BANKTRACK

Soft Commitments, Hard Lessons: an analysis of the Soft Commodities Compact

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Contents

List of acronyms used

BEI - Banking Environment Initiative CGF - Consumer Goods Forum
CSPO - Certified Sustainable Palm Oil
FPIC - Free, Prior and Informed Consent
HCS - High Carbon Stock
HCV - High Conservation Value
ISPO - Indonesian Sustainable Palm Oil certification
IUCN - International Union for Conservation of Nature
NDPE - No Deforestation, No Peat, No Exploitation
NYDF - New York Declaration on Forests
PEFC - Programme for the Endorsement of Forest Certification
PP&T - Pulp, paper and timber
RSPO - Roundtable on Sustainable Palm Oil
RTRS - Roundtable on Responsible Soy
SCC - Soft Commodities Compact

Acknowledgements

Cover image: A girl stands beside a log pile on the edge of the Mekong river near the capital Vientiane in Laos. Logs are transported downriver before export. Photo by Rod Harbinson.

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1. Summary

Banks are exposed to serious deforestation risks from providing financial support to soft commodities companies engaged in destructive practices. 80% percent of global deforestation is a result of agricultural production, in large part for commercial agriculture including the production of commodities such as beef, soy, palm oil, cocoa, pulp, paper and timber. For that reason, when banks facilitate financial flows to forest-risk companies operating in these industries without effective controls in place to prevent that finance driving deforestation, they are also enabling and legitimizing these practices.

Major banks around the world are far from doing what is necessary to protect the world's remaining forests and tackle the global deforestation crisis. Over the last years, global banks have been pressured to make public commitments to stop deforestation and address human rights abuses in supply chains, investments and financing portfolios.

One result of this pressure was the launch in 2014 of the Soft Commodities Compact (SCC), a joint initiative of the Consumer Goods Forum and the Banking Environment Initiative, signed by twelve major European and US banks. Under the SCC, banks aim to support the goal of 'zero net deforestation' for clients in their commodities supply chains by 2020.

This paper analyses and compares these 12 banks' approaches under the SCC and finds that, as 2020 draws to a close, all banks have missed the mark. Examined against their own commitments, their record is distinctly patchy, with half of the banks failing to meet their basic reporting commitments under the Compact. More fundamentally, the world has not made progress towards halting forest loss, and the global commodities supply chains remain a major driver of this loss. Six years of the SCC have sadly failed to contribute towards the objective of 'zero net deforestation', and have shown that a 'zero net' goal, and a reliance on certification schemes as the primary means to get there, are inadequate to the task of ensuring banks provide finance in a manner that protects the world's forests.

Summary of recommendations

Based on this research, we provide the following six recommendations, which are further elaborated at the end of this paper. We recommend banks should:

1. Set their sights on achieving zero deforestation
2. Set No Go policies for protected areas and respect FPIC
3. Move beyond certification schemes and adopt NDPE approaches backed with robust due diligence
4. Demand traceability and transparency
5. Set concrete, time-bound and ambitious commitments
6. Disclose forest-risk clients and establish effective grievance mechanisms.

2. Introduction - what is at stake?

Large-scale conversion of forests to produce agricultural commodities is the most significant driver of deforestation worldwide. From 2014 to 2019, global deforestation has increased 43%, and in 2019 alone, 11.9 million hectares of tropical forests were lost. This is largely due to the expansion of industrial agriculture, with a considerable driver of agricultural expansion being the increasing global demand for everyday consumer goods, including beverages, food, cosmetics, and personal hygiene items.

Among the diverse range of soft commodities - i.e. commodities that are grown, as opposed to those that are extracted, such as metal and fossil fuels - soy, palm oil, beef and PP&T (paper, pulp and timber) are the four key "forest-risk commodities" that make commercial agriculture so profitable and so destructive to forests.

Soy: The global soy market is in rapid expansion worldwide. The soybean industry became one of the main causes of deforestation and displacement of small farmers and indigenous peoples, particularly impacting fragile ecosystems such as rainforests, savannahs and wetlands in South America, like the Amazon biome, the Cerrado Savannah, and the Paraguayan Chaco. The United States, Brazil, and Argentina together produce about 80% of the world's soy, and a large part of its rising global demand is due to its use as animal feed (90%), supporting the meat industry.

Palm oil: Palm oil is the most widely used vegetable oil worldwide, and is found in about 50% of the packaged consumer goods. 90% of all palm oil produced globally comes from Indonesia and Malaysia, leading to a series of human rights violations and widespread forest destruction. In the rainforest in Borneo, the island shared by both countries, since 1973 nearly 16,000 square miles have been burned for palm oil plantations, accounting for a fifth of its total deforestation.

Beef: The livestock industry is the largest agricultural driver of deforestation worldwide, with devastating impacts on the lives of rural communities, the increase of carbon dioxide emissions (deforestation due to cattle ranching releases, annually, 340 million tons of carbon into the atmosphere) and biodiversity loss. It is currently the major driver of deforestation (around 60%) in Brazil, particularly impacting the Amazon biome.

Paper, pulp and timber (PP&T): The pulp and paper industry is supplied by more than one hundred million hectares of forests and pulpwood plantations worldwide cover tens of millions of hectares of former forest lands. Frequent social conflicts are associated with the operations of this sector, and forest-dependent Indigenous peoples and local communities are directly impacted by this industry, which is expanding, especially in Asia and South America. The timber industry follows the same trend, with the global demand for low-cost timber products pushing the illegal logging in forests worldwide.

3. About the Soft Commodities Compact

The Soft Commodities Compact (SCC) describes itself as a "unique, company-led initiative that works with the banking industry to help transform soft commodity supply chains and help the banks' clients (companies) achieve zero-net deforestation by 2020". It was launched in 2014 by the Consumer Goods Forum (CGF), an industry-based network of 400 consumer goods companies, and the Banking Environment Initiative (BEI), a group of eight global banks with a mission "to lead the banking industry in collectively directing capital towards sustainable economic growth.

It has been adopted by 12 banks, including seven members of the BEI (Barclays, BNP Paribas, Deutsche Bank, Lloyds Banking Group, NatWest Group, Santander and Standard Chartered - HSBC joined the BEI in 2018 and therefore did not adopt the SCC) and five non-members (JPMorgan Chase, Rabobank, Société Générale, UBS and Westpac).

Most banks are also signatories to other initiatives and frameworks regarding the social and environmental impacts of their business practices. For example, all except JPMorgan Chase are signatories to the UNEP-FI-backed Principles for Responsible Banking (PRBs). These commit signatories to "align their business strategies" with both the Paris Agreement and the Sustainable Development Goals (SDGs), the latter of which include the goal to "halt deforestation [and] restore degraded forests" by 2020.

Table 1: Bank adopters of the SCC by adoption date

Date	Banks
September 2014	Barclays, BNP Paribas, Deutsche Bank, Lloyds Banking Group, NatWest, Santander, UBS, Westpac
January 2015	Rabobank
July 2015	Standard Chartered
November 2015	JPMorgan Chase, Société Générale.

Compact banks make two main commitments:

1. **Financing the transformation of supply chains**: banks should use "all reasonable endeavours to work with CGF supply chains to explore how they can finance the growth of the markets producing **palm oil, timber products, soy and beef** to the CGF's required zero net deforestation standards in ways appropriate to their individual business models."

