Asset Management Index

a. Summary

The Asset Management Index invests exclusively in ETFs besides generally holding a small amount of liquidity. Most of the selected ETFs take into account ecological and/or social characteristics (funds in the context of Art. 8 of the EU Disclosure Regulation) or pursue specific sustainable investment objectives (funds in the context of Art. 9 of the EU Disclosure Regulation). The objective is to reduce adverse sustainability impacts, particularly in the areas of environment (E = Environment), social (S = Social) and corporate governance (G = Governance).

We pursue these objectives by taking into account the following defined sustainability indicators:

1. Minimum requirements for ESG ratings
2. Classification of at least 75% of the invested ETFs as Art. 8 or Art. 9 investment funds in accordance with the EU Disclosure Regulation
3. Exclusion criteria

Compliance with these sustainability criteria is reviewed and analysed on a quarterly basis. If an ETF no longer meets these criteria, the respective position is sold as a matter of principle.

The relevant ESG data is provided by MSCI ESG Research. MSCI ESG Research is one of the leading ESG data rating agencies worldwide.

b. No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

c. Environmental or social characteristics of the financial product

In addition to achieving its performance targets, the focus of the Asset Management Index is on reducing adverse sustainability impacts. These relate to the areas of environment, social issues and corporate governance. Adverse sustainability impacts are impacts that cause a negative effect through, for example, excessive carbon emissions or labour rights violations. The Asset Management Index uses the underlying sustainability indicators to pursue a well-defined approach that takes into account environmentally and socially responsible investments.

The environmental and social characteristics are implemented by applying three defined sustainability indicators:

1. Minimum requirements for ESG ratings

We use ESG ratings from MSCI Research, with a rating scale ranging from CCC to AAA. MSCI ESG Research defines the rating order as follows:

- AAA and AA: above-average ESG rating
- A, BBB and BB: average ESG rating
- B and CCC: below average ESG rating

To be eligible for portfolio inclusion, an ETF must have an ESG rating of at least BBB from MSCI. The evaluation of the companies' good governance practices is also an integral part of the ratings. MSCI ESG Research does not provide ESG ratings for all types of financial instruments. If MSCI ESG Research does not provide an ESG rating for a specific financial instrument, e.g. real estate funds, the respective fund must at least meet one sustainability standard according to MiFID Delegated Regulation Art. 2 No. 7 a-c for the fund to be eligible for inclusion in the portfolio.

Sustainability standard 7a refers to the consideration of sustainable economic activities according to the EU taxonomy, 7b to the pursuit of sustainability objectives according to the EU Disclosure Regulation and 7c to the reduction of adverse ESG impacts.

2. **Classification of at least 75% of the invested ETFs as Art. 8 or Art. 9 investment funds in accordance with the EU Disclosure Regulation**

   The EU Disclosure Regulation classifies investment funds according to their sustainability characteristics. Investment funds in accordance with Art. 8 take into account environmental and/or social characteristics. This can be achieved, for example, by observing ESG exclusion criteria (for example, serious violations of the UN Global Compact such as involvement in corruption cases, or activities in controversial business sectors such as weaponry). Investment funds in accordance with Art. 9 pursue specific sustainable investment objectives, such as investments in production of renewable energy.

   For at least 75% of the allocated investment funds that do not invest predominantly in government bonds, adverse effects on sustainability factors are considered via an exclusion approach.
   This excludes investment funds that do not include at least one single indicator of the Principle Adverse Impacts (PAI) from the thematic areas.

