion in its governance structure and has designed an action plan based on the U.N.'s Convention on the Rights of Persons with Disabilities. In 2018, Commerzbank became the first bank in Germany to make a voluntary public commitment on this issue. The action plan includes commitment to goals and measures aimed at improving the situation of people with disabilities within Commerzbank. This includes the Bank's employees, customers and suppliers and encompasses barrier-free access to the workplace and to working tools, as well as the implementation of accessibility in its digital offerings for customers.



The social service category is not fully public/municipal or private but free and/or subsidized. Therefore, Commerzbank cannot ensure universal access to the service, especially to vulnerable or disadvantaged populations.

### Data protection and information security



The Bank has policies in place systematically ensuring that data collection processes on borrowers meet minimum and legal requirements for data and

<sup>17</sup> Ibid.



information security and outsourcing, in line with the requirements of the EU General Data Protection Regulation.<sup>18</sup> The internal IT security management system conducts safety tests of IT systems (such as penetration tests and vulnerability scans) to ensure cyber and information security and management of cyber risk is appropriately carried out in alignment with ISO 27001. Monitoring and verification tests are conducted annually on third parties via audits. Regarding data outsourcing, contractors must provide a certification according to ISO 27001 or a comparable proof for an existing information security management system. Additionally, as of 2025, the [Digital Operational Resilience Act](#) will be implemented on all ICT service provider contracts to increase the digital operational resilience of the financial sector. This is done through ICT risk management, monitoring of third-party risk providers, digital operational resilience testing, reporting of ICT incidents, exchange of information and intelligence on cyber threats, and oversight.

### Responsible treatment of customers with debt repayment problems



The Bank has some measures in place for responsible treatment of customers with debt repayment problems. As part of the credit approval process, the Bank screens the borrower's profile against the internal guidelines and indicators of the creditworthiness test (e.g., lump sum, living costs, annual financial statements, salary statements or asset statements) to determine the borrower's ability to service capital and establish a rating of the borrower's credit risk profile. Additionally, forecasts are made to assess any changes in the customer's financial conditions for the entire duration of the loan. In such cases, the Bank also implemented early risk detection systems, which enables the Bank to approach customers with potential financial difficulties at an early stage. The process is also in line with the [German civil code](#) and the German [Banking Act](#), as well as the Federal Financial Supervisory Authority and the European Banking Authority guidelines on lending and monitoring (EBA GL LOaM). As part of preemptive actions, the Bank also offers educational programs regarding financial literacy such as [Commerzbank Akademie](#) and [finanz-heldinnen](#), which focuses on educating women. Moreover, the Bank offers communication channels in case of dispute with its internal personnel. The client has the opportunity to contact the ombudsman or the European online dispute resolution platform (OS platform). The Bank participates in Bankenverband's [ombudsman procedure](#) for dispute resolution. Consumers may have any disputes with the Bank resolved by the ombudsman.<sup>19</sup>

In case of debt restructuring problems, the Bank may offer forbearance measures, which are applied under non-detrimental conditions and in accordance with Article 4.2 of the European Central Bank's March 2017

<sup>18</sup> As outlined in Commerzbank's [data protection policy](#) and 2023 [Sustainability Report](#).

<sup>19</sup> As outlined in Commerzbank's [General Business Conditions](#) and [legal notices](#).

[guidance to banks on non-performing loans](#). Examples of such measures are reduced payments, payment moratorium, interest rate reduction, extension of the term, rescheduled payments and debt forgiveness. In the case of retail clients, the Bank requires customer consent in case of mortgage sale and would only sell mortgages under conditions that are not detrimental to clients and in accordance with the Code of Civil Procedure and the Law on the Forced Sale of Property, guaranteeing that all alternative options are examined before undertaking foreclosure as a last resort, and providing support to clients in finding adequate housing prior to foreclosure.

### Sales practices

The Issuer has some measures in place to ensure responsible sales practices.

The Bank regularly reviews and evaluates employees' competence and provides training. There's no information available regarding the frequency and coverage of the training.

Additionally, Commerzbank conducts regular customer surveys and established a complaints management procedure. There's no information available whether the surveys cover post-sale understanding of products or whether further monitoring mechanisms are established.



The sales personnel's compensation is based on the Bank's business and risk strategy, regulatory requirements and sustainability targets set at the Bank level. The remuneration policy clarifies that significant dependency on variable remuneration must not take place, and ethical considerations such as breaches of compliance regulations (e.g., the Culture of Integrity) and the Bank's Code of Conduct are included in the calculation of bonuses. Negative performance contributions, especially unethical or duty-violating behavior as defined by the Institutsvergütungsverordnung, cannot be offset by positive individual performance contributions. Customer feedback via the Customer Satisfaction Score and recommendation rate are considered.

