



Insights into our sustainable finance governance and processes

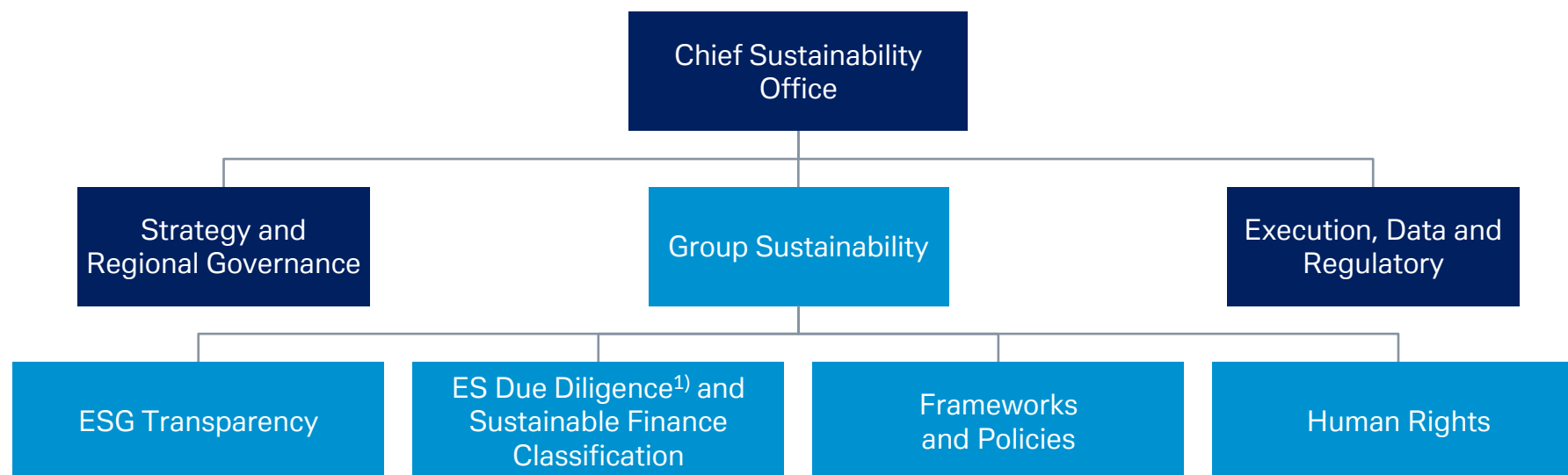
#PositiveImpact

Viktoriya Brand

Head of Group Sustainability

March 2, 2023

Group Sustainability is part of Chief Sustainability Office



- Establishes bank-wide standards and processes for environmental and social sustainability including Human Rights
- Oversees adherence to the standards
- Works on enhancing transparent reporting on sustainability management incl. with ESG ratings
- Engages with various internal and external stakeholders

 Group Sustainability is an internal central standard setting function and a key pillar of the Chief Sustainability Office

1) Environmental and Social Due Diligence

Group Sustainability is DB's central standard setter



Sustainable finance



Environmental and social due diligence

Description

- We **established the Sustainable Finance Framework¹⁾** and received a **Second Party Opinion** by ISS ESG²⁾
- **We regularly review and update the Framework.** Next update and the renewal of the Second Party Opinion are scheduled to go live ahead of DB's annual general meeting in May 2023

- Well established **environmental and social due diligence requirements**
- We **regularly review and update these** requirements; a summary (the ES Policy Framework⁶⁾) is available online
- **We communicate material advancements**, such as for the coal and oil & gas sectors

Methodology

- We established **classification criteria following the EU Taxonomy³⁾ and international standards**, such as the ones set up by ICMA⁴⁾ and LMA⁵⁾
- We **focus on economic activities material to our business** and apply a case-by-case approach to allow and capture new, innovative developments
- While classifying financial products and services **we consider the contribution to the Sustainable Development Goals** of the United Nations

- We establish our **requirements following a risk-based approach**
- We **focus on sectors and geographies with elevated environmental and social challenges** and material to Deutsche Bank's business
- We **embed cross-sectoral** (e.g., on human rights) and **sector specific** (e.g., oil & gas, mining, agriculture) provisions
- We **disclose our progress annually**