   • Climate change and / or

   • Human and labour rights

3. **Exclusion criteria**

   Exclusion criteria for investment funds are applied. This is primarily to assess whether the respective sustainability criteria for capital management companies are taken into account in their investment processes.

d. Investment Strategy

In a first step, the investment strategy includes the consideration of the sustainability indicators outlined above. For each ETF purchase, a review regarding the classification according to Article 8 or Article 9 of the EU Disclosure Regulation is performed. In addition, the Asset Management Index requires a minimum ESG rating of BBB for all ETFs and thus excludes investment products with ratings of BB, B and CCC. MSCI ESG Research does not provide ESG ratings for all types of financial instruments. If MSCI ESG Research does not provide an ESG rating for a specific financial instrument, e.g. real estate funds, the respective fund must at least meet one sustainability standard according to MiFID Delegated Regulation Art. 2 No. 7 a-c for the fund to be eligible for inclusion in the portfolio.

Sustainability standard 7a refers to the consideration of sustainable economic activities according to the EU taxonomy, 7b to the pursuit of sustainability objectives according to the EU Disclosure Regulation and 7c to the reduction of adverse ESG impacts.

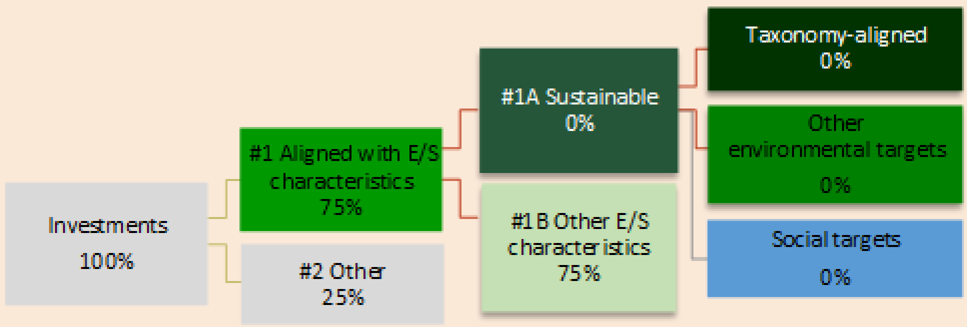
Principles for the assessment of good governance practices

The MSCI ESG rating is based on three criteria: E (Environment), S (Social) and G (Corporate Governance). The G-factor assesses good governance practices. To determine the G-factor, MSCI ESG Research computes different key issues, which take into account sound management structures, employee relations, employee compensation and tax compliance, among other aspects. Through our defined minimum requirements for ESG ratings good governance practices are thus also taken into account.

e. Proportion of investments

The Asset Management Index invests exclusively in ETFs apart from generally holding a small amount of liquidity. This means it only holds indirect risk positions vis-à-vis companies. It is required to allocate approximately 75% of its portfolio in E/S/G compliant ETFs. This is achieved by taking into account the sustainability indicators described above.

Exceptions to this are temporary liquidity in Commerzbank accounts, that also have an above-average <u>ESG-Rating</u> or other investments that, in line with their asset class or specific concept, do not take into account sustainability characteristics, but which feature favourable correlation properties with regard to the sustainable investment strategy. This share is limited to a maximum of 25% of the total portfolio. This share may be exceeded temporarily in exceptional cases, but the excess will be remedied within four weeks at the latest.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social targets.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

f. Monitoring of environmental or social characteristics

As part of the implementation of the sustainable investment strategy, we continuously (at least once a quarter) review the sustainability indicators during our investment process. If sustainability characteristics of any of our portfolio positions, especially the ESG ratings, deteriorate or the exclusion criteria for investment funds apply, and this requires its exclusion from the portfolio, we will sell the concerned position.

g. Methodologies

The environmental and social criteria are implemented by applying the three defined sustainability indicators:

1. <u>**Minimum requirements for ESG ratings and consideration of sustainability risks**</u>

   ESG ratings also include indicators for adverse sustainability impacts in the areas of environment, e.g. biodiversity and recycling, and social issues, e.g. labour rights and discrimination.