2. **Raising industry-wide banking standards**: "Compact banks will prioritise the establishment of the internal mechanisms such that by 2020 all corporate and investment banking customers whose operations include significant production or processing of **palm oil, timber products or soy** in markets at high risk of tropical deforestation can verify that these operations are consistent with zero net deforestation". Details of this second commitment are outlined in the SCC, with an emphasis on the requirement of certification of customers' operations, but also that this should be achieved alongside banks' own due diligence processes.

Note that beef is included in the first commitment but excluded from the second. The Compact notes that "compact banks recognise that additions to this commitment may be needed in the future, such as including commodities like beef, international commodity traders and other banking services. Compact banks will work with the CGF to determine whether and how this can be achieved."

Under the Compact, and in accordance with its Technical Guidance, each participating bank can decide on its own approach to meeting the Compact's goals. Generally, banks are expected to: 1) set and communicate their approach to supporting the Compact; 2) confirm that their customers have a time-bound plan to achieve compliance with their approach; and 3) confirm that the bank's customers' production or processing operations are compliant with the bank's approach.

The Technical Guidance also includes three Key Performance Indicators (KPIs) against which adopting banks should report. We have used these KPIs as a basis to assess banks' performance where possible:

- **KPI 1:** Bank has published details of its approach to supporting the Soft Commodities Compact
- **KPI 2:** Percentage of the bank's customers in each relevant soft commodity supply chain with all of their operations covered by a time-bound plan to achieve compliance with the bank's approach to supporting the Soft Commodities Compact by 2020
- **KPI 3:** Percentage of the bank's customers' production or processing operations in each relevant soft commodity supply chain that have been verified as being compliant with the bank's approach to supporting the Soft Commodities Compact.

Two particular concerns regarding the SCC's commitments are the emphasis on 'zero net deforestation' rather than 'zero deforestation', and its reliance on certification schemes as means to achieve this aim.

3.1 The problem with 'zero net'

It is important to note that 'zero net deforestation' refers to a very different forest accounting practice to 'zero deforestation'. As with climate commitments concerning reach 'net zero' in carbon emissions, the little word 'net' does a lot of work.

Zero deforestation means, straightforwardly, that no forest areas should be cleared or converted - an end to the conversion of all existing forest land. However zero *net* deforestation allows for the clearance or conversion of forests in one area, as long as an equal area is replanted elsewhere. No change should be made to the total forested area, but new forests must be planted to compensate for the loss of converted forests.

The BEI uses WWF's definition of zero net deforestation, which "allows for changes in the configuration of the land-use mosaic, as long as the net quantity, quality and carbon density of forests is maintained." However certain aspects of the 'quality' of a forest, such as the biodiversity level, ecosystem and cultural value, are difficult, if not impossible to quantify and replace.

In addition, with zero net deforestation, where primary or natural forests are converted into fast growing plantations, the total extent of a vaguely defined 'forest area' may remain the same, but the quality, carbon density, biodiversity, water retention, soil quality and other crucial ecosystem functions of the forested area alter considerably.

Primary forests are fundamentally irreplaceable, and as well as being major strongholds for global biodiversity, they have numerous ecosystem benefits, including climate change mitigation and adaptation, since they are extremely carbon rich. Currently, only about 32% of the world's forests are primary forest, and 75% of them can be found in just seven countries, among which are Indonesia, Brazil, and the Democratic Republic of the Congo. These are precisely the regions that have been highly exposed to deforestation risks due to the expansion of agribusiness associated with the production of commodities, including palm oil, soy, timber and beef.

The SCC Technical Guidance notes that bank policies should prioritise avoiding the conversion of High Conservation Value (HCV) and High Carbon Stock (HCS) areas; however, this is not an explicit requirement of signatory banks and our analysis shows that not all banks have adopted the SCC's guidance on this point (see "5. Our findings").

3.2 Certification schemes: up to the job?

There are various voluntary certification schemes in the agricultural sector that aim to ensure sustainable production of a variety of commodity crops. Examples include:

- **for palm oil**, the widely-adopted Roundtable on Sustainable Palm Oil (RSPO), introduced in 2004, and Indonesian Sustainable Palm Oil (ISPO) standard, introduced in 2011 as a mandatory requirement for all palm oil growers and millers in Indonesia;
- **for soy**, the Roundtable on Responsible Soy (RTRS), introduced in 2006, and the Basel Criteria for Responsible Soy Production, in 2004; and
- **for timber**, the Forest Stewardship Council (FSC), founded in 1993, and the Programme for the Endorsement of Forest Certification (PEFC), in 1999.

For beef, certification schemes and data on the sustainable production of beef are both limited. The Global Roundtable for Sustainable Beef (GRSB), established in 2010, exists as a multi-stakeholder forum but has not established a certification system.

The SCC has been reliant to a great extent on certification as a means for banks to meet the zero net deforestation goal. However, a number of problems with these schemes call into question their effectiveness, particularly in soy and palm oil. The key certification schemes for these commodities, RSPO and RTRS, are both considered by the Compact as "starting point" (although its exclusion of less credible standards such as ISPO and MSPO should be recognized as a positive).

Both RSPO and RTS are considered by many expert organisations to have been failing to address sourcing transparency across the supply chains, and insufficient to ensure the transformation that these sectors require. RSPO's principles and criteria have been long considered by NGOs such as Friends of the Earth and the World Rainforest Movement (WRM) as weak in areas including labour rights, forest and peatland protection, and prevention of forest fires, in some cases failing in preventing the conversion of secondary or degraded forests and allowing plantation development in peatlands.

In 2018, a number of improvements were made in the RSPO certification standard, including the incorporation of High Carbon Stock Approach (HCSA). However, not all of the criticisms of the scheme have been addressed, such as the lack of tools to ensure robust implementation of its principles and criteria related to assessing and managing peatlands and the protection for human rights defenders and the lack of proper enforcement. The CGF itself has criticized the standard when recognizing that they "have found that certification is a tool, but not the comprehensive solution the world needs to end deforestation. Certifications create market segmentation. There is still a demand for commodities from converted land and local economic incentives to continue this practice. This limits our leverage."

RTRS, in turn, lacks provisions for the identification of High Conservation Value (HCV) areas and the use of independent assessment for both HCV and High Carbon Stock (HCS) areas. It has received criticisms from organizations worldwide for flaws that include its weak forest protection measures and the certification of unsustainable genetically modified RoundupReady (RR) soy monocultures.

One response to the failure of certification to adequately stop environmental and social abuses has been the development of No Deforestation, No Peat, No Exploitation (NDPE) policy frameworks, with traceability as a key component. These policies involve more detailed, comprehensive commitments going beyond the requirements of law or certification schemes. "No deforestation" is typically realised through protecting HCV and HCS areas; "no peat" through avoiding planting on peat of any depth; and "no exploitation" through protecting human rights, workers' rights and the rights of local communities and indigenous peoples, including to free, prior and informed consent (FPIC). Research shows that NDPE policies have contributed to less deforestation for palm oil.