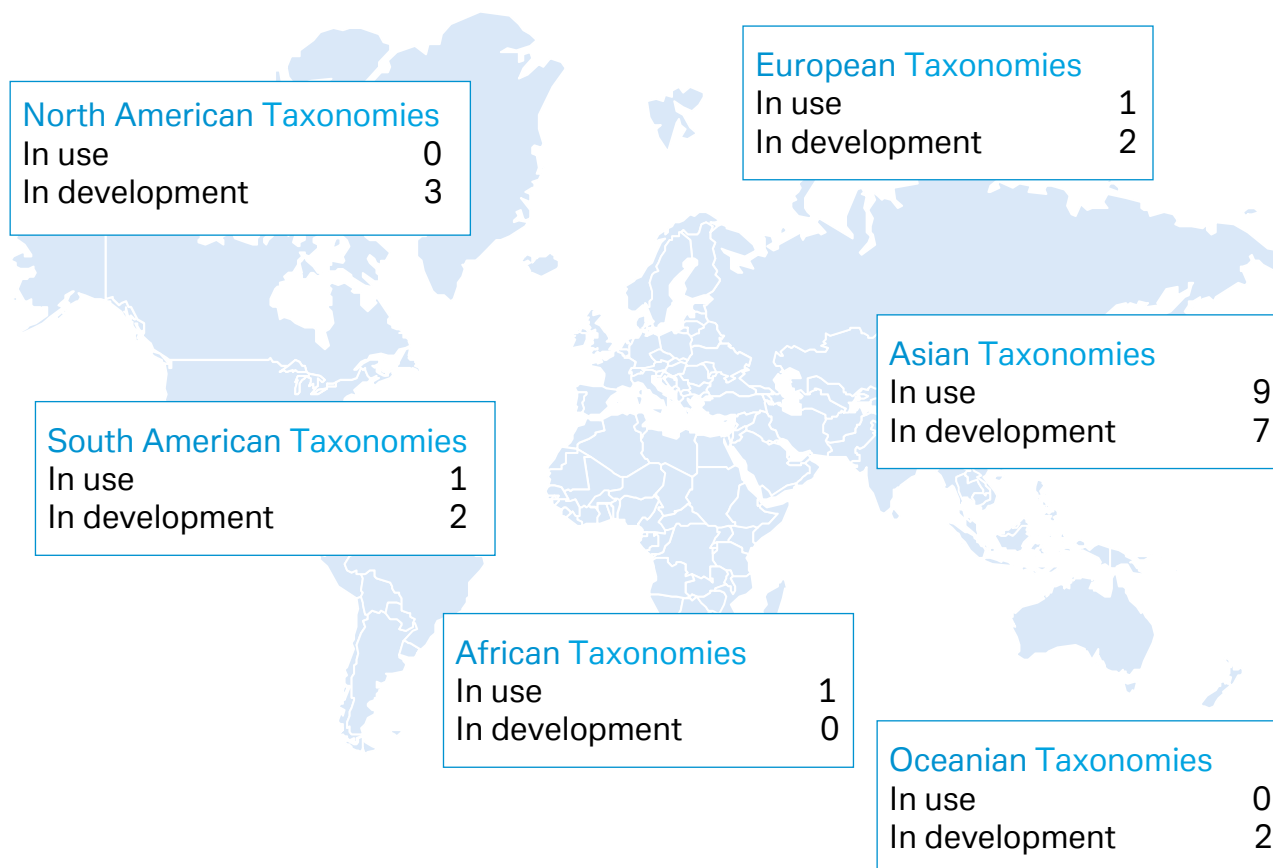
The frameworks are complementary, closely interlinked and the adherence is under the oversight of Group Sustainability

1) [Sustainable Finance Framework](#) 2) Institutional Shareholder Services group of companies 3) [EU Taxonomy](#) 4) International Capital Markets Association 5) Loan Market Association
6) [Environmental and Social Policy Framework](#)



Sustainable Finance

The global taxonomy landscape is a patchwork




Varying objectives

- Environmental / green taxonomies
- Social taxonomies
- Transition taxonomies
- Sustainable taxonomies