Commerzbank has set minimum requirements for these ESG ratings for the inclusion of investment funds in the portfolio.
The better an ESG rating, the better sustainability risks are managed by companies and countries. By avoiding below-average ESG ratings, sustainability risks are hence limited. The Asset Management Index requires an ESG rating of at least BBB for the allocated ETFs. MSCI ESG Research does not provide ESG ratings for all types of financial instruments. If MSCI ESG Research does not provide an ESG rating for a specific financial instrument, e.g. real estate funds, the respective fund must at least meet one sustainability standard according to MiFID Delegated Regulation Art. 2 No. 7 a-c for the fund to be eligible for inclusion in the portfolio.

Sustainability standard 7a refers to the consideration of sustainable economic activities according to the EU taxonomy, 7b to the pursuit of sustainability objectives according to the EU Disclosure Regulation and 7c to the reduction of adverse ESG impacts.

The Asset Management Index identifies and evaluates the actual and potential sustainability risks of the investments. Sustainability risks are environmental, social or corporate governance events or conditions that may have actual or potential material negative impact on a company's financial position, financial performance or reputation.

These risks - along with other economic opportunities and risks - are considered in the investment decision-making process. Taking sustainability risks into account can reduce the potential for a negative performance of the investment. This can result in a better risk-reward ratio.

2. **Classification of at least 75% of the invested ETFs as Art. 8 or Art. 9 investment funds in accordance with the EU Disclosure Regulation**

   At least 75% of the investments in the portfolio will be made in sustainable ETFs in accordance with Article 8 or Article 9 Funds of the EU Disclosure Regulation.

3. **Exclusion criteria investment funds**

   - If the Principles for Responsible Investments are not signed by the fund company
   - If the weighted carbon intensity of a fund is greater than 500 tons of carbon per USD 1 million in sales. The weighted carbon intensity of a portfolio is derived by calculating the carbon intensity (Scope 1 + 2 emissions per USD 1 million in sales) for each portfolio company, weighted according to the corresponding portfolio share.
   - If an ESG rating from MSCI Research for an investment fund is available, it may not be lower than BBB (scale: CCC to AAA, with AAA being the highest rating). If MSCI ESG Research does not provide an ESG rating for a specific financial instrument, e.g. real estate funds, the respective fund must at least meet one sustainability standard according to MiFID Delegated Regulation Art. 2 No. 7 a-c for the fund to be eligible for inclusion in the portfolio.
     Sustainability standard 7a refers to the consideration of sustainable economic activities according to the EU taxonomy, 7b to the pursuit of sustainability objectives according to the EU Disclosure Regulation and 7c to the reduction of adverse ESG impacts.

h. Data sources and processing

The Asset Management Index uses data from MSCI ESG Research for its ESG investment process. The data are usually based on publicly available sources. As companies will not be required to report a comprehensive set of non-financial (ESG) data before 2024, estimates from MSCI ESG Research are currently used where necessary.

The MSCI ESG Research ESG rating process consists of the following elements, among others, to review the quality of the analysis, as well as the consistency of the methodology and the rating signal:

- Before publishing ESG ratings, all companies are reviewed for the quality of their provided data.
- Ratings and scores for companies in a sector peer group are regularly reviewed by a group of analysts.
- Analysts submit corporate analyses to the ESG Rating Methodology Committee on a weekly basis when they identify certain changes, such as a rating change of more than two notches (e.g. from AAA to BBB).

Commerzbank randomly reviews the quality of the data provided by MSCI ESG Research on a quarterly basis using publicly available sources.

The data provided will be processed by Commerzbank in accordance with the following excerpt from the MSCI ESG Data Manager:

- Prior to the investment, the ETFs are filtered based on the defined exclusion criteria and ESG rating requirements as well as possibly the so-called Art. 8 or Art. 9 classification. If verification with regard to an Art. 8 or Art. 9 classification is not possible via the ESG Manager, e.g. because the classification is currently not yet set up in the ESG Manager, the verification is carried out directly via data and information provided by the ETF provider.

i. Limitations to methodologies and data

The variety of available sustainable financial products has increased significantly in recent years. Many traditional investments are now also available as a sustainable alternative. However, there is currently no generally binding definition or uniform standards for sustainable investments. Accordingly, terms such as ethical, sustainable or environmentally friendly are not yet properly registered, and many different concepts are applied to capital investments. Some investment concepts, for example, rely on exclusion criteria, others on specific sustainability metrics.