In the Forestry sector, FSC and PEFC certification are the most commonly used schemes and are both recognised as "starting points" by the SCC. While the SCC does not make any distinction between FSC and PEFC, many CSOs hold the position that only independent third party certification is acceptable and that, currently, only the FSC comes close to guaranteeing sustainable forest management. There are, however, also critics to this certification scheme and controversies associated to FSC's "controlled wood" label, which aims to ensure that timber does not come from illegal sources but does not require traceability back to the point of harvest and requires field verification for only a small sample of suppliers.

4. Methodology and scope

This report assesses whether the SCC has achieved its stated goal to "lead the banking industry in aligning with the CGF's resolution to help achieve zero net deforestation by 2020" and whether banks have met their commitments under the SCC, in particular to ensure that by 2020 all corporate and investment banking customers operating in the commodity sectors covered can verify that these operations are consistent with zero net deforestation.

For each bank we have analysed publicly available policies and reporting, including reporting published on the SCC website, and sought to answer the following questions:

- Does the bank have sector policies in place for soy, beef, palm oil and PP&T that require certification as a minimum requirement for each commodity, in line with KPI 1?
- Does the policy prioritize avoiding the conversion of forests with a High Conservation Value (HCV) or that are considered to be High Carbon Stocks (HCS), in line with the technical guidance?
- Does the bank report on the progress of clients towards meeting the bank's approach under the SCC, in line with the technical guidance?
- How close is the bank to meeting the goal of 100% of customers' production or processing operations being verified as compliant with the bank's approach to the SCC, in line with KPIs 2 and 3?

Although our main objective is to show the extent to which banks have met their commitments under the SCC, this should not be taken as an endorsement of the SCC's approach, and we also critically assess in this report how suitable these targets and certification schemes are for the goal of stopping and reversing deforestation.

We contacted all banks covered in this report and held conversations with representatives of six banks regarding their policies and reporting, as well as possible next steps regarding the initiative. We used the Forests & Finance database to identify all types of financing (loans, underwriting, bonds, shareholdings, etc.) from Compact signatory banks to forest-risk companies since the initial year of the commitment (2014) until the first quarter of 2020. These companies include but are not limited to CGF's members.

5. Our findings

5.1 Table of results

	Q1. Are policies requiring certification in place?				**Q2.** Do policies avoid conversion of HCV/HCS forests?				**Q3.** Has the bank reported on clients' progress under SCC?			**Q4.** Are all clients meeting bank's SCC approach?*				
Sub-sector	**Soy**	**Palm oil**	**Beef**	**PP&T**	**Soy**	**Palm oil**	**Beef**	**PP&T**	**Soy**	**Palm oil**	**PP&T**	**Soy**	**Palm oil**	**PP&T**	**Total /14**	**Exposure level****
RBS/NatWest	1	1	1	1	1	1	1	1	1	1	1	1	0.5	1	13.5	Medium
Barclays	1	1	0	1	1	1	0	1	1	1	1	0.8	0.8	1	11.6	High
Standard Chartered	0.5	1	0	1	1	1	1	1	1	1	1	0	0.5	0.8	10.8	High
Santander	0.5	0.5	0	1	0.5	0.5	0.5	0.5	1	1	1	0.8	1	1	9.8	V high
Deutsche Bank	0.5	1	0.5	0.5	0.5	0.5	0.5	0.5	1	1	1	0.5	0.5	1	9.5	High
JPMorgan	1	1	0	0.5	0	0	0	0.5	1	1	1	1	0.5	1	8.5	V high
UBS	1	1	0	1	1	1	0	1	0	0	0	0	0	0	6	Low
Westpac	1	1	0.5	1	0.5	0.5	0.5	0.5	0	0	0	0	0	0	5.5	Medium
BNP Paribas	0.5	1	0.5	1	0.5	1	0	0.5	0	0	0	0	0	0	5	V high
Lloyds Banking Group	0	1	0	1	0	1	0	1	0	0	0	0	0	0	4	Low
Rabobank	0.5	0.5	0	0.5	1	1	0	0	0	0	0	0	0	0	3.5	V high
Société Générale	0.5	0.5	0	0.5	0	1	0	1	0	0	0	0	0	0	3.5	Medium

Legend:
Q1: 1 = Yes, policy in place requiring certification as a minimum requirement; 0.5. = Policy in place but certification not a clear requirement; 0 = Policy does not require certification.
Q2: 1 = Yes, policies clearly exclude finance for activities that involve clearance of HCS and HCV forests; 0.5 = Yes for one, or yes but without clear exclusion criteria; 0 = No
Q3: 1 = Yes, the bank reported on progress of its clients towards meeting its commitments under the Soft Commodities Compact; 0 = No
Q4: 1 = Bank reports that 100% of its clients in the sector are compliant with the bank's approach to the SCC; 0.8 = 80% compliance or above; 0.5 = 50% compliance or above; 0 = less than 50% compliance, or bank does not report.

Notes
*The percentage of customers' production or processing operations verified as compliant with the bank's approach to supporting the Compact is solely based on the clients assessed and the data made available by the bank. As outlined in the Technical Guidance, it is up to individual banks to consider whether a customer's operations include "significant" production or processing of the commodities. Some banks' clients do not report to which extent their operation or supply chains are certified (certification coverage).
**See table in 4.2, below.

5.2 Exposure to forest-risk commodities

Total lending and underwriting to forest-risk companies, 2014 - Q1 2020, USD m						
Bank	**Soy**	**Palm oil**	**Beef**	**PP&T**	**Total**	**Label**
Rabobank	1,069.92	1,326.99	1,481.30	3,902.72	7,780.93	Very high
JPMorgan Chase	137.95	652.79	480.31	4,924.70	6,195.75	Very high
Santander	1,274.24	58.08	3,113.75	1,227.76	5,673.83	Very high
BNP Paribas	142.38	633.63	106.54	4,735.41	5,617.96	Very high
Barclays	126.03	341.99	260.44	68.51	796.97	High
Standard Chartered	74.65	555.28	10.61	132.10	772.64	High
Deutsche Bank	56.52	160.06	63.88	201.74	482.20	High
Westpac	62.85	286.73	3.11	46.66	399.35	Medium
Société Générale	65.00	142.92	7.94	114.83	330.69	Medium
NatWest	29.05	85.45	6.44	77.21	198.15	Medium
Lloyds Banking Group	7.57	21.94	3.15	4.86	37.52	Low
UBS	0.13	9.11	-	-	9.24	Low

Source: forestsandfinance.org

5.3 Commentary on findings

The record of SCC signatory banks in ensuring their client companies reach the goal of zero net deforestation by the end of 2020 is patchy. No bank has clearly reached this goal, while some banks have reported good progress and others have failed to put in place robust sector policies and to meet their reporting requirements. More significantly, the record of even the best-performing banks in continuing to finance companies and projects that cause deforestation reveals that the SCC's goal of 'zero net', and its reliance on certification schemes as the primary means to get there, is inadequate to the task of ensuring banks provide finance in a manner that protects the world's forests.

We find a group of six banks (**RBS/NatWest, Standard Chartered, Barclays, Santander, Deutsche Bank** and **JPMorgan**) followed the SCC’s recommended Key Performance Indicators and reported information on the proportion of its clients in each commodity that are compliant with the bank’s approach to supporting the Compact (usually the proportion of clients that are certified). While some of the remaining six banks provided some contextual reporting on their implementation of the SCC, they did not report data on the percentage of their clients that reached certification, or otherwise complied with the bank’s approach. Some banks, such as **Rabobank** and **BNP Paribas**, scored poorly despite having comprehensive policies in place in terms of thematic scope.

