



Sustainability@Commerzbank | Issue 18 | February 2019

Sustainable finance – Brussels pushing ahead with regulatory initiatives

Corporate Responsibility Newsletter

Dear Sir or Madam,

It has been a year since the EU Commission presented its action plan on Financing Sustainable Growth. With the 10 measures introduced in the action plan, the Commission is pursuing several objectives to establish Europe as a trailblazer, especially with regard to climate change:

- 1) Capital flows must be reoriented towards sustainable investments to reshape the economy in line with the goals of the Paris Climate Treaty and the United Nations Sustainable Development Goals (SDG),
- 2) financial risks stemming from climate change, resource scarcity, environmental degradation and social issues must be managed; and
- 3) transparency and a long-term outlook in the financial sector must be fostered.

In 2018, the EU Commission began to implement the action plan by preparing the first legislative proposals over the course of the year. The main proposals are three draft regulations. Once they come into effect, they will represent directly applicable law in the member states. These regulations primarily apply to funds and insurance companies, but will affect banks and companies, too.

Two regulations are expected to be passed by the European Parliament before the end of the current legislative session (end of May 2019). The first relates to disclosure obligations on the sustainability of financial products. The other establishes sustainability benchmarks, i.e. indices to be used for benchmarking certificates and derivatives, for example.

Taxonomy – the framework for sustainable investments

However, the most difficult and most important piece of legislation – the Taxonomy Regulation – will not be tabled until 2020, after the next Commission and the new European Parliament are convened. It is intended to establish a "framework to facilitate sustainable investment" by defining criteria to determine whether an economic activity is environmentally sustainable. The goal of the taxonomies is to create common definitions and concrete thresholds – for example, "grams of CO₂ per unit of product" – as a basis for deciding which economic activities are "green" and which are not. This would then make it possible to identify "green" financial products, namely those serving to finance the economic activity in question.

The first draft presented in December addresses only a small fraction of the economic sectors to be classified. Moreover, the big challenges involved in drawing up the taxonomy and in its future use are already apparent today: The data needed to apply the taxonomy, namely the CO₂ emissions caused by a certain economic activity engaged in by a company (e.g. the vehicle fleet of a mid-sized logistics operation) are likely unavailable for many companies at present. Before the end of 2019 the final taxonomy is expected to be ready for submission to the European Parliament to be passed or rejected.

Disclosure Regulation – information obligations to customers

The goal of this regulation is for investors to be better informed regarding sustainability considerations when making investment decisions. It will establish the obligation for financial market participants to disclose how they take into account sustainability aspects and objectives in their investment products and decisions. That could mean that, in future, the advisory process would include mandatory disclosure of sustainability aspects of a financial product. The European Parliament wants to establish an obligation to show investors how sustainability risks are included in the investment decisions for every financial product. Current discussions suggest that the regulation will come into force 12 months after publication and thus possibly from the summer of 2020.

In addition, an amendment to the MiFiD Directive on advisory processes in banks will be made in the coming months. It will require banks to ask about and document customers' sustainability preferences in advisory meetings and to take these preferences into account in investment decisions.

TCFD recommendations – inclusion of climate risks in regular reporting

Another measure planned by the EU Commission is a new provision in the CSR Directive requiring larger companies to publish an annual "non-financial declaration". The first proposals for the change are closely aligned with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD), calling for financial market actors to be required to explain whether and to what extent they identify and manage climate change-related risks. These recommendations, issued in July 2017, are already having a considerable impact today because markets – especially where large institutional investors are involved – have begun treating them as a global standard that capital market-oriented companies are expected to meet.

Commerzbank set up a Group-wide working group in the spring of 2018 to analyse the consequences of the EU action plan – as well as the opportunities – for the Bank and its customers and to closely monitor developments. In addition, Commerzbank is investigating which steps are useful and necessary to bring its future reporting into line with the TCFD objectives. The Bank is also active in national and European committees and associations to work towards appropriate but not excessive regulations on this important issue.

Making every cent count: Commerzbank employees support loose change campaign

Since 2016, Commerzbank employees in Germany have had the option of donating the amount of their net salary after the decimal point to social and environmental projects. This "loose change" initiative generated a total of EUR 25,333.93 in donations last year. The proceeds are passed on every year to three sponsored projects selected in the areas of social initiatives (Germany), social initiatives (abroad) and the environment. At the beginning of this year, the collected donations were disbursed for the second time. The allocation of the total amount to the sponsored projects is decided in an online vote by the employees of Commerzbank and Commerz Real. Based on the resulting rankings, the donations were allocated to the projects on a 50:30:20 basis:

For the social project in Germany, the association "Lebenshilfe Rheinland-Pfalz - Zentrum für Leichte Sprache" was selected, with its project "Reading enjoyment for everyone". It is intended to help people with mental disabilities in Mainz and the surrounding area. The mission of the Lebenshilfe association is to create opportunities for the mentally disabled to participate in society. ► **More (German only)**

In the area of international social engagement, the Rebound Project in the Eastern Congo supports the re-integration of children and adolescents. With this project, World Vision helps young people who have been injured or traumatised through armed conflict.