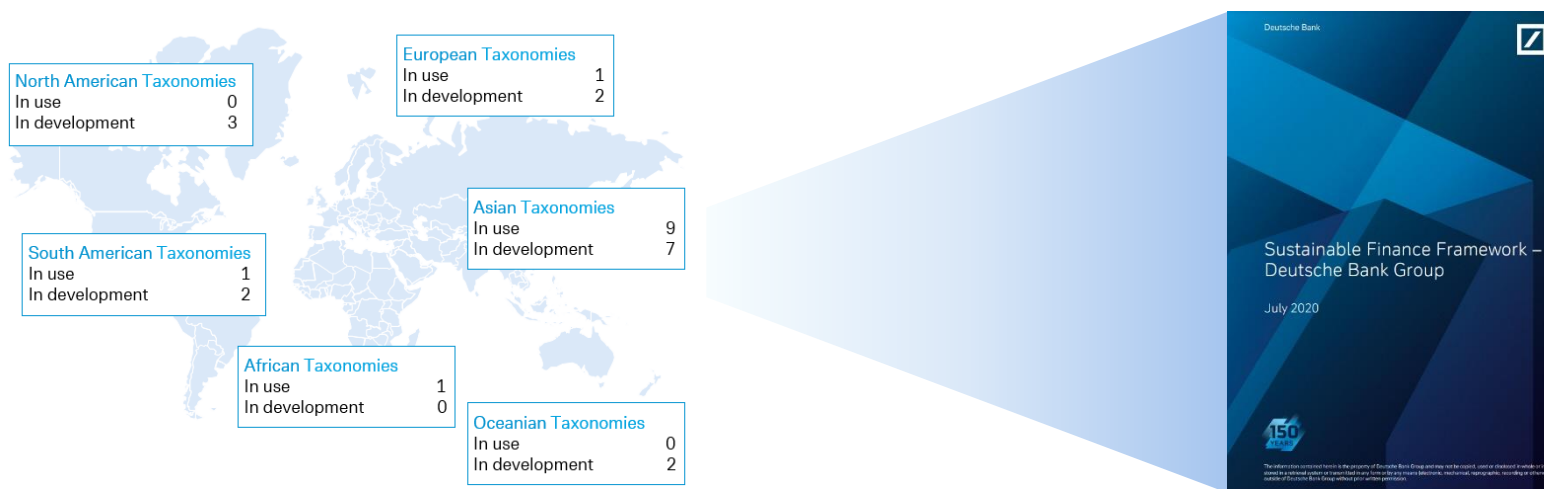
Different eligibility approaches

- “Technical screening criteria” approach (EU Taxonomy)
- “Whitelist” approach (Chinese Taxonomy)
- “Principles based” approach (Japanese Taxonomy)

 Heterogeneous Sustainable Finance taxonomy landscape, challenging alignment efforts

Source: Desk research as of December 2022

Our answer: one DB framework applied globally



Deutsche Bank's Sustainable Finance Framework

Key facts

➤

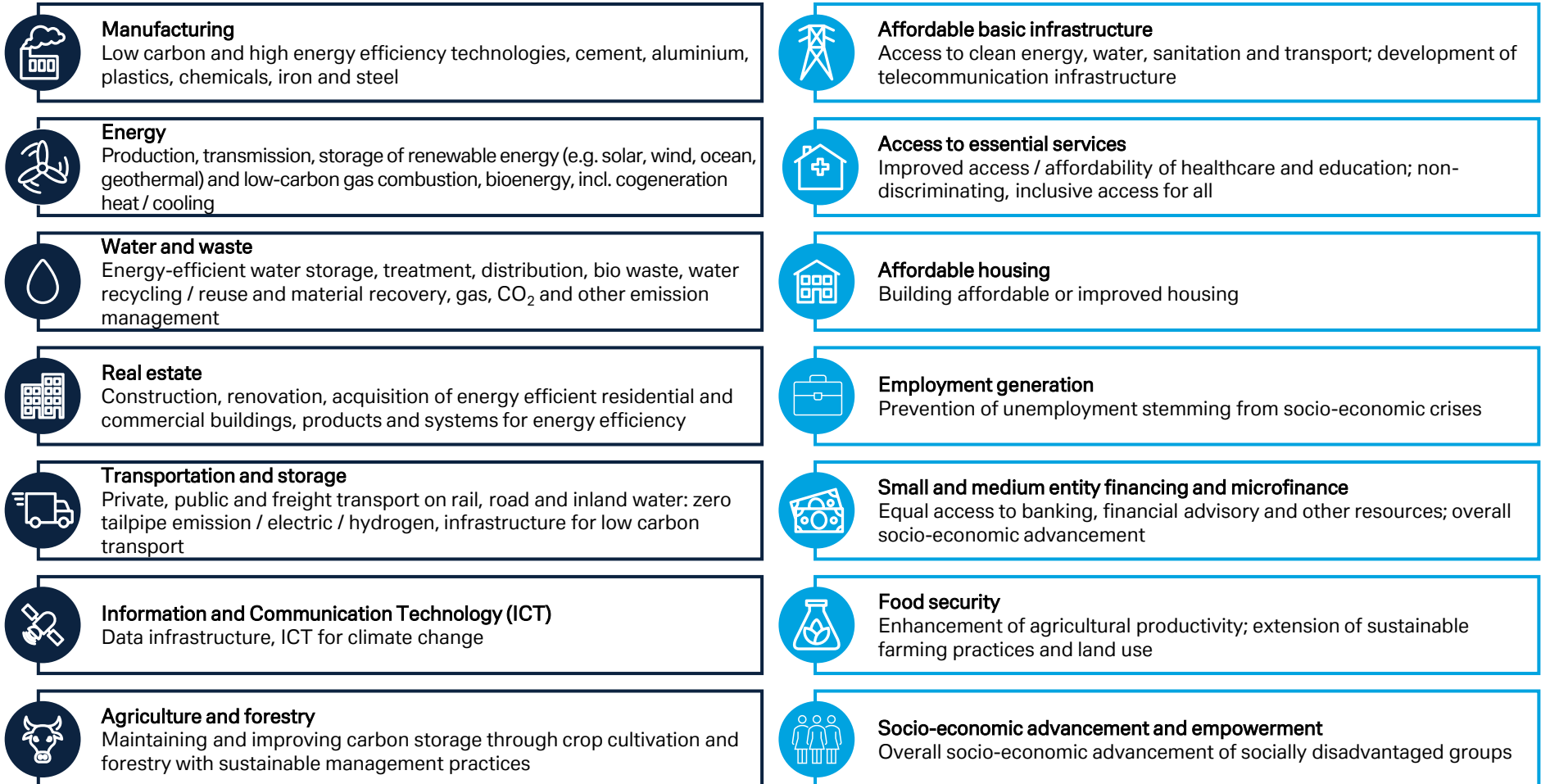
- While the EU Taxonomy covers climate objectives only, our framework is much broader and includes a variety of environmental and social objectives:
 - **50 economic activities covered** under Environmental ("E") pillar
 - **149 criteria defined for the "E" pillar**
 - **56 out of the 149 criteria with quantitative thresholds**
 - **7 socially eligible categories** of activities captured
- Classification criteria for climate objectives are **aligned on a best effort basis with the EU Taxonomy** but remain flexible considering commonly used international standards
- **Multiple environmental objectives** beyond climate **are supported** by the Framework
- **Social classification** follows a **principle-based approach**
- **Classification criteria applied are independently validated** by ISS ESG. The next renewal of the Second Party Opinion is work in progress and scheduled to go live ahead of our annual general meeting in May 2023