Rabobank is the bank with the highest level of exposure to forest-risk companies, and yet it scores at the bottom of our table. Rabobank does provide narrative report on the Soft Commodities Compact, but rather than providing data on clients’ progress towards certification, it reflects the number of customers “formally engaged” on sustainability matters related to deforestation, which does not allow for evaluation of its progress towards ensuring client operations are certified.

Standard Chartered should also be highlighted for taking a different approach to its reporting. It makes use of a reporting approach that categorises clients as “red”, “amber” or “green”, according to their alignment with its position statements. Unlike other banks, it goes beyond certification to consider other requirements, such as the commitment to NDPE policies. This is a particularly welcome approach, although as with the other banks in this report, it is difficult to establish a direct impact on deforestation levels in its portfolio.

Banks performed well in our assessment where they followed the SCC approach and elaborated policies based on certification; excluded finance for HCV and HCS forests; reported on the proportion of their clients that attained certification; and finally succeeded in ensuring a high level of certification among their clients. However, does this mean they avoided financing deforestation? Certainly, high scores here do not preclude very high levels of exposure to forest-risk commodities. Santander is the best-performing company in our table among those with a “very high” credit exposure to these commodities, and the level of its credit exposure has grown by some 45% since the SCC began.[1]

Some banks should also be recognised for requiring, for example, the respect for Free, Prior and Informed Consent (FPIC) in their soft commodities policies (**Barclays, BNP Paribas, Westpac**), and for excluding developments affecting UNESCO World Heritage Sites (**BNP Paribas, Deutsche Bank, JPMorgan Chase, Santander, UBS**).

1 Santander’s credit exposure to the four commodities covered was USD 1,612 million in the period 2013-2014, and grew by 45% to reach USD 2,346 million by 2018-19

6. Findings per bank

6.1 Barclays

Finance for forest-risk sectors: ● High
Total SCC implementation score: 11.6 / 14

Between 2014 and 2020, Barclays' total lending and underwriting for forest-risk companies amounted to USD 797 million. Barclays is the second largest creditor of Archer Daniels Midland (ADM), the third largest creditor of JBS, and the fourth largest creditor of Cargill, companies whose supply chains are exposed to deforestation risks. JBS is the world's biggest beef company based on sales and is linked to Amazon deforestation.

Total lending and underwriting to forest-risk companies, 2014-Q1 2020, USD m	
Soy	126.03
Palm oil	341.99
Beef	260.44
PP&T	68.51
Total	**796.97**

For more information on Barclays see the bank's profile here.

Policy commitments (KPI 1)

Barclays' approach to its commitments under the SCC is set out in its Forestry and Palm Oil Statement, updated in February 2019, and its Forestry and Agricultural Commodities Statement, launched in August 2020, which replaced this. This covers all financial services in these sectors and declares that clients are subject to enhanced due diligence and are analysed against environmental and social risk criteria, which include the management of direct environmental issues including deforestation, biodiversity protection, and impacts on protected areas.

Strong points

- The bank states that it has "no appetite" for providing financial services to forestry, pulp and paper or palm oil companies involved in activities such as illegal logging or trading and use of illegal or uncontrolled fire in forestry or plantation operations.
- The banks require all forestry, palm oil and soy companies to prohibit the conversion or degradation of primary tropical forests, High Conservation Value (HCV) or High Carbon Stock (HCS) areas and peatlands; and to achieve full certification of all owned production and primary processing facilities.
- It requires its forestry, pulp and paper and palm oil clients to achieve full certification (RSPO and FSC or PEFC) of all owned production and primary processing facilities. For palm oil clients, it expects producers and primary processors to adopt No Deforestation, No Peatland, No Exploitation (NDPE) policies.
- Although its policy statement on Forestry and Palm Oil did not include soy until August 2020, the bank reported on the certification status of soy clients at the end of 2019. (The bank included soy in its new policy statement launched in August 2020.)
- Forestry, palm oil and soy clients are analysed against specific environmental and social risk considerations that include the adoption of the Free, Prior and Informed Consent (FPIC) principle.

Points for improvement

- Barclays' Forestry and Agricultural Commodities Statement does not address the specific social and environmental issues arising for different commodity types sector in the different stages of their supply chains (e.g. differentiation of requirements for plantations, processors, commodity traders, consumer good companies).
- Its position on NDPE policies does not cover all sectors.
- It expects companies to "work to obtain the consent" of Indigenous and local communities affected by their operations through a credible FPIC process. This is positive but it is not clear whether securing FPIC is a requirement, nor what happens where FPIC is not obtained.
- For forestry clients, a national scheme endorsed under PEFC is accepted certification, with no differentiation made between FSC and weaker PEFC certification.
- It also does not yet include its beef sector clients in its statement, although the bank has provided a remarkable USD 260.44 million of credit to this industry between 2014 and 2020.

Reporting and results (KPIs 2 and 3)

Barclays most recently reported on its progress towards meeting its SCC commitments in its December 2019 Soft Commodities Compact Progress Report, which includes in its scope clients with palm oil and timber operations.[2] Although Barclays' sector policy on Forestry and Palm Oil at the time of this reporting did not cover clients operating in the soy supply chain, those with soy growing or primary processing operations in higher deforestation risk countries were included in the report. The bank's approach to reporting progress on client alignment with the zero net deforestation goal relies on the verification of the proportion of clients that have achieved membership and/or certification from Roundtable on Sustainable Palm Oil (RSPO) for palm oil; Forest Stewardship Council (FSC) or a national scheme endorsed against the Programme for the Endorsement of Forest Certification (PEFC) for timber products; and the Roundtable on Responsible Soy (RTRS) or International Sustainability & Carbon Certification (ISCC) for soy. According to the bank, the KPIs 2 and 3 were merged in the progress report. 80% of its assessed palm oil clients (4 out of 5) have achieved partial certification, and 80% of its soy clients are certified. 100% of its timber clients are certified, 89% of them with coverage reported.

Progress towards meeting 100% compliance with the bank's zero-net approach:

Percentage represents the proportion of clients in each sector that is at least partially certified under a relevant certification scheme. For more details see the bank's reporting. Source: Barclays, 2019 Soft Commodities Compact Progress Report

2 The Barclays Soft Commodities Compact Progress Report says that "Clients included in this report are those with palm oil, timber or soy growing or primary processing operations in higher deforestation risk countries. [...] We exclude from this report conglomerates that may be involved in these activities but where we have a relationship only with non-agribusiness entities."

6.2 BNP Paribas

Finance for forest-risk sectors: ● Very high
Total SCC implementation score: 5 / 14

BNP Paribas is one of the largest financiers of forest-risk commodities. It is among the top 15 global creditors of these sectors, with some USD 5.6 billion of credit directed to forest-risk companies in soy, palm oil, beef and PP&T between 2014 and 2020. A massive part of its financing went to the pulp and paper and timber sectors (USD 4.7 billion). BNP Paribas is also the largest creditor of Cargill, a company with some of the highest deforestation footprints, and the largest financier of Suzano, the world's largest pulp producer, whose plantations are linked to deforestation and social conflicts.