### Marketing



The Bank has some measures to ensure responsible marketing practices. These include commitments to provide clear evidence, transparent and comprehensive communication, and relevant product information, including the declaration of suitability and the Product Information Sheet and Basic Information Sheet, on the potential risks and rewards of the recommended financial instruments. Additionally, the Bank refrains from misleading messages, advertising or using small print. Commerzbank has a policy with a

public commitment to clear pricing and no hidden costs, listing all the products and their related costs.<sup>20</sup>

### Carbon-related financing

- ✓ The Bank is transparent about the volume of carbon-related financing, which amounts to EUR 87,732 million.<sup>21</sup> The sectors covered include agriculture, mining and quarrying, manufacturing, electricity, gas, steam and air conditioning supply, water supply, sewage and waste management, construction, wholesale and retail trade, transportation and storage, real estate, and financial and insurance activities.
- ✓ Globally, Commerzbank set public targets to reduce its financed emissions by the end of 2030 in the most carbon intensive sectors, aiming to reach net zero in 2050.<sup>22</sup>

### Financed emissions

- ✓ The Bank measures its financed emissions through the SBTi's Sectoral Decarbonization Approach for calculating carbon emission intensities (energy residential mortgages and commercial real estate, cement, automotive, aviation, iron and steel) and the Temperature Rating Methodology to determine the "temperature value" of its portfolio and define reduction pathways in line with the goals of the Paris Agreement.<sup>23</sup> However, these computations apply to on-balance-sheet instruments. Additionally, Commerzbank is a member of the PCAF and has readjusted its baseline to 2021 to adapt to the standards.

### Exclusion policy

The Bank's policy has clear restrictions on financing certain energy sectors' activities, such as nuclear power, fossil fuels, coal and oil and gas mining projects, controversial weapons, deforestation, and uncertified agricultural commodities. In addition to the exclusion of specific categories, allegations against companies or projects are also considered, and a risk-screening process applies to avoid any breach of the Bank's Anti-Fraud and Anti-Bribery and Corruption policies.<sup>24</sup>

<sup>20</sup> As outlined in Commerzbank's [General Business Conditions](#) and its outline of its [rates and charges](#).

<sup>21</sup> [Commerzbank Pillar 3 Report](#) as of Jun. 30, 2024

<sup>22</sup> As outlined in Commerzbank's [ESG Framework](#).

<sup>23</sup> The Bank relies on the SBTi target pathways. For the energy, real estate and mortgages (private, residential and commercial), and cement sectors, this is based on the 1.5-degree scenario. For the aviation, automotive, iron and steel sectors, the target calculation is based on the 1.8-degree scenario. The Bank commits to adjust the reduction target with the gradual expansion of the sector-specific net-zero pathways by the SBTi.

<sup>24</sup> As outlined in Commerzbank's [Code of Conduct](#).

## PART IV: CONSISTENCY OF THE SUSTAINABLE LENDING FRAMEWORK WITH COMMERZBANK'S SUSTAINABILITY STRATEGY

*Key sustainability objectives and priorities defined by Commerzbank*

TOPIC	COMMERZBANK'S APPROACH
<p><b>Strategic ESG topics</b></p>	<p>The Bank focuses on three pillars: growth, excellence and responsibility. Through a materiality analysis, Commerzbank identified nine ESG topics: climate protection and adaptation, environmental protection and biodiversity, resource utilization, conservation and circular economy, equal opportunities and diversity, education and enablement, health and security, human rights and employees' rights, governance and compliance, and product transparency and data security.</p>
<p><b>ESG goals/targets</b></p>	<p>To address its ESG topics, the Bank has set, among others, the following goals:</p> <ul style="list-style-type: none"> <li>▪ Pursuing net-zero target: net-zero banking operations by 2040 and net-zero portfolio by 2050 at the latest</li> <li>▪ Minimizing deforestation in its customer portfolio</li> <li>▪ Reaching 40% women in management positions across all management levels by 2030</li> </ul> <p>The net-zero target is verified by the SBTi. The goals are public and monitored annually.</p>
<p><b>Action plan</b></p>	<p>Commerzbank implements its sustainability strategy through the overarching strategic initiative Sustainability 360°. <sup>25</sup></p> <p>Commerzbank does not disclose the relevant financial budget to achieve the specific ESG goals.</p>
<p><b>Climate transition strategy</b></p>	<p>The Bank has established a decarbonization strategy including GHG emissions reduction targets:</p>

<sup>25</sup> As outlined in Commerzbank's [sustainability reporting](#).