➤ Sustainable Finance Framework is applied consistently across all regions, with the aim to ensure global compliance and process adherence amidst a rapidly evolving regulatory landscape.

Our framework covers environmental and social criteria



● Environmental impact ● Social impact



 Our dynamic Sustainable Finance Framework is broad in scope and updated regularly to remain consistent with the latest market developments

Recent updates on our sustainable finance framework



149

Classification criteria reviewed

and externally re-evaluated, also in reflection of the most recent version of the EU Taxonomy

23

Economic activities clarified

e.g., hydrogen manufacturing, sea and coastal water transport and basic organic chemicals

11

Reporting categories updated

and will be published clarifying the reporting methodology we apply to disclose progress against our sustainable finance volumes

9

Products classified as sustainable

and added as product overview disclosure to the Framework

1

Sustainable Finance Training launched

on DB's Connect-To-Learn platform for client-facing employees across all business divisions

14

Sustainable finance topics resolved

within the established Sustainable Finance Governance Forum



Robust governance processes have been put in place for sustainable finance classification and reporting, including regular training of our client-facing employees

Four-step sustainable finance classification process



Potential sustainable finance transactions are validated in a four-step approach



Sustainability strategy

Review the client's sustainability profile, objectives and targets



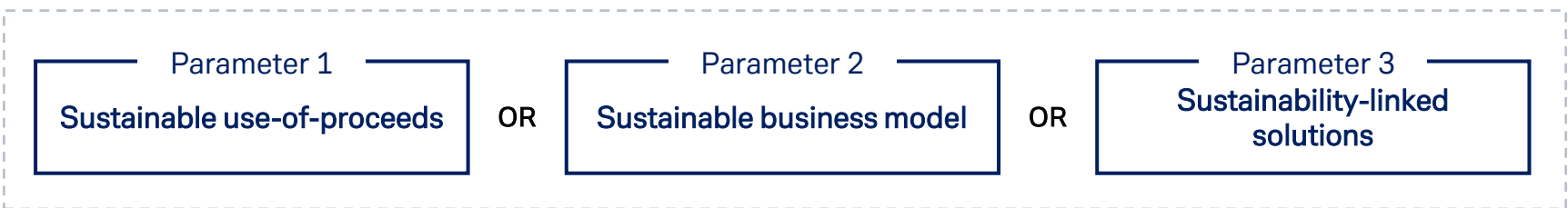
Client dialogue

Evaluate through structured client dialog how Deutsche Bank might support clients' sustainability strategy



Framework adherence

Ensure that product / transaction adheres to one of three parameters of DB's Sustainable Finance Framework



External reporting

Report eligible transactions as part of the sustainable finance volume

Example: sustainability-linked supply chain finance



Sustainability strategy

Henkel is an MSCI AAA-rated company with a publicly articulated **sustainability strategy “2030+ Sustainability Ambition Framework.”** As part of Henkel’s strategy, the company **commits to 100% responsible sourcing** together with their partners



Client dialogue

Focus of the dialogue between Deutsche Bank and Henkel lies in **understanding the challenges** and main screening processes in Henkel’s supply chain – where ESG ratings are already used to screen select suppliers – and **advising on incentives to improve suppliers’ ESG ratings** and transparency



