

Press Release

4 July 2022

Commerzbank sets ambitious targets for CO₂ reduction in its customer portfolio by 2030

- **Focus on CO₂-intensive sectors such as power generation and housing**
- **New ESG framework presented by Commerzbank**
- **Goal for 2022: Sustainable product volume of more than €200 bn**
- **Financing volume for renewable energies to be doubled to €10 bn by 2025.**
- **Knof: "The sustainable transformation of the economy cannot be stopped."**

Commerzbank has set concrete CO₂ reduction targets for half of its lending volume granted to private and corporate clients to be achieved by 2030. The Bank will initially focus on CO₂-intensive sectors when managing climate risk. For example, by 2030 a reduction target of at least 73% is set for the energy production sector and a reduction of at least 57% for the significantly larger mortgage portfolio. Achieving these targets is an important interim step for the Bank in reducing the CO₂ emissions of its entire lending and investment portfolio to net zero by 2050 at the latest.

The specific targets for sustainable portfolio management can be found in Commerzbank's new ESG framework. This framework clearly states all the key cornerstones of its sustainability strategy and hence makes its concept of sustainability transparent to all stakeholders. The document will continue to be updated.

"We want to accompany our clients in their sustainable transformation in the best possible way. This means that our clients know what they can expect from us – but also that they understand what we expect from them," said Manfred Knof, CEO of Commerzbank, at the Bank's second Sustainability Dialogue event.

"The sustainable transformation of the economy cannot be stopped. It's true that we're currently experiencing a setback due to soaring energy prices, inflation, supply chain bottlenecks and a restart of coal-fired power plants," continued Knof. "In the medium term, however, the war will significantly accelerate the energy transformation. It has given us yet another reason to quickly reduce our dependency on fossil fuels and their suppliers. Commerzbank is very aware of the important role it plays in the energy transition. Our goal is to channel around €300 bn into sustainable products by 2025."

Framework discloses Commerzbank's understanding of sustainability

In particular, the new ESG framework at Commerzbank governs which products are considered sustainable. Amongst others, it describes the criteria for sustainable lending and the reduction

targets for CO₂-intensive sectors. Social criteria are also taken into account and the criteria for exclusions are defined. One example is the guideline for fossil fuels. The Bank expects its clients who generate 20% or more of their revenue or power production from coal to present a coal exit plan by 2025. Through this guideline, Commerzbank is helping to accelerate the coal phase-out by 2030.

"Our ESG framework provides our stakeholders with the greatest possible transparency. We're creating a Bank-wide standard, which will provide guidance for the stringent management of all ESG products, processes and activities," said Bettina Storck, Head of Group Sustainability Management. The ESG framework focuses on Commerzbank's core business, the customer and product portfolio. In this regard, the Bank distinguishes between Sustainable Finance and Transformation Finance.

Sustainable Finance represents the share of the portfolio which is already classified as sustainable. By 2025, Commerzbank will mobilise at least €300 bn euros for sustainable products, a threefold increase from 2020. Transformation Finance includes financing projects which fail to fulfil the requirements of Sustainable Finance, but which, as normal financing transactions, can foster the transformation of borrowers towards sustainability.

With SBTi, portfolios are steered towards net zero

Commerzbank has set concrete CO₂ reduction targets for half of the lending volume granted to private and corporate clients. For this, the Bank uses the requirements set by the Science-based Target Initiative (SBTi) and will initially focus on seven CO₂-intensive sectors such as power generation, commercial and private real estate and automotive manufacturing as well as iron and steel, cement and aviation. "The better we support our clients in reducing their emissions, the faster we will move towards net zero," said Chief Risk Officer Marcus Chromik. "Achieving the reduction targets for 2030 is an important stage for us en route to becoming a net zero bank by 2050 at the latest." Commerzbank has set itself the goal of establishing clear CO₂ reduction targets for 70% of its lending volume granted by autumn 2022.

Commerzbank advises and accompanies corporate clients in their green transformation

In the Corporate Clients segment, Commerzbank has set itself the aim of developing solutions that enable its clients to significantly reduce their CO₂ emissions. This also includes direct access to energy transition projects. In June, Commerzbank, together with RWE, signed a memorandum of understanding to build an offshore wind farm with an output of around 1 gigawatt and to start operations by 2030 at the latest. As part of this, Commerzbank will be setting up a 'Green Mittelstand Fund', which will provide large medium sized companies with access to green electricity from offshore wind turbines. The fund will, for the first time, provide these companies with the opportunity to secure long-term purchase agreements for green electricity. This kind of participation is currently reserved for large industrial companies only. The construction of the offshore wind farm is subject to the prerequisite that RWE's bid for the project is accepted following the invitation to tender in 2023.

