Asset Management by CIO+

a. Summary

The Asset Management by CIO+ invests primarily in investment funds, complemented by selective individual equities, besides generally holding a small amount of liquidity. Most of the selected investment funds 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 sustain-ability impacts, particularly in the areas of environment (E = Environment), social (S = Social) and corporate governance (G = Governance). The focus lies on the reduction of CO_2 intensity. The CO_2 intensity of the equity component of the portfolio is targeted to be at least 10% below the CO_2 intensity of the equity component of the reference benchmark.

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

1. Minimum requirements for ESG ratings for investment funds and single equities
2. Classification of at least 85% of the invested investment funds as Art. 8 or Art. 9 investment funds in accordance with the EU Disclosure Regulation
3. Reduced carbon intensity
4. Exclusion criteria

Compliance with these sustainability criteria is reviewed and analysed on a regular basis (at least once a month). If a financial instrument no longer meets these criteria, the respective position is generally sold.

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 advertises environmental or social characteristics but does not seek to invest in sustainable assets. Even if this financial product does not target sustainable investments, the minimum percentage of sustainable investments with an environmental objective in economic activities that qualify as environmentally sustainable under the EU taxonomy is targeted to be 2%.

Asset Management by CIO+ takes into account material adverse impacts on sustainability factors by predominantly investing in Article 8 or Article 9 funds in accordance with the EU Disclosure Regulation. These products in turn consider the adverse impacts on sustainability factors. In addition, Asset Management by CIO+ considers the defined exclusion criteria. The exclusion criteria are mostly identical to the indicators for significant adverse impacts on sustainability factors of the EU Disclosure Regulation, in particular:

- CO_2 intensity
- Share of fossil fuels
- Violations of the UN Global Compact
- Participation in the production of controversial weapons
- Discrimination
- Child labour
- Forced labour
- Serious human rights violations and incidents, including at supplier level
- Corruption

Based on the information provided by the external data provider MSCI ESG Research, we assess prior to the investment whether the investments concerned are expected to comply with the norms and standards of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

c. Environmental or social characteristics of the financial product

In addition to achieving its performance targets, the focus of Asset Management by CIO+ is on reducing adverse sustainability impacts. These relate to the areas of environment, social issues and corporate governance. The particular focus is on the reduction of carbon intensity. The environmental and social characteristics are implemented by applying four defined sustainability indicators:

1. Minimum requirements for ESG ratings

ESG ratings from MSCI Research are used, 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, a financial instrument must have an ESG Rating of at least BBB from MSCI. For the portfolio, we target an average ESG rating of AA, implying a portfolio with above-average ESG risk management. The ratings also include an assessment of the companies' good governance practices. 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 85% of the invested investment funds 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 environmental and/or social characteristics into account. 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. The share of invested investment funds in accordance with Art. 8 and Art. 9 EU Disclosure Regulation amounts to at least 85% in total. This threshold may be temporarily missed in exceptional circumstances, but any such shortfall will be remedied at the latest as part of the monthly review of sustainability indicators.

3. Reduced carbon intensity

We comply with this requirement by keeping the carbon intensity of the equity portfolio at least 10% below the carbon intensity of the benchmark of the equity block of the Asset Management by CIO+.

CO_2 intensity is defined as the CO_2 emissions produced by a company per USD 1 million in revenues. This is computed by MSCI ESG Research. These emissions are reported via the so-called Scope 1 and 2 CO_2 intensity of the respective companies and investment funds and evaluated accordingly. Scope 1 represents the CO_2 emissions caused by the company itself, while Scope 2 covers all emissions generated by the purchased energy. Scope 1 hence includes, for example, emissions from company vehicles. Scope 2 also includes emissions resulting from the use of electricity by machines, depending on the selected energy supply company.

4. **Exclusion criteria**

   We adopted comprehensive exclusion criteria for equities. Our review primarily focuses on whether companies are involved in controversial business activities or engage in controversial business practices (see section “g) Methodologies”). There are deviating exclusion criteria for investment funds. 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 incorporates compliance with the defined exclusion criteria (see section "g) Methodologies").

In a second step, we define a best-in-class approach to limit sustainability risks while still achieving a broad diversification effect. This evaluation is based on ESG ratings from MSCI Research.