Framework adherence

A structure has been developed which **links the supply chain financing to the ESG performance of Henkel suppliers with an EcoVadis rating**, thereby incentivizing a more sustainable supply chain. The structure is part of Deutsche Bank's Parameter 3



External reporting

ESG Rating assessments are available on the platform of the respective ESG Rating provider. The structure contributes to Deutsche Bank’s sustainable finance volumes

The role of Group Sustainability

- Supporting the business structuring team in conducting a **review of client’s existing supply chain screening processes**
- Supporting the business structuring team and the client in analysing the ESG rating requirements to **ensure a holistic and reliable assessment** by a recognized provider
- **Engaging with the ESG rating provider** on their methodology to ensure its suitability to the diverse supplier base
- **Advising the business structuring team and the client** on effective in-built requirements of the sustainability-linked supply chain finance product to ensure sufficient incentives for suppliers’ continuous ESG rating and performance improvement
- **Review the transaction with regards to its contribution to Sustainable Development Goals (SDGs).** In this case, it relates to SDG 12 - Responsible Consumption and Production

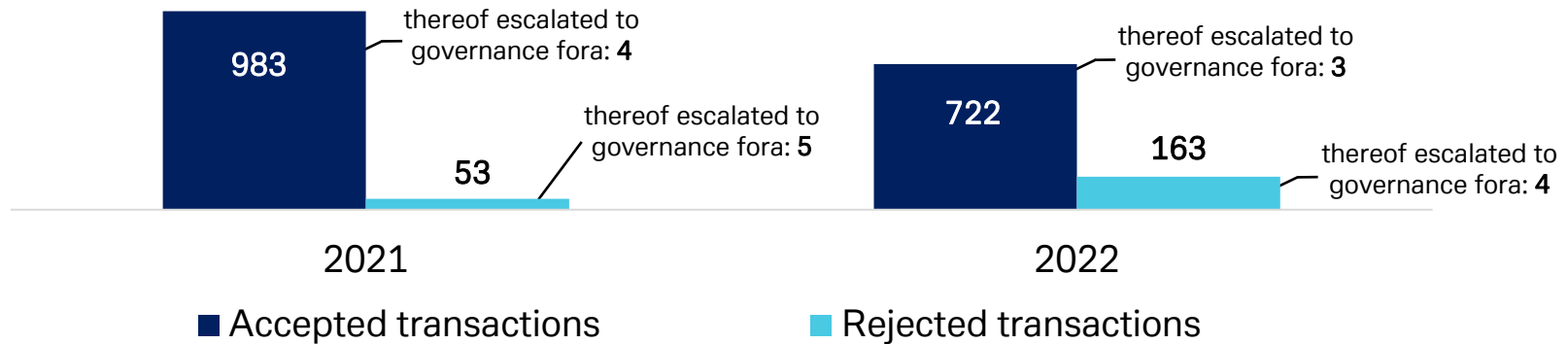


Parameter 3
Sustainability-linked solutions
Sustainability-linked KPIs for Henkel’s
supply chain defined

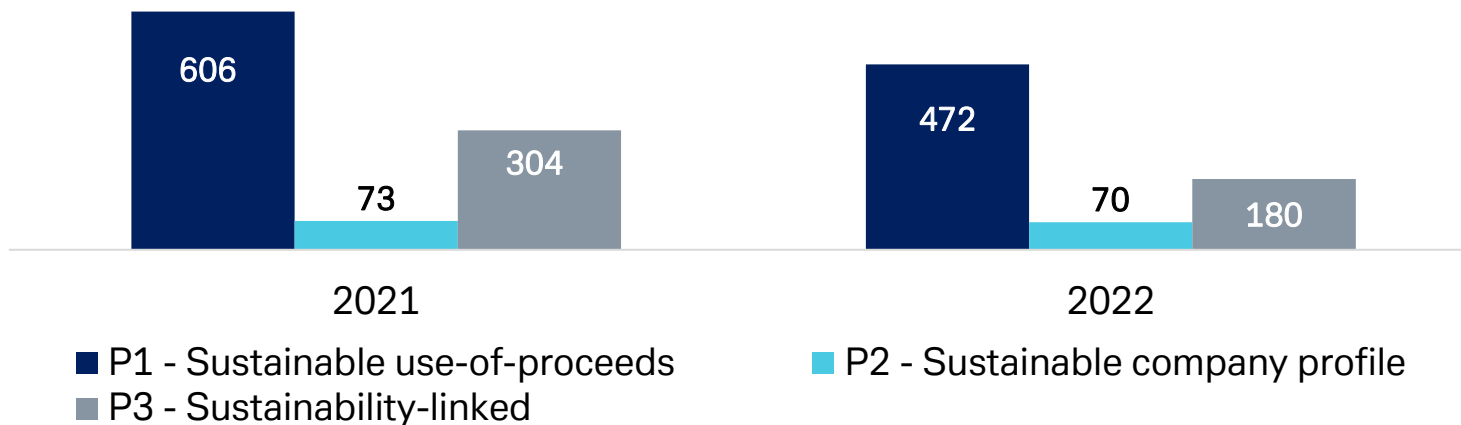
Sustainable finance classification - key data & facts