ESG loans reward corporate clients who meet targets early with interest rate cuts

The Bank intends to double its credit exposure in renewable energies to €10 bn by 2025. The Bank also expects significant growth in sustainable bonds and sustainability-linked loans. Since the beginning of this year, Commerzbank has offered a bilateral loan, in which sustainability targets and timelines are defined between the company and Commerzbank. "If the borrower fails to meet the targets, the rate will be raised until the agreed targets are met. However, the interest rate can, of course, fall if the borrower reaches its ESG targets earlier than agreed. This creates a financial incentive to operate sustainably," said Knof. "We want to offer our clients the products they need to meet their sustainable financing and investment needs. We are committed to this."

CO₂ reduction target for banking operations met at an early stage due to fewer business trips

Commerzbank is also pursuing ambitious reduction plans in its own banking operations, which are expected to be net zero by 2040. For this the Bank uses efficient facility management and artificial intelligence. By the end of 2021, CO₂ emissions had already fallen by 40% compared to 2018. However, the decline is largely due to the pandemic and the lack of business travel. For this reason, Commerzbank expects to see a temporary increase in emissions and stands by its interim target of reducing greenhouse gas emissions by 30% by 2025.

About the Sustainability Dialogue

The Sustainability Dialogue event provides an overview of Commerzbank's sustainability activities. During the virtual event, participants can submit questions directly to the panel. The second Sustainability Dialogue took place today, 4 July 2022, with the Chief Executive Officer Manfred Knof, Chief Risk Officer Marcus Chromik, and Bettina Storck, Head of Group Sustainability Management.

Information

Link to the audio file of the Sustainability Dialogue: [Commerzbank AG - Nachhaltigkeitsdialog](#) (available from approx. 2 p.m., 4 July 2022, in German only)

Link to the [ESG Framework of Commerzbank](#)

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About Commerzbank

Commerzbank is the leading bank for the German Mittelstand and a strong partner for around 28,000 corporate client groups and around 11 million private and small-business customers in Germany. The Bank's two Business Segments – Private and Small-Business Customers and Corporate Clients – offer a comprehensive portfolio of financial services. Commerzbank transacts approximately 30 per cent of Germany's foreign trade and is present internationally in almost 40 countries in the corporate clients' business. The Bank focusses on the German Mittelstand, large corporates, and institutional clients. As part of its international business, Commerzbank supports clients with German connectivity and companies operating in selected future-oriented industries. Following the integration of Comdirect, private and small-business customers benefit from the services offered by one of Germany's most advanced online banks combined with personal advisory support on site. Its Polish subsidiary mBank S.A. is an innovative digital bank that serves approximately 5.5 million private and corporate customers, predominantly in Poland, but also in the Czech Republic and Slovakia. In 2021, Commerzbank generated gross revenues of some €8.5 billion with around 46,500 employees.

Disclaimer and Forward-Looking Statement

This release contains forward-looking statements. Forward-looking statements are statements that are not historical facts. In this release, these statements concern inter alia the expected future business of Commerzbank, efficiency gains and expected synergies, expected growth prospects and other opportunities for an increase in value of Commerzbank as well as expected future financial results, restructuring costs and other financial developments and information. These forward-looking statements are based on the management's current plans, expectations, estimates and projections. They are subject to a number of assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from any future results and developments expressed or implied by such forward-looking statements. Such factors include the conditions in the financial markets in Germany, in Europe, in the USA and other regions from which Commerzbank derives a substantial portion of its revenues and in which Commerzbank holds a substantial portion of its assets, the development of asset prices and market volatility, especially due to the ongoing European debt crisis, potential defaults of borrowers or trading counterparties, the implementation of its strategic initiatives to improve its business model, the reliability of its risk management policies, procedures and methods, risks arising as a result of regulatory change and other risks. Forward-looking statements therefore speak only as of the date they are made. Commerzbank has no obligation to update or release any revisions to the forward-looking statements contained in this release to reflect events or circumstances after the date of this release.