► **More (German only)**

The third sponsored project is dedicated to environmental protection. Since 1993, the association Bergwaldprojekt e.V. has been working with volunteers to protect, preserve and maintain forests, especially mountain forests and the related cultural landscapes. The "Forest School for Biodiversity" is expressly aimed at teens and young adults, with the goal of raising awareness for ecological issues and activities.

► **More (German only)**

Stiftung Lesen and the Commerzbank Foundation recognise exemplary work to promote reading

At the presentation of the German Reading Awards in November, 16 individuals and institutions who worked to encourage reading were honoured for their achievements. The awards cover six categories and come with a total of EUR 25,000 in prize money. For the first time, a special award went to a well-known public figure: the comedian Bülent Ceylan has been the Reading Ambassador for Stiftung Lesen and an important advocate for the promotion of reading since 2013. For years, reading has been a priority of the children's foundation that bears his name. Mr. Ceylan's foundation donated the prize money to the Mannheim Public Library on 11 February 2019 to help fund its new project, "A City Reads a Children's Book". The project takes a child-friendly approach to themes of tolerance and language diversity.

The German Reading Awards are a joint initiative of Stiftung Lesen and the Commerzbank Foundation. The honorary president is Prof. Monika Grütters, the German Minister of State for Culture and the Media.

► **More (German only)**

Commerzbank Code of Conduct scores high rating

In the latest issue of the magazine Compliance Manager, codes of conduct of large German corporations are analysed and rated. The Commerzbank Code of Conduct achieved the top ranking alongside those of Daimler, E.ON, Siemens and Avista Oil. The code describes a

minimum standard and provides guidance for correct and morally proper conduct throughout the Group. In its rankings, the Compliance Manager editorial team emphasised the appropriate, non-confrontational language in the document and the understandable presentation of all necessary information and contacts. Commerzbank received the highest possible mark in all rating categories ► [More](#)

Commerzbank now part of G100

Commerzbank is now listed for the first time in the Global 100 Most Sustainable Corporations in the World Index (G100). The Bank holds the 67th spot in the 2019 rankings, prepared by the Toronto-based media, research and financial information company Corporate Knights. Commerzbank ranks second among the five German companies and is among the top 10 of the 14 banks worldwide contained in the index. The goal of the G100 is to establish sustainability as a yardstick in the business world. The index has been prepared annually since 2005 by analysing data on the world's largest publicly traded companies. Inclusion in the shortlist is based on transparency, financial health and corporate responsibility, e.g. through the exclusion of defined companies or practices in the arms industry. A good Corporate Knights rating requires an approach to business that takes into account social, economic and ecological costs and benefits, and in which market participants are aware of the consequences of their actions. The Global 100 Most Sustainable Corporations Index is published annually at the World Economic Forum in Davos. ► [More](#)

Reporting positively rated

Commerzbank has been awarded the 5th place out of 69 large companies in the ranking of sustainability reports by IÖW/future. With 456 points Commerzbank was rated well above the 314 point average. The evaluated reports were the Corporate Responsibility Magazine 2017 and the GRI report 2017. Commerzbank was the only company to receive full points in the category "Targets and Programme". ► [More](#)

The Advent season is never far off: sustainable issues matter all year round

Just in time for the start of the Advent season, an Advent calendar with a difference was posted in the Commerzbank Sustainability Portal: Instead of chocolates or idyllic pictures, this calendar had messages on sustainability waiting behind virtual doors. Behind each door is a short text, starting with the door number, and highlighting a topic related to resource consumption and conservation, climate protection or social justice. By the time Advent was over, this added up to 24 interesting insights and intriguing facts – with a wealth of surprising and sometimes alarming statistics offering plenty of food for thought. Amid the consumer spending surge at the height of the pre-Christmas rush, the calendar was a big hit both inside and outside Commerzbank. Because sustainability issues have no sell-by date, here is another opportunity to take a peek inside: ► [More \(German only\)](#)

Making wishes come true: 2018 Christmas list campaign

Parallel to the sustainability-themed advent calendar, the traditional Christmas list campaign for Commerzbank employees in Frankfurt took place. As in the past, their goal was to bring the joy of the Christmas season to children and teens. Starting on the first day of Advent, more than 200 Christmas wishes from children at four facilities – three children's homes and a children's hospice – in the surrounding region were pinned to a bulletin board next to the Christmas tree in the lobby of the Commerzbank Tower in Frankfurt. Again in 2018, the employees in Frankfurt rose to the occasion and were only too happy to fulfil the many

Christmas wishes. The festively wrapped gifts were delivered to the facilities before Christmas arrived.

Kinderheimat Reinhardshof in Frankfurt am Main ► [www \(German only\)](#)
Kinder- und Jugendheim Buchenrode in Frankfurt am Main ► [www \(German only\)](#)
SOS-Jugendhilfen Hünstetten/Taunusstein in Taunusstein ► [www \(German only\)](#)
Kinderhospiz Bärenherz in Wiesbaden ► [www \(German only\)](#)

Along with Frankfurt, similar Christmas campaigns were supported by Commerzbank employees all over Germany on behalf of facilities in their regions.

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