Key outcomes of Group Sustainability review

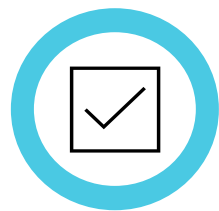


Sustainable finance transactions, split in P1, P2 and P3



 Increase in number of rejected transactions reflects growth of opportunities in economic activities with less well-defined standards and definitions

Note: Sustainable financing and investment activities as defined in DB's Sustainable Finance Framework and related documents, which are published on our website



Environmental and Social Due Diligence

Navigating a complex due diligence landscape



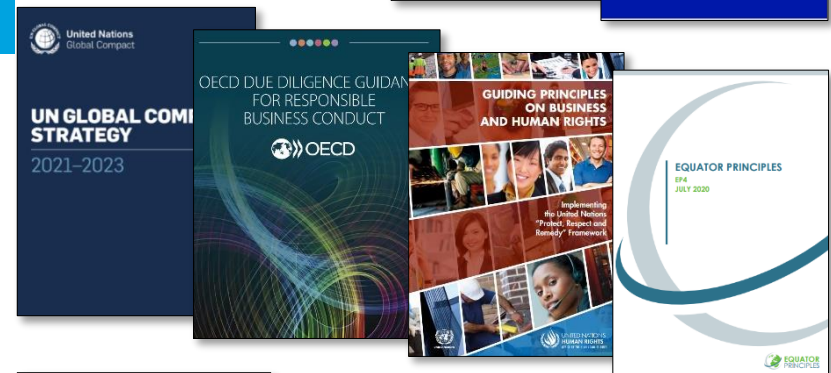
1 Our internal Environmental & Social policies...

- Introduced in 2011 and based on our commitment to conduct business responsibly
- Self-regulation in alignment with best practices in the financial industry
- Social is emphasized by public Human Rights Statement
- Embedded in our Code of Conduct
- Implemented following robust internal governance



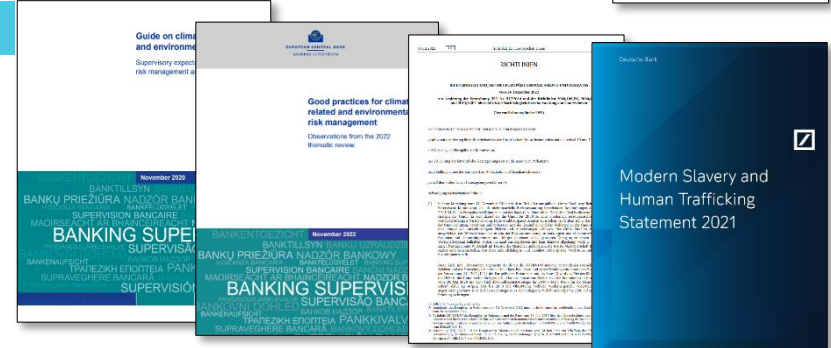
2 ...are built on international standards and principles...


- UN¹⁾ Global Compact: DB provides annual progress report
- OECD²⁾ Guidelines for Multinational Enterprises and underlying responsible business guidelines: DB joined the Advisory Group
- UN Guiding Principles for Business and Human Rights: DB joined the Thun Group of banks
- IFC³⁾ Performance Standards: DB has access to learning community
- Equator Principles: DB provides annual progress report



3 ...and will help us to adapt to more regulation on the horizon.

- EU Taxonomy and embedded DNSH⁴⁾ and MSS⁵⁾
- Corporate Sustainability Reporting Directive
- ECB⁶⁾ Guide on Climate-Related and Environmental Risks
- ECB thematic review and good practices compendium
- Modern Slavery Act United Kingdom and German Supply Chain Act
- Corporate Social Due Diligence Directive














 Ongoing enhancements of our long-standing self-imposed environmental and social standards will help us to cope with immature, but quickly developing regulatory landscape

1) United Nations 2) Organisation for Economic Co-operation and Development 3) International Finance Corporation 4) Do No Significant Harm 5) Minimum Social Safeguards
6) European Central Bank