Total lending and underwriting to forest-risk companies, 2014-Q1 2020, USD m	
Soy	142.38
Palm oil	633.63
Beef	106.54
PP&T	4,735.41
Total	**5,617.96**

For more information on BNP Paribas see the bank's profile here.

Policy commitments (KPI 1)

BNP Paribas' approach to the Soft Commodities Compact is set out in its Sector Policy on Palm Oil (2017), Sector Policy on Wood Pulp (2011) and Agriculture Sector Policy (2015). BNP Paribas' sector policies are comprehensive in terms of setting mandatory requirements for clients across the different stages of the supply chains of each specific sector, and the evaluation criteria established for the bank to carry out an analysis of the considered companies. The bank's position on the protection of forests is also declared in the statement on its CSR Statement "BNP Paribas Commitments to the Environment" (2017).

Strong points

- The bank **requires** wood pulp and palm oil clients to have membership of certification schemes or a time-bound plan to achieve full certification, as well as restricting activities resulting in the conversion of protected areas (such as UNESCO World Heritage Sites and High Conservation Value areas) into plantations, although these areas are not in its exclusion list.
- Its Agriculture Sector Policy states that it will only provide financial products or services to Agriculture projects that are not located in a list of protected areas.
- Its Palm Oil policy sets clear mandatory requirements and evaluation criteria for upstream and downstream companies.
- Its Sector Policies on Palm Oil and Agriculture highlight that some of the mandatory requirements for companies are in line with NDPE commitments.

Points for improvement

- Its Agriculture Sector Policy should set as a **minimum mandatory requirement** the verification of applicable certification for soy and beef customers.
- For forestry clients, a national scheme endorsed under the Programme for the Endorsement of Forest Certification (PEFC) is also accepted as certification.
- It **does not have a specific sector policy** for clients operating in the soy and beef sectors, despite significant exposure to these sectors.

Reporting and results (KPIs 2 and 3)

The bank has not published a progress report on the Soft Commodities Compact's commitments to this date.

Progress towards meeting 100% compliance with the bank's zero-net approach:

Soy:	**Unknown**
Palm oil:	**Unknown**
PP&T:	**Unknown**

6.3 Deutsche Bank

Finance for forest-risk sectors: ● High
Total SCC implementation score: 9.5/14

Between 2014 and 2020, Deutsche Bank's total lending and underwriting for forest-risk companies amounted to USD 482 million. The bank is the fifth largest creditor of Cargill, and the seventh largest creditor of ADM.

Total lending and underwriting to forest-risk companies, 2014-Q1 2020, USD m	
Soy	56.52
Palm oil	160.06
Beef	63.88
PP&T	201.74
Total	**482.20**

For more information on Deutsche Bank see the bank's profile here.

Policy commitments (KPI 1)

Deutsche Bank has established a set of 'guiding principles' to promote sustainable business in its Environmental and Social Policy Framework, in which it addresses soy, timber, palm oil, and beef. It has also published a separate palm oil statement which requires a certification plan for plantations or mills in accordance with the RSPO criteria as a minimum standard.

Strong points

- For palm oil clients, the bank **requires** certification or time-bound commitment to RSPO certification.
- In its guidelines for Agriculture and forestry, the bank **expects** clients to demonstrate a zero-net deforestation commitment or policy, and **expects** policies on new developments, including commitments to no new plantations on peatlands and to conduct a High Conservation Value (HCV) assessment before any new plantation development.
- It states that **it will not engage** in business relationships where there is clear and known evidence of clearing of primary tropical moist forests, illegal logging or uncontrolled and/or illegal use of fire, or impacts on UNESCO World Heritage Sites.
- The Environmental and Social Policy Framework has comprehensive coverage of the four soft commodities sectors, including beef.

Points for improvement

- For timber, soy and beef the bank's Environmental and Social Policy Framework only states a **preference** for clients to be certified or to be guided by industry best practices and initiatives (FSC, Basel Criteria for Responsible Soy Production, Global Roundtable for Sustainable Beef), in contrast to palm oil where certification is required.
- The bank **does not have specific sector policies** in place addressing the specific social and environmental issues of each commodity sector, and does not set requirements for the different stages of the supply chains (for example, from plantations to refiners and traders).
- For forestry clients, a national scheme endorsed under the Programme for the Endorsement of Forest Certification (PEFC), a weaker standard than FSC (see above), is accepted.
- It **does not** address the protection of HCS forests in its policy, and its framework does not include requirements for clients to implement NDPE commitments.

Reporting and results (KPIs 2 and 3)

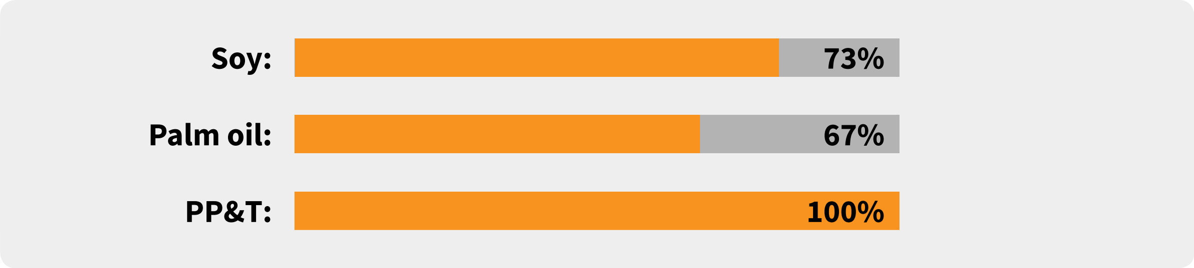
In 2019, Deutsche Bank published its Soft Commodities Compact Progress Report, which covers clients operating in the palm oil, timber and soy supply chains. Its approach to tracking the progress of clients is based on their certification status.

For its palm oil clients, the bank reported the RSPO certification status of 12 clients (anonymised, without details of their relative size or the bank's exposure). While this reporting leaves questions open, it is more comprehensive than that of many of its peers. The bank's data show:

- seven clients with between 60% and 100% of own operations certified, none of which are yet at 100% certification; and
- four clients with 0% of their own operations certified, and one with less than 10% of operations certified. Only five out of the ten clients that set a target date for full certification established 2020 as a target date. For clients that have not set target dates for certification, the bank states that it is "in the process of terminating the relationship".

For soy clients, 73% are RTRS certified (the percentages reported by the bank are based on publicly available information, with not all of the clients reporting to which extent their operations or supply chains are certified - certification coverage). This includes 64% with coverage not reported and 9% with coverage reported. For timber clients, 100% are FSC and/or PEFC certified (92% with coverage reported and 8% with coverage not reported).

Progress towards meeting 100% compliance with the bank's zero-net approach:



Percentage represents the proportion of clients in each sector that is at least partially certified under a relevant certification scheme. For more details see the bank's reporting. For palm oil clients, this represents the eight out of twelve clients that achieved at least partial certification, including one client with less than 10% of its operations certified. For more details see the bank's reporting. Source: Deutsche Bank, Soft Commodities Compact Progress Report.