Within the best-in-class approach, Asset Management by CIO+ requires a minimum rating of BBB and hence excludes investments with ratings of BB, B and CCC. For financial instruments with identical ratings, preference is given in a peer group to those with a better sustainability rating. The Asset Management by CIO portfolio focuses on investments with above-average ratings of AAA and AA. 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.

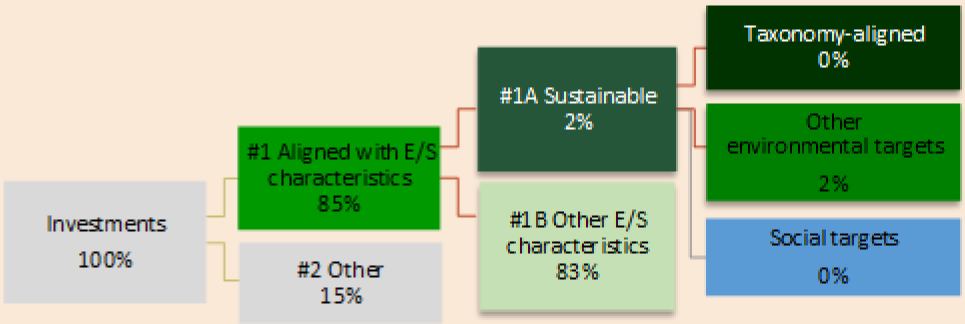
Principles for the assessment of good governance practices

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.

In our equity selection process, we use exclusion criteria to take into account a company's potential involvement in serious controversies.

e. Proportion of investments

The Asset Management by CIO+ invests mainly in investment funds and individual equities, besides holding a small amount of liquidity. Risk exposures to companies exist directly through investments in individual equities and indirectly through investments in investment funds. The target is to allocate at least 85% of its portfolio in E/S/G compliant investments. This is achieved by taking into account the sustainability indicators defined above.
Exceptions to this are temporary liquidity in Commerzbank accounts, that also have an above-average ESG-Rating 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. Their allocation is limited to a maximum of 15% of the total portfolio. This threshold may be temporarily exceeded in exceptional circumstances, but any such shortfall will be remedied at the latest as part of the monthly review of sustainability indicators.



#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 month) review the sustainability indicators during our investment process. If the sustainability characteristics of any of our portfolio positions, especially the ESG ratings, deteriorate or the exclusion criteria for equities or investment funds apply, and this requires its exclusion from the portfolio, we usually sell the position within four weeks.

g. Methodologies

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

1. Minimum requirements for ESG ratings and consideration of sustainability risks

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 financial instruments in the portfolio.

The better an ESG rating, the better sustainability risks are managed by companies and countries. By combining exclusion criteria and avoiding below-average ESG ratings, sustainability risks are hence limited. Therefore, the Asset Management by CIO+ requires ESG ratings of at least BBB for the allocated investment funds and equities. 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 by CIO+ gradually 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 85% of the invested investment funds as Art. 8 or Art. 9 investment funds in accordance with the EU Disclosure Regulation**

   At least 85% of the investments in the portfolio shall be made in sustainable investment funds in accordance with Article 8 or Article 9 of the EU Disclosure Regulation.

3. **Carbon intensity**

   Commerzbank aims to hold investments in its equity portion of the Asset Management by CIO+ with a significantly lower level of carbon emissions compared to the equity portion of the benchmark.

4. **Exclusion criteria**

   The Asset Management by CIO+ will only invest in equities of companies that are classified as sustainable in accordance with our criteria. In order to reduce adverse sustainability impacts, for individual equities, Commerzbank requires companies to consistently adhere to the Principles of the UN Global Compact. In addition, we require a minimum rating (see 1.) and apply various exclusion criteria. Furthermore, we review companies for controversial business activities and practices with respect to sustainability. The exclusion criteria impose a limit to the share of revenues a company may generate in controversial business activities and require compliance with certain sustainability standards. The necessary data is prepared and provided by MSCI ESG Research. There are deviating exclusion criteria for investment funds. Here, in addition to the minimum requirements for the ESG rating pursuant to section 1, we assess whether the respective capital investment company takes sustainability aspects into account in its investment processes.