TOPIC	COMMERZBANK'S APPROACH
	<ul style="list-style-type: none"> <li>▪ Reduce absolute Scope 1 and Scope 2 GHG emissions by 42% by 2030 from a 2021 baseline</li> <li>▪ Achieve net-zero banking operations by 2040</li> <li>▪ Achieve a net-zero portfolio by 2050 at the latest.</li> </ul> <p>The climate scenarios used are based on the IEA's Net Zero by 2050 scenario. The targets are aligned with the Paris Agreement. This was confirmed through external verification. The targets are implemented within the Group's Sustainability 360° program, which is not public. The strategy covers financed emissions. The Bank plans to finance decarbonization activities in hard-to-abate sectors or divest from high-emitting activities in hard-to-abate sectors. Targets have been set for emission intensive sectors including energy, commercial and residential real estate, cement, iron and steel, automotive, and aviation. Commerzbank regularly discloses its Scope 1, 2 and 3 emissions data according to the GHG Protocol.<sup>26</sup> Facilitated emissions are not disclosed. A phase-out policy is in place for coal mining, coal infrastructure and coal-fired energy generation.</p>
<b>Sustainability reporting</b>	The Bank reports on its ESG performance and initiatives annually. The non-financial report is guided by Global Reporting Initiative standards.
<b>Industry associations, collective commitments</b>	Commerzbank is a member of various industry associations including, but not limited to UNEP FI and its Principles for Responsible Banking, the United Nations Global Compact, the Principles for Responsible Investment, the SBTi, the Net-Zero Banking Alliance, and PCAF.
<b>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</b>	The Bank has issued four bonds amounting to EUR 2.1 billion financing renewable energies. The Green Bond Frameworks were verified by an external third party.

<sup>26</sup> Ibid.

### *Rationale for establishing the Framework*

Commerzbank's sustainability strategy is grounded in its commitment to combating climate change, reducing social inequalities and promoting inclusion. The Bank's net-zero commitment is based on two pillars: supporting customers in their sustainable transformations and setting a good example. To achieve these goals, Commerzbank commits, among other actions, to permanently allocate at least 10% of new loan business to sustainable projects and business models.

The ESG Framework was developed to provide transparency and comprehensive information on how the Bank understands sustainable finance. The Framework outlines how Commerzbank structures sustainable financial products and processes. It further serves to track progress of the sustainable finance target.

**Opinion:** *The Sustainable Lending Framework is consistent with the Bank's sustainability strategy. The rationale for establishing a Sustainable Lending Framework is clearly described by the Bank.*

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# ANNEX 1: Methodology

## PART I: REVIEW OF THE SUSTAINABLE LENDING FRAMEWORK

We consider relevant market guidelines in the assessment of sustainable finance strategies. The analysis considers criteria from a set of different market standards, voluntary guidelines, and market practices (e.g., the Loan Market Association’s [Green Loan Principles](#), [Social Loan Principles](#) and [Sustainability-Linked Loan Principles](#); UNEP FI’s [Principles for Responsible Banking](#); and the guidelines proposed by the European Banking Authority with respect to environmentally sustainable lending). The application of LMA principles, comprising voluntary guidelines, is limited to the assessment of characteristics of a specific transaction.

SECTION	ASSESSMENT CRITERIA
<p><b>1. Objectives, targets and progress</b></p>	<p>For a lending strategy to be classified as sustainable, banks should embed these within the context of their overarching sustainability objectives. The institutions should further include relevant qualitative and, where feasible, quantitative targets to measure the progress on their commitments. Banks should provide transparency on how to increase positive impacts, reduce negative impacts and mitigate ESG risks. The sustainability strategy should be expressed by referring to alliances such as the U.N. SDGs, the Paris Agreement, or national or regional frameworks.</p>
<p><b>2. Definition of sustainable lending activities</b></p>	<p>The sustainable lending strategy should clearly and comprehensively define what transactions are deemed sustainable based on precise parameters. Ideally, the Bank should provide an exhaustive list of eligible sustainable activities. Those criteria should ensure a positive contribution to relevant sustainability objectives and be sufficiently precise to ensure a minimum level of contribution to those objectives (e.g., clear definition, quantified thresholds or impact indicators) while ensuring that other objectives are not harmed.</p>
<p><b>3. Evaluation and selection process</b></p>	<p>Banks should have a comprehensive and documented process in place to ensure that the classified projects align with the eligibility criteria for sustainable lending instruments. The borrower of a green/social loan should clearly communicate the environmental/social objective(s) of the projects, the process by which the borrower determines how the project(s) to be funded fits within the eligible project categories, and complementary information on the processes by which the borrower identifies and manages perceived, actual or potential environmental/social risks associated with the relevant project(s). Where applicable, information about borrowers’ sustainability-related business objectives should be collected. For lenders to incentivize sustainability performance of its borrower(s), they should ensure collecting from their borrower(s) the rationale of KPI/SPT selection, the</p>