6.4 JPMorgan Chase

Finance for forest-risk sectors: ● Very High
Total SCC implementation score: 8.5 / 14

JPMorgan is among the top five global creditors of the soft commodities industry, and has alone funnelled around USD 6.2 billion into forest risk companies between 2014 and 2020. JPMorgan is the second largest creditor of Suzano, with some USD 4.5 billion of finance for the company during this period. JPMorgan has provided USD 653 million in credit to palm oil companies including Wilmar International and Olam International, to which it is the fifth largest creditor. The bank plays a key role in financing Brazilian major soy traders and meatpackers, with USD 480 million in credit to major beef companies such as JBS, Minerva (fifth largest creditor), and Marfrig. It is the third largest creditor of Cargill and the fourth largest creditor of ADM.

Total lending and underwriting to forest-risk companies, 2014-Q1 2020, USD m	
Soy	137.95
Palm oil	652.79
Beef	480.31
PP&T	4,924.70
Total	**6,195.75**

For more information on JPMorgan Chase see the bank's profile here.

Policy commitments (KPI 1)

JPMorgan Chase sets out its sustainability strategy in its Environmental and Social Policy Framework (last updated in February 2020). The Framework addresses palm oil, soy and timber and requires an 'enhanced review' for these sectors, including a requirement of certification. Although JPMorgan recognises that "the RSPO framework has been criticized on the basis that the rigor applied to the certification process is insufficient in some territories and that, according to certain constituents, the RSPO Principles and Criteria do not adequately address all the relevant E&S issues", it does not offer an alternative or commit to any complementary measures to track the progress of its clients in making their supply chains deforestation-free.

Strong points

- The bank **requires** clients to be certified by RSPO for palm oil, RTRS for soy, and FSC for timber. PEFC, a weaker standard, is not accepted as equivalent to FSC.
- It has a **list of prohibited activities**, which includes financing for operations with impacts on UNESCO World Heritage Sites and for companies involved in illegal logging.

Points for improvement

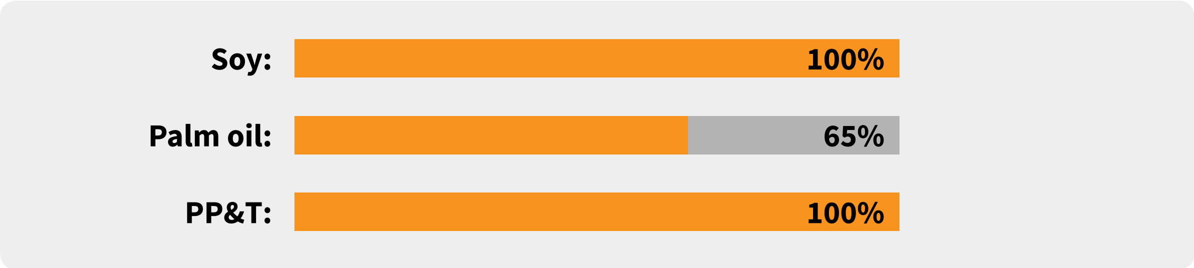
- It has an **enhanced review** process for forests transactions impacting internationally recognized areas, legally protected areas and critical habitats, including UNESCO World Heritage Sites, Ramsar Sites and IUCN protected areas. These should rather be included in the list of prohibited activities.
- Its framework does explicitly not go beyond the requirement for certification, e.g. by subjecting clients in forest-risk sectors to additional due diligence. Its policy does not prioritize avoiding the conversion of forests with a High Conservation Value (HCV) or forests that are considered to be High Carbon Stocks (HCS).
- The bank's policies do not include requirements for clients to implement NDPE commitments.

- It does not have specific sector policies in place for each commodity addressing the specific issues related to the different stages of supply chains.
- Its Policy Framework does not include beef, despite significant exposure and risks associated with this sector.

Reporting and results (KPIs 2 and 3)

In 2017, JPMorgan reported on its progress toward meeting its commitments under the SCC by publishing the percentages of its clients in the palm oil, timber, and soy sectors that achieved certification. For palm oil, six clients have 0% of their operations fully certified, one out of 17 clients have reached 100% RSPO certification, and three have reached above 60% RSPO certification. For soy, 100% of clients are RTRS certified – however, this includes 50% with coverage reported and 50% with coverage not reported. For clients operating in the timber industry, 100% are FSC certified – this includes 71% with coverage reported and 29% with coverage not reported.

Progress towards meeting 100% compliance with the bank's zero-net approach:



Percentage represents the proportion of JPMorgan's Corporate and Investment Bank (CIB) clients in each sector that is at least partially certified under a relevant certification scheme. For palm oil clients, this represents eleven out of seventeen clients that achieved at least partial certification. For more details see the bank's reporting. Source: JPMorgan Chase, 2017 Soft Commodities Compact Report.

6.5 Lloyds Banking Group

Finance for forest-risk sectors : ● Low
Total SCC implementation score: 4 / 14

Lloyds Banking Group has among the lowest level of credit for forest-risk companies in the soft commodities sectors, with some USD 37 million in credit between 2014 and 2020. Its main forest-risk clients are Cargill, Bunge and Louis Dreyfus Company.

Total lending and underwriting to forest-risk companies, 2014-Q1 2020, USD m	
Soy	7.57
Palm oil	21.94
Beef	3.15
PP&T	4.86
Total	**37.52**

For more information on Lloyds Banking Group see the bank's profile here.

Policy commitments (KPI 1)

In 2020, Lloyds Banking Group set out its business standards for soft commodities in its External Sector Statements, under the headings "Agriculture (Incl. Agricultural Commodities)" and "forestry (including palm oil)".

Strong points

- The bank's statement **requires** palm oil and timber clients to comply with relevant industry standards and certification schemes (RSPO and FSC or PEFC).
- The bank endorses the **New York Declaration on Forests** (NYDF).[3]
- The bank states that it will not support businesses directly involved in the removal of primary or HCV forests, illegal logging and the removal or harm of peatlands.

Points for improvement

- The bank states that it will **review customer operations** in areas such as the High Conservation Value Forests, UNESCO World Heritage Sites, UNESCO Ramsar Sites, whereas these areas should rather be added to a prohibition list.
- The bank **does not have specific sector policies** nor clear requirements for different stages of the commodities supply chains, or differentiation between upstream and downstream companies.
- It **does not require** RTRS certification for soy clients.
- For forestry clients, national schemes endorsed under PEFC are accepted as certification, although a weaker standard than FSC.
- Its statement for the Agriculture sector only recognizes environmental risks associated with the sector; **it does not set any concrete requirements for companies.** It also does not refer to soy.
- The Agriculture statement does address HCV forests, although the Forestry statement does. Neither statement addresses HCS forests.
- It does not provide detailed information on its process of review for customer operations in protected areas.
- The bank's policies do not include NDPE commitments.

3 The New York Declaration on Forests (NYDF) is a voluntary and non-binding international declaration to take action to halt global deforestation. Its endorsers have committed to doing their part to achieve the NYDF's ten goals and follow its accompanying action agenda.

Reporting and results (KPIs 2 and 3)

The bank has not reported on the progress of its clients to date.

Progress towards meeting 100% compliance with the bank's zero-net approach:

Soy:	**Unknown**
Palm oil:	**Unknown**
PP&T:	**Unknown**

6.6 NatWest Group

Finance for forest-risk sectors: ● Medium
Total SCC implementation score: 13.5/14

The bank has provided USD 198 million in credit to forest-risk companies in palm oil, soy, beef and PP&T between 2014 and 2020. Forest-risk clients include Olam International and Cargill.

