



Deutsche Bank AG
Sustainability Deep Dive
May 20, 2021

– Transcript –

Chris Jaques – Climate Risk Management

- Good afternoon, everyone.
- A warm welcome from my side!
- I’m Chris Jaques. I chair the Enterprise Risk Committee, whose mandate is to integrate sustainability into risk management at Deutsche Bank.
- Deutsche Bank already has well-developed and proven capabilities right across the risk management spectrum.
- We are committed to leveraging these capabilities, to support the sustainability agenda that Christian has outlined.
- In practice, that means developing the tools and methodologies needed to integrate sustainability and climate risks, specifically into our risk management framework.
- Let’s start with the challenges and opportunities we see in managing climate risk – both are substantial.
- The challenges start with data and methodologies – these are the foundation for us to be able to assess climate risks, and set confident portfolio reduction targets.
- We need to see a level of transparency, consistency and granularity in disclosures to enable us to draw sound conclusions and make robust risk management decisions.
- The data challenges, make it harder to develop the scenario analysis, stress testing, and other methodologies for assessing the alignment of pathways to the Paris agreement.
- That said, we cannot and will not wait for perfect data. We’re advancing our methodologies and analysis with the data that’s available today.
- Equally, the opportunities are also considerable:



- We can leverage strong risk management as an enabler, to guide both our portfolios and also our clients towards meeting their goals on carbon emissions.
- We can protect Deutsche Bank's own capital and balance sheet, ensuring capacity to support clients with their transition plans to lower carbon business models.

- As Christian said, these plans form the basis for client relationships in future.
- We are committed to help shape and influence common approaches. We engage actively with industry collaborative bodies as a founder member of the Net Zero Banking Alliance, as well as through our engagement with PCAF, SBTi and PACTA.
- To be clear: our approach is to incorporate climate risk management into our existing credit, market, non-financial and liquidity risk frameworks. We will do this with specific identification, measurement, analysis and appetite.

- We start from a position of relative strength.
- Today, in the financing of fossil fuel activity, Deutsche Bank is only a fraction of our leading peers.
- Our total activity is around one-fifth of the banks which are most active in fossil fuel financing, and we rank well outside the top-20 on this measure.

- We have steadily reduced our risk appetite to key carbon-intensive corporates in recent years. Since 2016 we have reduced our on balance sheet lending to these carbon intensive sectors by nearly a fifth.
- Total lending to these sectors now accounts for only 6% of our loan book.
- Since last year, we have completely discontinued direct financing of new oil and gas projects in the Arctic, and oil sand projects anywhere.
- By 2020, our residual exposure to thermal coal mining, had declined to around 300 million euros - a tiny fraction of our overall loan book of around 440 billion euros.

- Now, let's look at the toolkit we use, to manage climate risk in practice!

- It starts with our risk framework – there are several elements to this:
 - We have incorporated climate and wider ESG risks into our Group Risk Appetite statement;
 - We operate within a framework for concentration risk within given industries or countries.



- We have incorporated climate risk into this process including analysis of financed emissions and carbon intensity;
 - And we're strengthening and extending due diligence for carbon-intensive clients.
- In respect of risk identification, we use several tools:
- Our sustainable finance framework, which broadly supports the EU taxonomy, and
 - Our climate risk taxonomy. This complements the sustainability taxonomy which Viktoriya just outlined. Our climate risk taxonomy includes all assets, not just green assets.
- We currently monitor and measure climate risk in our loan book on several dimensions:
- First, the carbon intensity of our portfolio. We have run these numbers and continue to refine our approach. Data and methodologies differ between banks, so meaningful comparisons are difficult as of today. We are working with the industry to establish common approaches.
 - Second, the absolute emissions we finance through our lending activities.
 - Third, top-down scenario analysis. This assesses the resilience of certain key sectors under a range of temperature and policy scenarios.
 - To assess pathway alignment, we are running a pilot exercise based on PACTA methodology.
- These approaches will enable us to publicly disclose, at the end of next year, our current portfolio emissions, intensity and Paris aligned targets for key sectors.
- We're also preparing to incorporate the methodology for the ECB stress test in 2022.
- This toolkit enables us to assess, analyse and steer our portfolio. It also forms the basis for active dialogue with our clients on their transition plans.
- Lastly, in respect of external engagement: We're committed to playing an active role in addressing the key challenges of industry harmonisation and consistency through the alliances and partnerships that we've outlined.
- Let me now turn to the pathway to the Paris agreement.
- Joerg has described the steps we've taken on this path so far.
- Next year, we'll accelerate this:
- We'll participate in the ECB stress test for EU banks;
 - We aim to publish a green asset ratio target by mid next year;



- By the end of next year, we will announce specific targets on the path towards meeting the Paris agreement, and publish the carbon intensity of our loan portfolio.
- And we'll build substantially on our public disclosures.
- Year-end 2022 is significant because it also marks the timeframe for the execution of Deutsche Bank's transformation strategy.
- In other words: sustainability risk milestones are firmly embedded in Deutsche Bank's wider transformation agenda.
- With that, let me conclude:
- First: we are very well aware of the significant challenges.
- However, we're determined to seize the opportunities.
 - Deutsche Bank, our clients, and the banking industry, all have significant roles in defining and executing a pathway toward the Paris agreement
 - and we can leverage strong risk management together with our clients as a vital asset in reducing carbon emissions.
- Second: we're absolutely committed, as risk managers, to leverage our core competencies and use our climate risk toolkit to enable the alignment of our portfolio to the Paris targets.
- We're also committed to helping our businesses put credible transition plans at the heart of our relationships with clients.
- Finally: we have defined clear milestones over the next 18 months, as we help to complete Deutsche Bank's transformation strategy.
- Thank you!
- With that, back to Anke.



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