Deutsche Bank AG
Sustainability Deep Dive
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– Transcript –

Viktoriya Brand – Sustainable Finance Taxonomy

- Hello and welcome.

- My name is Viktoriya Brand and I am Head of Group Sustainability.
- Let me pick up on one of the messages Gerald Podobnik just made -
- Our goal is not just to measure volumes, but to also measure the impact of our activities.

- There is an unprecedented focus on sustainability.
- Looking at the financial sector, in the last ten years, the green bond market experienced incredible growth.

- In 2020 total issuance almost doubled compared to 2019.

- But looking at the data we have to acknowledge that we, as a society, are still going in the "wrong" direction - be it on climate, or social indicators.

- So the legitimate questions are:
  - Are we on the right track?
  - Are we following the right parameters?
  - Are we speaking the same language - the right language - in Sustainable Finance?

- The fact is: as of today, industry, including the financial sector, lacks a cohesive, uniformly accepted agreement about what economic activities should be considered as sustainable; a common language to make the transition to a low-carbon future happen.

- What does this mean?

- It means high market uncertainty, and that our clients find it difficult to navigate this space,
- Using partly divergent definitions to achieve impact.

- This uncertainty represents a challenge:
- For businesses, on how to make longer term investment decisions, how to shift from 'brown' or unsocial business models to sustainable ones;
- For the financial industry, on how to allocate capital flows - to support the transition; and
- For all of us, on how to invest sustainably.

- The EU taxonomy is a welcome step
- But it is only a first step and many challenges still remain.

- As part of the solution we need a shared, global framework around what can be considered sustainable.
- A framework that helps us understand:
- the pathways to a net-zero carbon economy
- which technologies are acceptable in supporting this transition
- how we navigate regional differences; and
- how to make data available - which is needed to assess the sustainability of corporate activities and projects

- But we can't wait for all of this to happen. We have to act now.

- So let's take a closer look at how we at Deutsche Bank have reacted:

- In July 2020, Deutsche Bank published its Sustainable Finance Framework.

- What is the purpose of the Framework?

- First, It defines the eligibility of economic activities according to their contribution to the Paris Climate Agreement and SDG goals, and it establishes a clear set of criteria to be used; and
- Secondly, It outlines consistent internal processes and governance.
- The Framework covers both environmental and social dimensions.

- In defining environmentally sound activities - the framework supports the EU taxonomy.
- By doing so, Deutsche Bank is one of the first banks in Europe to link its definition of environmentally sustainable activities on a best effort basis to the EU taxonomy. This was acknowledged by ISS ESG, the consultancy who provided a second party opinion on our framework.

- And here's how it works:

- Earlier, Claire Coustar introduced a client example, SB Energy.

- The financed projects of 1.7 GW will help retire older coal-power plants in Texas and California and will deliver significant solar power capacity to those regions.
- It will also help the buyers of power to deliver on their own respective ESG commitments.

- The dedicated use of our financing proceeds allowed us to classify this deal as environmentally sound and hence eligible under our Sustainable Finance Framework.

- While we are setting standards for ourselves, we welcome - and want to accelerate - a discussion around having harmonised definitions and being transparent about those definitions.

- These were the principles we followed in our Framework:
  - *Credibility*: the taxonomy is the baseline for our formulated goal to move us from ambition to impact
  - *Transparency*: a highly granular and traceable means of categorizing
  - and classifying activities consistently
  - *Accountability*: holding ourselves responsible for our actions

- Our taxonomy wasn't created in a bubble: we spent months collecting intelligence, analysing existing definitions and standards in the market, determining best practices in order to create a dynamic standard.
- Since we published it, we've been focusing on three key areas:

- First, education: we have been training our client facing colleagues to understand the framework and to identify opportunities for clients to transition. Our target is to offer training on the taxonomy to 50% of relevant front-office staff by the end of 2021.

- Second, controls: we have established Taxonomy related controls in the business. In addition, Group Sustainability acts as a control function. In this function we validate the deal selection, and develop requirements to allow new products to be classified as ESG. In Q1 2021 we screened more than 200 deals and clients, resulting in 95% of deals confirmed as sustainable.

- And lastly, governance: the classification is often not black and white. In our bi-weekly Sustainable Finance Governance Forum we resolve open questions and opine on innovation in the Sustainable finance area. And these are tough discussions: since the establishment of the Forum at the beginning of 2021, we have reviewed 14 cases, 6 of which were not confirmed as sustainable based on our criteria.

- So what's next?
- Our Framework is just one step, but it is an important one in enhancing transparency and enabling us to implement the changes.
- Going forward we will engage with our clients, peers, and regulators in finding and shaping the right standards.

- We will keep working with our clients to support their transformation and help them understand the relevance of sound ESG disclosure.

- We will continue to improve our own transparency by also increasing ESG data quality and insights, based on science.

- In this way we want to make sure that we have maximum impact for a more sustainable world - and that the climate and social indicators move in the right direction.

- Thank you.

- And with this, I would like to hand over to my colleague Chris Jaques.

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