Introduction

As a member of the Banking Environment Initiative (BEI)\(^1\), Deutsche Bank together with eleven other financial institutions adopted the Soft Commodities Compact (the Compact)\(^2\), a voluntary initiative developed by The Consumer Goods Forum\(^3\) and the BEI in 2014. The Compact is an initiative through which the banking sector intends to help their soft commodity clients achieve zero net deforestation by 2020 in their soft commodities supply chains. This report outlines Deutsche Bank’s approach to meeting the objective of the Compact and our current progress.

Our approach for this report

**Products covered**: Banking services provided to clients active in palm oil, timber and soy sectors\(^4\) including, but not limited to, traditional credit products, capital markets services (e.g. debt and equity underwriting), trade finance, derivatives products and financial advisory roles.

**Clients covered**: We define ‘clients’ as clients of Deutsche Bank’s Corporate Bank and the Investment Bank with whose palm oil, timber and soy entities (growing & primary processing) we have an active banking relationship and/or credit exposure.

Conglomerates supported on general corporate purposes basis or with whom Deutsche Bank has a relationship with their non-agricultural entities only, are excluded from this report. Given the changing nature of markets, this review reflects the status of our client portfolio as per November 2019 on a best effort basis. If any further clients are identified in the course of ongoing review, they will be added to the regular monitoring.

**Minimum requirements for clients**: Deutsche Bank’s Environmental and Social Policy Framework\(^5\) formulates the guiding principles for conducting due diligence when assessing client relationships and transactions, including those in the palm oil, soy and timber sectors.

In addition to confirming compliance with national legislation, Deutsche Bank reviews client policies on protection of high conservation value (HCV) forests and peatlands, as well as the client’s management systems and track record with respect to protection of such habitats.

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\(^3\) [https://www.theconsumergoodsforum.com/](https://www.theconsumergoodsforum.com/)

\(^4\) No meaningful exposure to cattle farming has been identified throughout the review, therefore this report does not include beef sector.

We expect clients to demonstrate their public commitment (ideally in a policy document) to no deforestation of HCV areas or High Carbon Stock Forest, no peatland development, no exploitation.

Further, we expect clients to publicly disclose a commitment to commodity-specific certifications or best practice frameworks, such as those of the Roundtable on Sustainable Palm Oil (RSPO), the Roundtable on Responsible Soy Association (RTRS), the Basel Criteria for Responsible Soy Production (BCRSP), the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).

Commitment includes membership to and, where applicable, certification - or a time bound-plan to achieve certification - to the relevant standard.

**Our progress reporting**

With this report, we intend to demonstrate our progress towards meeting the objectives of the Soft Commodities Compact. The report is based exclusively on data publicly disclosed via the certification bodies’ or clients´ websites or sustainability reports. Given the current data availability limitations described below for each commodity, we are collaborating with other financial institutions to explore opportunities for the creation of a shared database, which would enable soft commodities companies share their certification data with their financiers in a more efficient and consistent manner.

The following charts illustrate the latest publicly available certification status of Deutsche Bank´s clients operating in the palm oil, soy and timber sectors. We also highlight data access limitations, as well as the steps that Deutsche Bank has taken in line with its commitments.

All data is anonymised.

1. **Palm Oil**

**Definition of ´time-bound RSPO certification plan´**: The time-bound plan for 100% RSPO certification of estates reflects the year reported in the Annual Communication of Progress (ACOP2018).

**Out of scope**: Time-bound plans for 100% RSPO certification of scheme/associated smallholders and outgrowers, or for independently sourced Fresh Fruit Bunches (FBB), are not in scope of this report, as these plans concern 3rd party certification which is not fully within our client’s sphere of influence. Hence, certified land under

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6 Schemed or associated smallholders - are structurally bound by contract, a credit agreement or planning to a particular mill. They do not choose which crop they grow, are supervised in their planting and crop management techniques, and are often organized, supervised or directly managed by the managers of the mill, estate or scheme to which they are structurally linked.
scheme/plasma smallholders is also not in scope for the calculation of the certification status.

**Limitations:** While this report is being issued in 2019, we acknowledge that the latest publicly available ACOPs date back to 2018. Hence, the up-to-date certification status of our clients may be more advanced than that reflected in the below chart. We will review the certification status once ACOP2019 is published.

We currently have 12 clients operating in the palm oil sector, as defined above. Clients 1-12 are RSPO members. Their certification status is illustrated below. For clients with target date for full certification beyond end of 2020, an engagement process has been launched. Delays in certification can be mainly attributed to pending approval processes with RSPO, legislative changes and new acquisitions. For clients 11 and 12, we are in the process of terminating the relationship.

**RSPO certification status of clients in the palm oil sector**

2. **Soy & Timber Products**

**Limitations:** While, based on publicly available information, 82% of our soy and timber clients disclose respective membership of RTRS or equivalent certification scheme based on BCRSP, FSC and PEFC and securing certifications with these bodies, not all report to which extent their operations or supply chains are certified (certification coverage). Furthermore, not all clients report on any time-bound commitments to achieve 100% certification. For a small fraction of clients without evidence of relevant membership or certification, an engagement process has been launched.
Percentage of soy clients with reported certification coverage
(82% of clients report RTRS or equivalent membership and securing certifications)

- RTRS certified (coverage not reported): 64%
- RTRS certified (coverage reported): 9%
- Certification based on the BCRSP (coverage reported): 9%
- No evidence of relevant membership or certification: 18%

Percentage of timber clients with reported certification coverage
(100% of clients report FSC and/or PEFC membership and securing certifications)

- FSC and/or PEFC certified (coverage not reported): 8%
- FSC and/or PEFC certified (coverage reported): 92%