Total lending and underwriting to forest-risk companies, 2014-Q1 2020, USD m	
Soy	29.05
Palm oil	85.45
Beef	6.44
PP&T	77.21
Total	**198.15**

For more information on NatWest Group see the bank's profile here.

Policy commitments (KPI 1)

NatWest's Environmental, Social and Ethical (ESE) risk management framework was established in 2011 and includes a sector position for Forestry, Fisheries and Agribusiness (FFA), which comprises the soft commodities (updated July 2020). The policy position for FFA outlines the bank's ESE policy requirements for project-specific lending and general corporate lending.

Strong points

- In its customer lending policy, it expects clients to demonstrate commitment and compliance to mitigating ESE risk through a series of actions, such as policies, demonstration of good governance to manage ESE risks, and transparency.
- It defines and differentiate activities for project-specific lending and general corporate lending between prohibited (does not support customers and/or transactions), restricted (customers undergo enhanced due diligence and evaluation every one or two years) and normal (customers are assessed for ES on a five-yearly basis) activities.
- It **requires** clients to adhere to recognised sustainability standards, including certification schemes for soft commodities sectors.
- It also includes beef in its policy approach, requiring clients' membership of the Global Roundtable for Sustainable Beef (GRSB).

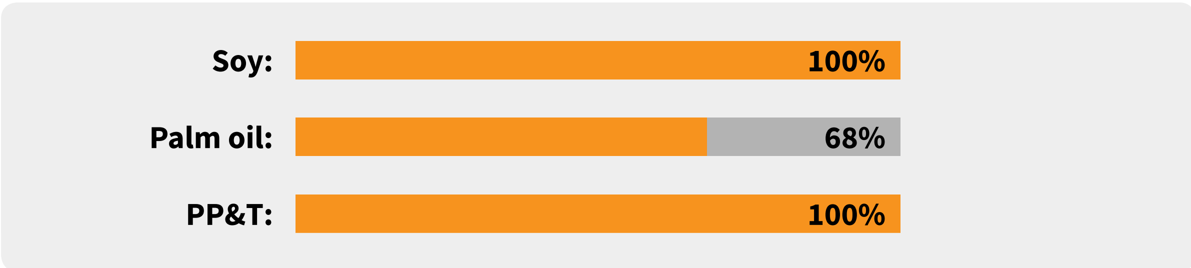
Points for improvement

- Operations in protected and biodiverse areas such as HCV forests, Ramsar Sites and UNESCO World Heritage Sites are considered 'restricted' rather than 'prohibited'.
- For timber clients, the bank does not differentiate between FSC and PEFC certification.
- The bank does not clearly define what it means by its requirements for "good governance and controls", and does not have specific requirements for different stages of the commodities supply chains.
- The bank's policies do not include NDPE commitments.

Reporting and results (KPIs 2 and 3)

In its 2020 Soft Commodities Compact Reporting, the bank reported on the progress of customers that fall within the scope of its position on Forestry, Fisheries and Agribusiness; those sourcing soft commodities from tropical regions. It reports against both KPIs 2 and 3, stating that 68% of its palm oil clients are RSPO certified and 32% have the goal for 100% certification between 2020 and 2024. This goes beyond the target year of the Compact for achieving zero-net deforestation in supply chains. For soy, 100% of customers within the scope are RTRS certified, although the extent of coverage is not reported. For timber, 29% of the clients who fall into the scope are FSC certified, and 71% are PEFC **and** FSC certified - in both cases, coverage is not reported. The bank did not report on the progress of its clients operating in the beef industry.

Progress towards meeting 100% compliance with the bank's zero-net approach:



Percentages cover clients of the bank's Commercial Banking and NatWest Markets divisions where they are sourcing soft commodities from tropical regions, and represent the proportion of clients in each sector that is at least partially certified under a relevant certification scheme. For more details see the bank's reporting.Source: NatWest, 2020 Soft Commodities Compact Reporting.

6.7 Rabobank

Finance for forest-risk sectors: ● Very high
Total SCC implementation score: 3.5 / 14

The bank is among the top five global creditors for forest-risk commodities. Between 2014 and 2020, Rabobank provided USD 7 billion in credit to these sectors. Among Compact banks, Rabobank is the largest creditor of Sinar Mas, one of the largest conglomerates in Indonesia and a company with a track record of land rights violations and over 100 active community conflicts in its supply chain. The bank is also the tenth largest creditor of Wilmar International and a major creditor of Suzano.

Total lending and underwriting to forest-risk companies, 2014-Q1 2020, USD m	
Soy	1,069.92
Palm oil	1,326.99
Beef	1,481.30
PP&T	3,902.72
Total	**7,780.93**

For more information on Rabobank see the bank's profile here.

Policy commitments (KPI 1)

Rabobank's approach to the SCC is set out in its 2018 Sustainability Policy Framework. In addition to the core policy "Environment" and the theme policy "Investing in Agricultural Commodities Derivatives Policy", the Sustainability Policy Framework covers a series of specific sector policies, which include Forestry, Soy, Livestock Farming and Palm Oil.

Strong points

- In the soft commodities sector policies, Rabobank **expects** companies to be certified, and also expects forestry and soy clients to establish a documented traceability system. Forestry clients are expected to avoid illegal use of fires for clearing of forest, and for those that did not achieve full certification, the bank expects them to commit to achieving certification and refrain from deforestation of primary forests or wetlands.
- Its palm oil policy requires clients that have not achieved RSPO certification to commit to achieving No Deforestation, No Peat, No Exploitation (NDPE).
- In its exclusion list it excludes finance for companies logging or purchasing logging equipment for use in primary tropical moist forest.
- The bank's policy is comprehensive in covering beef as well as soy, palm oil and PP&T, although there are points for improvement (see below). Its sector policy on Livestock Farming sets sustainability standards for the sector, including the safeguard of living conditions for livestock and the pollution effects of cattle transportation.
- The bank has a partnership with the UN Environment Programme for forest protection, sustainable land use and agriculture, and published a declaration on deforestation focused on Brazil and a commitment to Sustainable Agriculture and Forests.

Points for improvement

- The bank fails to address specific issues in the Brazilian soy and beef value chains, the major deforestation drivers in the country, in its declaration on deforestation and commitment to Sustainable Agriculture and Forests. These issues include the need for strong monitoring systems for cattle suppliers operating in the Amazon and the growing interest of soy trading companies in funding infrastructure (notably the Ferrogrão railroad) for the expansion of the soy frontier in the Cerrado, the world's most biodiverse savannah.
- Its policy **"expects" but does not require** as minimum mandatory requirement the applicable certification of clients.
- The **requirement for NDPE** compliance should be extended to clients in all forest-risk sectors, regardless of having achieved certification.
- **HCV areas** are only mentioned in the Palm Oil and Soy policies and the Biodiversity theme policy, but not in the Forestry Policy nor the exclusion list.
- Its Livestock Farming Policy is focused on requirements concerning living conditions and animal welfare, and **neglects deforestation**, only addressing the issue by expecting clients to ensure "responsible grazing practices that do not negatively impact on biodiversity and natural habitats".