Corporate exclusion criteria:

Controversial business activities

Alcohol

- Producers of high alcoholic beverages with a revenue share of more than 5%

Nuclear energy

- Producers of nuclear energy and uranium mining companies each with a revenue share of more than 0%
- Production of key components for nuclear energy plants with a revenue share of more than 5%

Fossil fuels

- Producers of thermal coal with a revenue share of more than 0%
- Energy production from coal-fired power plants with a revenue share of more than 10%
- Oil sands extraction with a revenue share of more than 0%
- Oil and gas extraction in the Arctic with a revenue share of more than 0%
- Fracking with a revenue share of more than 0%

Gambling

- Gambling activities (e.g. operation of casinos or betting offices) with a revenue share of more than 5%
- Products and services for gambling activities with a revenue share of more than 5%

Green genetic engineering

- Producers of genetically modified seeds or livestock with a revenue share of more than 5%

Pornography

- Producers of pornographic content with a revenue share of more than 0%
- Distributors of pornographic content with a revenue share of more than 10%

Weaponry

- Producers of weapons and banned weapons with a revenue share of more than 0%
- Producers of other military equipment with a revenue share of more than 5%

Tobacco

- Producers of tobacco articles and accessories / components with a revenue share of more than 5%

Animal welfare

- Non-medically induced animal testing, for example in the field of consumer goods (e.g. cosmetics, detergents, etc.) that are not required by law, unless the company supports alternative methods, or publishes its own animal welfare guidelines

Any company that violates one of these revenue share limits will be excluded from the investable equity universe for the Asset Management by CIO+.

Controversial business practices

MSCI ESG Research evaluates controversial behaviour such as violations of environmental regulations or cases of corruption according to the following rationale based on a point scale of 0-10 (best score) points.

Green Flag (10-5 points) - not involved in any significant incidents
Yellow flag (4-2 points) - only minor incidents observed
Orange Flag (1 point) - one or more serious incidents observed
Red flag (0 points) - one or more very serious incidents

Our focus regarding controversial business practices is on the following serious violations of the UN Global Compact:

Human rights violations

- Severe violation of fundamental human rights by the company itself or by suppliers / subcontractors

Labour rights/child labour

Labour rights:

- Severe violation of at least one of the four fundamental principles of the ILO Declaration on Fundamental Principles and Rights at Work or systematic circumvention of other minimum labour standards (e.g. in the areas of health & safety, pay, working time) by the company itself or by suppliers/subcontractors.

Child labour:

- Severe violation of the fundamental principle of the ILO Declaration on Fundamental Principles and Rights at Work on child labour by the company itself or by suppliers / subcontractors.

Environmental protection

- Severe violation of environmental laws or generally recognised minimum environmental standards / codes of conduct by the company itself or by suppliers / subcontractors.

Corruption

- Serious cases of fraud or corruption

Any company that has a red controversy flag will be excluded from the investable equity universe for Asset Management by CIO+.

For further details on MSCI's evaluation procedures, please click here.

Exclusion Criteria for funds

1. If the Principles for Responsible Investments are not signed by the fund company.

2. 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).

3. 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

Asset Management by CIO+ 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 financial instruments are filtered based on the defined exclusion criteria and the ESG rating requirements as well as, potentially for investment funds, 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 not yet currently filed in the ESG Manager, the verification is carried out directly via data and information provided by the ETF provider.

Moreover, the total CO2 emissions for the equity component of the portfolio are calculated automatically and compared with the respective emissions level of the equity component of the benchmark.

i. Limitations of the 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 environmental and social objectives of Asset Management by CIO+.

j. Due diligence

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

- Changes in the sustainability characteristics of the financial instruments, in particular the MSCI ESG ratings, are reviewed on an ongoing basis (at least once a month). If the change of sustainability characteristics results in a violation of our investment criteria, we generally sell the position in the respective financial instrument within four weeks.

k. Engagement policies

Within the scope of Asset Management by CIO+, 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 by CIO+ does not explicitly take into account environmental or social characteristics. It is calculated from four differently weighted broad-based equity, fixed income and liquidity indices. The various risk profiles of Asset Management by CIO+ have different benchmark weights. The reference benchmark is composed of the following indices:

- Equities: MSCI EMU (Net Return)
- Equities: MSCI World AC ex EMU (Net Return)
- Fixed Income: Bloomberg Barclays Aggregate Euro Bond

- Liquidity: ESTR Euro Short Term Rates

As a reference value for CO2 intensity, we use the equity indices of the reference benchmark for the equity component.

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

Status as of: Version 3 / 25 May 2023