

Asset Management Index

a. Summary

The Asset Management Index invests exclusively in ETFs besides generally holding a small amount of liquidity. 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 for investment funds and individual equities
2. Classification of at least 75% of the invested investment funds as Art. 8 or Art. 9 investment funds in accordance with the EU Disclosure Regulation

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 two 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.

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.

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.

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 the good governance practices of companies. 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. 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 [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. This share is limited to a maximum of 25% of the total portfolio. This required minimum allocation may be temporarily breached in exceptional cases.

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 sustainability characteristics of any of our portfolio positions, especially the ESG ratings, deteriorate or the exclusion criteria for equities apply, and this requires its exclusion from the portfolio, we usually sell the position within four weeks.

g. Methodologies

The environmental and social criteria are implemented by applying the two 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 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.

The Asset Management Index identifies and evaluates the actual and potential sustainability risks of the ETFs. 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.

h. Data sources and processing

The Asset Management Index uses data from MSCI ESG Research for its ESG investment process. The provided data is processed as follows:

Extract of the data processing performed in the MSCI ESG Data Manager:

- Prior to the investment, the ETFs are filtered based on the ESG rating requirements and 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

MSCI is a market-leading and recognised sustainability data provider. Nevertheless, the informative value of the methods and data may be limited in terms of timeliness and scope of data. 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 month). If the change in the sustainability characteristics results in a violation of our investment criteria, we generally sell the respective investment fund position within four weeks.

k. Engagement policies

Commerzbank acts as a mere investment manager and not as an asset owner within the scope of the Index Asset Management Evolution, which is why it cannot exercise any voting rights in the assets held by the investment funds concerned. Each investment company publishes the respective principles of participation for its investment funds.

l. Designated reference benchmark

The benchmark of the Asset Management Index 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](#)

These benchmarks do not explicitly take into account environmental or social characteristics.

Status as of: Version 2 / December 2022