SECTION	ASSESSMENT CRITERIA
	<p>KPI definition and calculation methodology, the SPT calibration, and documentation on materiality and ambitiousness of the KPIs and SPTs. Lenders should encourage their borrowers to obtain a pre-signing external review and KPI/SPT assessment on a deal-by-deal basis.</p>
<p><b>4. Governance and monitoring</b></p>	<p>Clear governance mechanisms should be in place to ensure that the products classified as sustainable remain in line with the criteria for sustainable lending instruments throughout their lifecycle. This should include a process to deal with products that cease to meet the eligibility criteria. Effective governance procedures pertaining to sustainability, assigning clear roles and responsibilities, and segregating duties should be in place to promote sustainable business practices. Management of proceeds should be attested by the borrower in a formal internal process linked to the borrower’s lending and investment operations for green or social projects. The borrower should make known to the lenders any intended types of temporary placement for the balance of unallocated proceeds. Where appropriate, it is recommended that borrowers appoint (an) external review provider(s) to assess the alignment of their green loan or green loans program with the four core components of the LMA principles. The lender has processes in place for evaluation of the borrower’s SPT performance and linking the loans characteristics to the latter. As opposed to a pre-signing external review, which is recommended, post-signing verification of the SPTs’ performance or progress is a necessary element of the Sustainability-Linked Loan Principles.</p>
<p><b>5. Reporting</b></p>	<p>Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate the classified sustainable transactions, as well as the impact and progress of the sustainable lending strategy. Elements to be reported on should be communicated clearly at the inception of the strategy and capture the most significant areas of impact on environmental and social topics.</p>
<p><b>6. Verification</b></p>	<p>It is recommended that in connection with the establishment of a sustainable lending framework, banks obtain external reviews. External reviews should be made publicly available.</p>

## PART II: ASSESSMENT OF COMMERZBANK' SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

This section examines the sustainability quality of each of the parameters included in Commerzbank's sustainable finance classification system and discusses the sustainability quality of the compliant products.

## PART III: ASSESSMENT OF COMMERZBANK' ESG RISK MANAGEMENT

### ESG risk management KPIs

The risk management KPIs serve as a structure for evaluating the sustainability quality (i.e., the social and environmental added value) of the proposed selection criteria as well as the Bank's overall financing operations.

It comprises firstly the definition of the selection criteria offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance can be clearly identified and described.

If a majority of the criteria fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks. In addition, the KPIs assess sustainability-related risks considered relevant to the financing operations of the Bank. The evaluation was carried out based on information and documents provided confidentially by the Bank (e.g., due diligence procedures).

## PART IV: SUSTAINABLE LENDING FRAMEWORK'S LINK TO THE BANK' SUSTAINABILITY STRATEGY

This section provides an assessment of the sustainability quality of the Group and how the underlying Sustainable Lending Framework and ESG Framework contribute to its sustainability strategy. Drawing on ISS ESG's Corporate Rating, a focus is put on the Group's overarching sustainability policies as well as the management of related ESG risks.

## ANNEX 2: Quality management processes

### SCOPE

Commerzbank commissioned ISS-Corporate to compile a Sustainable Lending Framework External Review. The External Review process includes verifying whether the Sustainable Lending Framework aligns with market practices for sustainable finance and assessing its sustainability credentials, as well as the credibility of the Bank's sustainable financing classification system.

### CRITERIA

Relevant standards for this External Review stem from key principles for transparency and non-contamination of sustainable-labeled products, including:

- The Loan Market Association's Green Loan Principles and Social Loan Principles
- UNEP FI's Principles for Responsible Banking
- The Climate Bonds Initiative's Climate Bonds Standard V4.0
- Guidelines proposed by the European Banking Authority with respect to environmentally sustainable lending

### CLIENT'S RESPONSIBILITY

Commerzbank's responsibility was to provide information and documentation on:

- Sustainable Lending Framework
- ESG impact and risk management
- Governance procedures

### ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

ISS-Corporate has conducted this independent External Review of Commerzbank's Sustainable Lending Framework based on a proprietary methodology and in line with market practices and relevant market standards for sustainable finance.

The engagement with Commerzbank took place from November 2024 to February 2025.

### ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and

team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About this External Review

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

As part of our sustainable bond services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed, and help them define ambitious criteria.

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