



Deutsche Bank AG
Sustainability Deep Dive
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– Transcript –

Stefan Hoops – Corporate Bank

- Welcome to the Corporate Bank section of the Sustainability Deep Dive.
- My name is Stefan Hoops and I lead the Corporate Bank. We have served our clients across the world for more than 150 years, as their Global Hausbank.
- ESG is one of the key priorities for the Corporate Bank. In my presentation, I will outline the current market situation for our clients, how we are positioned to provide sustainable products and services and how the Corporate Bank aims to deliver a cumulative total of 30 billion euros of sustainable finance by the end of 2023.
- Over the course of the last year, industry and regulatory discussions around sustainability have gained significant momentum across all industries and regions.
- Banks need to balance their transitional support for clients, on the one hand working across sectors that are highly affected by ESG developments, on the other hand managing calls to focus on dark green investments.
- As Christian Sewing stressed earlier, Deutsche Bank is firmly committed to supporting all its clients who actively pursue their ESG transition.
- But this also means that we will have to say NO to certain transactions and sometimes even to doing business with a client, when we do not see a credible transition path.
- It is essential to find the right balance in supporting our clients in their transition.
- Why is this so vitally important?



- It is because over the last years, corporates have seen ESG shifting from a previously voluntary activity towards a strategic imperative, coupled with new disclosure requirements. Specifically, from 2022 onwards, European corporates with more than 500 employees will have to disclose the portion of revenues and capital expenditure aligned to the EU Taxonomy framework.
- In the US, corporates have to cope with the SEC Climate and ESG Task Force, and more frameworks are emerging elsewhere in the world.
- Overall, the need for transparency has increased. Coupled with a re-evaluation of business models in a situation without established uniform standards and coherent ESG data, corporate clients are faced with a high degree of uncertainty.
- As a consequence, the heightened relevance of sustainability issues drives clients to seek advice and guidance. In turn this offers banks a unique opportunity for holistic client dialogues.
- Using this opportunity wisely, those banks that manage to become the trusted partner in the transition will benefit from the redistribution of client wallet and, on the back of it, gain market share.
- Deutsche Bank is well positioned in this regard. Let me give you four reasons why:
 - **First, our network.** We are the Global Hausbank with local presence across the world. This means, we can support our clients at every step of their sustainability journey, covering a multitude of sectors, regions and regulatory regimes.
 - **Second, our support.** We provide bespoke transition finance solutions that cover a broad set of products and services. As such, we are able to address clients' climate change-driven capital expenditure needs.
 - **Third, our set-up.** Deutsche Bank's integrated treasury coverage teams orchestrate the close collaboration between the business lines across the Investment Bank and the Corporate Bank for our clients.



- **Fourth, our ESG progress.** What makes Deutsche Bank unique as a partner on the ESG transformation journey is that we were not just one of the first banks to translate the EU taxonomy into our own Sustainable Finance Framework. We have gone even further and developed it into the social arena. As such, we already provide clear process guidance for our clients. My colleague Viktoriya Brand will refer to this taxonomy in more detail later.
- There are many examples of how the Corporate Bank has already supported clients on their transition journeys.
- Let me briefly highlight two of them:
 - For British Airways, an airline with a stated goal of net zero emissions by 2050, Deutsche Bank arranged a two billion pounds agency-backed guarantee facility with margins linked to independently verified carbon emission targets. This deal is the first ESG-linked export finance loan in the UK.
 - In the crude steel production sector, which makes up 8% of global greenhouse gas emissions, we worked with Primetals Technologies.
 - For this client, in close partnership with our Investment Bank teams, we created the first global ESG-linked Foreign Exchange option trade structure. The transaction allows the company to hedge its currency risk with FX options. If the company fails to meet agreed sustainability targets, it pays a predefined sum to a contractually defined NGO.
- Now let me outline our roadmap.
- The Corporate Bank has four strategic ESG priorities, and each of them has clear milestones assigned until end of 2022.
- **First is advice.** We are aiming to develop a strategic ESG dialogue with every one of our roughly 2,000 multinational clients. As part of this process we make it mandatory to capture ESG information in our Client Relationship Management Tools. In addition, we are ramping up the advisory capacity to support our clients along their transition and importantly, help them to manage perception by investors and rating agencies.



- **Second is product.** We are developing a full range of ESG products and solutions with all types of lending, building on our existing product set. These services address clients' ESG needs, across trade finance, deposits, and FX hedging.
- By year end 2022, we aim to have provided more than 22 billion euros of ESG financing on a cumulative basis. Additionally, we will develop at least two scalable ESG solutions for our business banking segment in which we serve more than 800,000 clients in Germany alone.
- **Third is training.** We have established an ongoing up-skilling routine for our coverage teams with dedicated training to ensure competence with client and sector-specific ESG intelligence. In addition, we are providing regular ESG information flow to these teams, including case studies and thematic deep dives.
- **Fourth is addressing key ESG themes.** We are supporting the transition to an economy with net-zero carbon emissions by engaging in themes such as green hydrogen and biodiversity, alongside our International Private Bank. We are also focused on helping our clients maintain ESG compliant supply chains. We assist them by sharing latest industry knowledge through updated ESG information papers and video formats.
- Our business target is to increase the total volume of sustainable supply chain finance to one billion euros.
- A major theme for us - and I return to what I said earlier - is that we engage with our clients in the development of credible and tangible transition paths.
- Why is this so important?
- Imagine a large publically traded company with a legacy, non-ESG compliant production site. There will be a strong incentive to simply sell this facility to protect the ESG rating of the overall company.
- But who will be the buyer?



- Most large companies will face similar challenges and consequently, the buyer will likely be an entity with less focus on transparency and sustainability.
- Is this really desirable?
- Wouldn't this result in a worse environmental impact overall?
- Supporting tangible transition paths therefore includes offering transition finance to those companies that have a credible ESG journey ahead.
- We are "all in" for sustainable transition and this is precisely what we mean by Deutsche Bank's drive "from ambition to impact".
- In conclusion, let me summarise the three main takeaways:
- Our ambition is to be the trusted sustainability transition partner for our clients - as their Global Hausbank.
- We provide a full suite of ESG solutions tailored to serve clients' ESG ambitions and strategies.
- Overall, we are convinced that the Corporate Bank is well positioned to gain redistributed market share.
- Thank you!

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