Environmental and social requirements applied



Cross-sectoral topics		
	Human rights	No engagement in business activities where DB has substantiated evidence of material adverse human rights impacts without appropriate mitigation e.g., child and forced labor
	Deforestation	No direct involvement in deforestation of primary tropical forests
	World heritage sites	No activity within or close proximity to World Heritage Sites, unless the respective government agrees that an operation would not adversely affect the sites outstanding universal value
Industrial agriculture and forestry sector topics		
	Soft commodities	Expectations around certification and ES ¹⁾ management schemes for e.g. soy, beef, timber
	Palm oil	Minimum requirements of time-bound plan for RSPO ²⁾ certification by latest 2025
Fossil fuels and utilities sector topics		
	Mining	ES DD ³⁾ requirements; exclusions possible based on DD outcome
	Oil and gas	ES DD requirements; prohibitions relates to oil sands, hydraulic fracturing in extremely high water stress areas and Arctic
	Thermal coal	Exclusion for financing of new thermal coal mining projects and new coal power plants incl. associated infrastructure. Transition plans required for companies in scope of the policy incl. phase-out from thermal coal for companies in OECD countries by 2030 and for companies in non-OECD countries by 2040
	Nuclear and hydro	ES DD requirements; exclusions possible based on DD outcome
Defense, adult entertainment, gaming industry sector topics		
	Controversial weapons	Full exclusion of Anti-Personnel Landmines, Cluster Munitions, Chemical, Biological, Radiological and Nuclear weapons
	Adult entertainment and gaming industry	<ul style="list-style-type: none"> ■ ES DD requirements; exclusions possible based on DD outcome ■ Exclusion of any business associated with adult entertainment ■ Exclusion of online gambling B2C⁴⁾ operators with exposure to markets where gambling is prohibited

 Cross-sectoral topics  Industry-specific topics

1) Environmental & Social 2) Roundtable on Sustainable Palm Oil 3) Due Diligence 4) Business To Consumer

Environmental and social due diligence process



Transactions and clients that are subject to enhanced Environmental and Social Due Diligence based on our Environmental and Social Policy Framework follow a regular due diligence process with the following steps:



Environmental and social management

Evaluate client's approach to managing environmental and social issues given its sectoral and geographic risks exposure; assess using international standards such as Equator Principles or industry specific standards



Client dialogue / stakeholder dialogue

Understand potential stakeholders' concerns

Enhance internal due diligence process by engaging with clients and directly discussing topics and concerns



Setting terms and conditions

Define contractual details and post-closure monitoring approach

Escalation of cases with moderate and high-risk profile to the reputational risk process



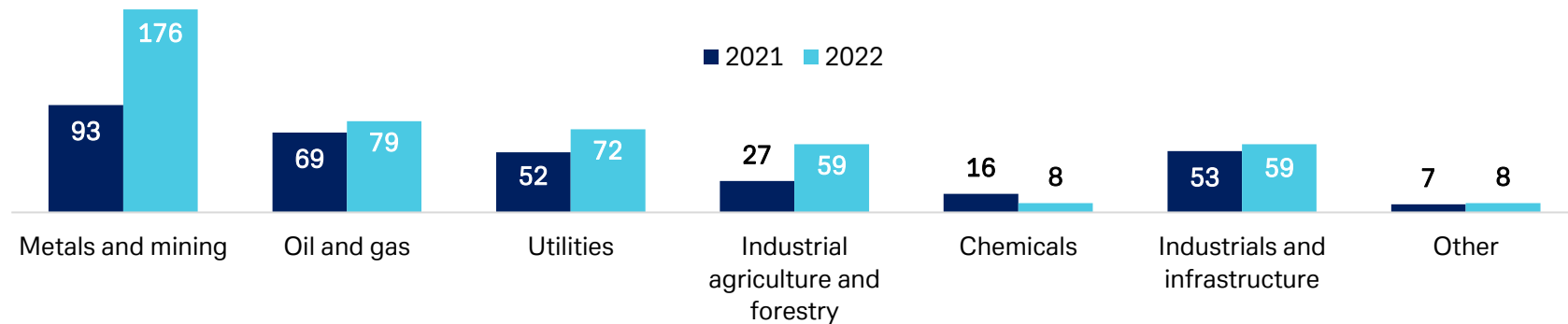
Binding decision

Decide on whether transaction can be executed under environmental and social considerations

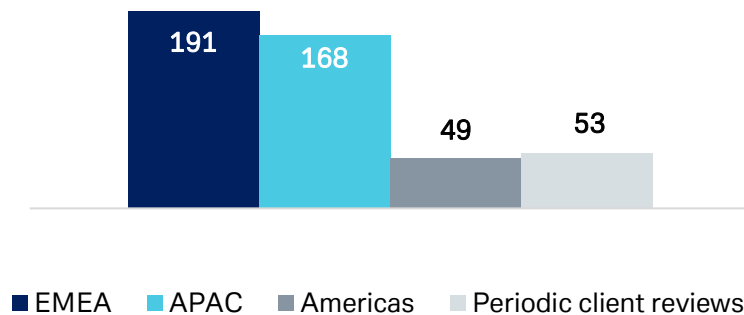
Environmental and social due diligence – key facts