Currently only some companies are obliged to provide (ESG) data, which is why sustainability rating agencies provide more detailed information. These providers use different methodologies, which means that the ratings may differ from each other. However, data providers only supply their data for a limited universe of issuers. Thus, gaps in data coverage may occur.

Commerzbank uses data from MSCI ESG Research for sustainability data, as detailed in section “h. Data sources and processing”. While sustainability rating agencies use data made available by the issuers, they also use estimates if issuers fail to provide data. These estimates are, from experience, less accurate than the data reported by the issuer itself, which may lead to discrepancies if the issuer publishes its own data at a later date.

Since further regulatory changes have already been announced and are to be expected, it might happen that a financial product that is considered sustainable today will no longer meet the sustainability requirements in the future.
Commerzbank AG is currently not aware of any limitations resulting from the used methods and data that could have an impact on the achievement of the environmental and social objectives of the Index Asset Management Evolution.

j. Due diligence

Environmental and social characteristics are taken into account in the Asset Management Index through the following measures in the investment process:

- Changes in the sustainability characteristics of the investment funds, in particular the MSCI ESG ratings, are reviewed on an ongoing basis (at least once a quarter). If the change in the sustainability characteristics results in a violation of our investment criteria, we sell the respective investment fund position.

k. Engagement policies

Within the scope of Asset Management Index, Commerzbank acts as investment manager and not as asset owner. However, as part of the Asset Management mandate, the client also delegates the exercise of voting rights to the Bank.

The Bank shall exercise the custody account voting right on behalf of the custody account clients. This is based on a voting proxy, which can also be a permanent proxy, subject to the requirements of Section 135 of the German Stock Corporation Act (AktG). Section 135 provides that a bank - insofar as it offers its custody account clients the exercise of voting rights - must make accessible to clients its own guidance for exercising the voting rights as regards the individual agenda items in due time. We provide this guidance on the following web pages:

https://www.commerzbank.de/investieren/wissen/regulatorik/

Section 135 (2) specifies in this respect that the Bank, in developing this guidance for the exercise of voting rights, is to be oriented by the interests of the shareholder and is to take organisational measures to ensure that no interests of other business units influence this guidance. where a member of the management board or an employee of the Bank is a member of the company's supervisory board or where a member of the management board or an employee of the company is a member of the bank's supervisory board, the Bank is to indicate this fact to the custody account client. The same applies if the Bank holds an ownership interest shareholding in the company that Section 33 of the German Securities Trading Act (WpHG) requires to be registered or if the Bank was a member of a consortium that has assumed the last issuance, in terms of time, of securities of the company made in the past five years.

Therefore, the Management Board has organised the exercise of custody voting rights into a business division that operates completely independently of the Bank's investment decisions. As such, the Bank's guidance does not take into account own interests - including those of Asset Management or proprietary investments.

l. Designated reference benchmark

The reference benchmark of the Asset Management Index does not explicitly take into account environmental or social characteristics. It is comprised of eight differently weighted broad-based equity, bond and liquidity indices. The various risk profiles of Asset Management Index have different benchmark weightings. The benchmark is comprised of the following indices:

- Equities: MSCI Europe ex UK (Net Return)
- Equities: MSCI USA (Net Return)
- Equities: MSCI UK (Net Return)
- Equities: MSCI Japan (Net Return)
- Equities: MSCI Emerging Markets (Net Return)

- Fixed Income: Bloomberg Barclays Aggregate Corporates
- Fixed Income: Bloomberg Barclays Aggregate Euro Treasury 1-10 J.
- Liquidity: ESTR Euro Short Term Rates

For more information, please visit:
MSCI
Bloomberg
ESTR Euro Short Term Rates

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