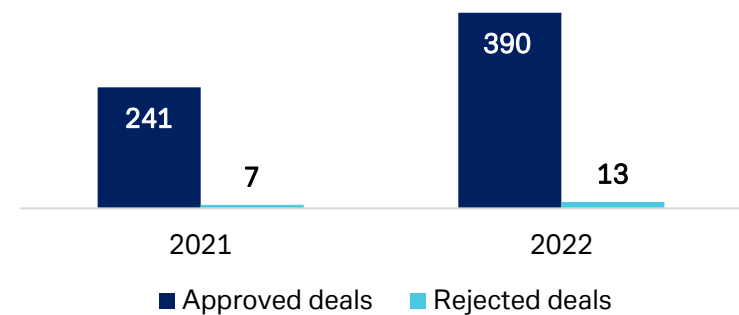
Sectoral distribution of referrals for client and transactional ES DD¹⁾




Regional distribution of referrals for ES DD, in 2022

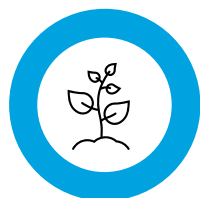


Key outcomes of ES DD²⁾



 Overall growth in ES due diligence referrals driven by recovery of economies after Covid pandemic, in particular with increase of transactions for review in metals and mining sector driven by growing demand for metals

1) Environmental and Social Due Diligence 2) 2021: Out of 317 referrals, 248 were closed. 2022: Out of 461 referrals, 403 were closed, remaining ones are still in the review process



Sustainable finance

- Expansion of **DB Green Financing Framework** to embed **social criteria**
- Regular update of **Sustainable Finance Framework** ahead of annual general meeting



Environmental and social due diligence

- Review of **Oil and Gas policy**
- Review of **nature related policy requirements** with focus on ocean and forest protection

Next steps



Our environmental and social due diligence requirements as well as sustainable finance classification criteria are under ongoing review and are being amended in line with recent developments

Key takeaways



- Processes for environmental and social due diligence and sustainable finance classification are well established
- Active dialog to support clients on their transition pathways remains key component for both processes, due diligence and sustainable finance classification
- With taxonomy landscape remaining fragmented, Deutsche Bank will continue to adapt its Sustainable Finance Framework to respond to clients' needs globally

Speaker biography – Viktoriya Brand



Viktoriya has been Head of Group Sustainability at Deutsche Bank since November 2016. She joined the bank in 2010 and Group Sustainability in 2012.

Viktoriya is the Deutsche Bank representative for various international initiatives on Sustainability, including the Banking Environment Initiative convened by the Cambridge Institute for Sustainability Leadership; the Corporate Responsibility and Sustainability Council of the international Conference Board; and the Sustainable Business Roundtable at the European School of Management & Technology.

Before joining Deutsche Bank, Viktoriya was a Senior Advisor in the Financial Services Risk Management division at Ernst & Young. There, she worked with clients in the financial sector on the implementation of capital requirements under Solvency Regulation and Minimum Requirements for Risk Management.

Viktoriya holds a Master's degree in Economics, with a minor in Finance, from Goethe-University in Frankfurt, Germany, as well as a Master's degree in French, German and English from the State Linguistic Institute, Ukraine.

Disclaimer



There are currently no uniform criteria nor a common market standard for the assessment and classification of financial services and financial products as sustainable or green. This can lead to different parties assessing the sustainability of financial services and financial products differently. In addition, there are various new regulations on ESG (environment, social, and corporate governance) and sustainable finance, which need to be substantiated, and further draft legislation is currently being developed, which may lead to financial services and financial products currently classified as sustainable or green not meeting future legal requirements for qualification as sustainable. Harmonized standards and calculation methods are expected to be developed and will also improve data quality.

The transition to a sustainable economy is a long-term undertaking. In its current stage, we are confronted with the limited availability of reliable data, esp. climate related data. It is inevitable to use estimates and models until improved data will become available. Our expectations on the increase of data quality are based on reporting obligations as currently developed. New regulations on reporting will likely become effective in the coming years.

This presentation includes metrics that are subject to measurement uncertainties resulting from limitations inherent in the underlying data and methods used for determining such metrics. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary. The information set forth herein is expressed as of end of December 2022 and we reserve the right to update its measurement techniques and methodologies in the future.

In addition, this presentation contains financial and other information which has been derived from publicly available information disclosed by persons other than us ("external data"). In particular, external data has been derived from industry and customer-related data and other calculations taken or derived from industry reports published by third parties, market research reports and commercial publications. Commercial publications generally state that the information they contain has originated from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the calculations contained therein are based on a series of assumptions. The external data has not been independently verified by us. Therefore, we cannot assume any responsibility for the accuracy of the external data taken or derived from public sources.

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