Reporting and results (KPIs 2 and 3)

Rabobank reports on its progress under the Compact in an appendix to its 2019 Progress Report. However the bank does not report against KPIs 2 and 3, as outlined in the SCC's Technical Guidance. Rabobank states that it formally engages with clients on sustainability issues related to deforestation and non-compliance with its policies, establishing time-bound plans for improvements. Clients performance is assessed according to five categories (frontrunner, mainstream, laggard, non-compliant and improvement plan), based on a measurement and scoring framework that considers the following components: client's sustainability strategy, governance, transparency, supply chain and operational approach.

Progress towards meeting 100% compliance with the bank's zero-net approach:

Soy:	**Unknown**
Palm oil:	**Unknown**
PP&T:	**Unknown**

6.8 Santander

Finance for forest-risk sectors: ● Very high
Total SCC implementation score: 9.8 / 14

Santander is among the top 15 global creditors to the soft commodities sectors. Between 2014 and 2020, its provided credit to these sectors amounting to some USD 5.7 billion. The bank is a major financier of the beef sector (USD 3.1 billion) and second largest creditor of JBS, the world's biggest beef company based on sales and a company extensively linked to Amazon deforestation. Other forest-risk clients include Brazil's second and third largest beef companies, Minerva and Marfrig, and the pulp and paper company Suzano.

Total lending and underwriting to forest-risk companies, 2014-Q1 2020, USD m	
Soy	1,274.24
Palm oil	58.08
Beef	3,113.75
PP&T	1,227.76
Total	**5,673.83**

For more information on Santander see the bank's profile here.

Policy commitments (KPI 1)

In January 2020, Santander published its updated general policy on the Soft Commodities Sector, which together with its General Sustainability Policy, sets the bank's approach to the Compact.

Strong points

- The Soft Commodities Policy sets out a list of **prohibited and restricted activities** which include projects or activities located in Ramsar Sites, World Heritage Sites or areas categorized as I, II, III or IV by the IUCN.
- The Policy addresses all four commodities covered by the SCC, **including beef** (under "agriculture and cattle ranching").
- In 2020, Santander launched the Plano Amazônia (or Amazon Plan), together with the Brazilian banks Bradesco and Itaú, in which it commits to act towards the **goal of zero deforestation in the beef industry** through the engagement with companies operating in the sector.

Points for improvement

- The bank **does not have specific sector policies** to address the specific environmental and social issues of each commodity and of different stages of the supply chains, (e.g. differentiation of requirements for plantations, processors, commodity traders, consumer good companies).
- Its policy "takes into account as best practices", but **does not require** certification of clients.
- Policies do not include requirements to avoid the conversion HCS and HCV forests and these areas are not mentioned in the list of prohibited and restricted activities.
- Its framework does not require forest-risk clients to establish NDPE commitments .
- The bank does not report on the progress of its customers operating in the beef industry towards its zero-deforestation goals, despite the commitments made for that sector.

Reporting and results (KPIs 2 and 3)

Santander's approach to reporting on the progress of customers relies on verification of compliance with certification schemes. Its Soft Commodities Compact 2019 report is incorporated as an annex of its Climate Finance Report 2019 - 2020 and reports the level of certification achieved: 100% of palm oil clients are RSPO certified, 89% of soy clients are either RTRS certified, RTRS members or buy RTRS/ISCC certified soy (although the report does distinguish between members of RTRS and those that received full certification), and 100% of timber clients are FSC certified.

Progress towards meeting 100% compliance with the bank's zero-net approach:[4]

Percentages represent the proportion of Santander's Corporate and Investment Banking clients partially certified under a relevant certification scheme. For more details, see the bank's reporting. Source: Santander, Climate Finance Report 2019 – June 2020.

4 According to the bank, this percentage refers to active clients of the Corporate and Investment Banking division in each sector.

6.9 Société Générale

Finance for forest-risk sectors: ● Medium
Total SCC implementation score: 3.5 / 14

Société Générale's credit for the four soft commodities sectors amounts to some USD 330 m between 2014 and 2020. Forest-risk clients include COFCO, Cargill, Suzano, Sinar Mas Group, and Bunge.

Total lending and underwriting to forest-risk companies, 2014-Q1 2020, USD m	
Soy	65.00
Palm oil	142.92
Beef	7.94
PP&T	114.83
Total	**330.69**

For more information on Société Générale see the bank's profile here.

Policy commitments (KPI 1)

Société Générale sets out its approach to the SCC in its 2016 sector policies for Agriculture, Fisheries and Food, Forestry and Forest Products, and Palm Oil. The policies have a similar outline and describe particular aspects to be taken into account in the risk assessment of clients' activities and transactions in these sectors.

Strong points

- The bank has **specific sector policies** in place for each commodity, referring to relevant sector-specific criteria and standards.
- Its Forestry and Palm Oil policies **require** customers' operations not to affect and plantations not to be created by the replacement of primary forests or HCV areas.
- For palm oil, it is a requirement that, for new transactions, plantations are RSPO certified.

Points for improvement

- Its policies only **encourage rather than require** certification for soy and timber clients.
- The bank's description of its implementation process for E&S risks assessments states that the bank will "take appropriate measures" if the standards are not met, however it does not explain these.
- It does not have a sector policy for clients operating in the beef industry, despite its financial links with Cargill, as forest-risk figures linked to livestock production show.
- Its Agriculture, Fisheries and Food policy **does not refer to or prioritize** avoiding the conversion of HCV or HCS areas.
- Its framework does not require forest-risk clients to establish NDPE commitments.

Reporting and results (KPIs 2 and 3)

Société Générale has not reported on its progress under the Compact to this date.

Progress towards meeting 100% compliance with the bank's zero-net approach:

Soy:	**Unknown**
Palm oil:	**Unknown**
PP&T:	**Unknown**

6.10 Standard Chartered

Finance for forest-risk sectors: ● High
Total SCC implementation score: 10.8 / 14

Between 2014 and 2020 Standard Chartered's lending and underwriting for the four soft commodities sectors amounted to USD 772.6 million. The bank is the second largest creditor of Olam International, and is a financier of other forest-risk companies including Marubeni, Cargill, and Bunge.

Total lending and underwriting to forest-risk companies, 2014-Q1 2020, USD m	
Soy	74.65
Palm oil	555.28
Beef	10.61
PP&T	132.10
Total	**772.64**

For more information on Standard Chartered see the bank's profile here.

Policy commitments (KPI 1)

Standard Chartered's integration of the Soft Commodities Compact is set out in the bank's Position Statement on Agro-Industries. This statement covers palm oil, soy and timber and outlines sector-specific criteria against which it assesses its clients. The statement is notable for requiring palm oil clients to publicly commit to NDPE standards and for the exclusion of financial services to soy operations that directly impact the Brazilian Amazon and Cerrado biomes. The latter is further outlined in its revised approach for Soy.

Strong points

- The bank states that it **will not provide financial services** for new plantations or livestock ranches which convert or degrade HCV or HCS areas, peatlands or designated legally protected areas.
- The Agro-industries Position Statement **includes beef**, although the standards are focused on animal welfare in livestock operations and not on deforestation risks linked to the industry.
- The bank will only provide financial services to palm oil clients that publicly commit to NDPE standards, verified by credible assessors.
- The bank requires certification for Forestry (FSC) and Palm Oil (RSPO) clients.
- For soy clients, although the bank only requires participation in the RTRS (not full certification), it requires clients to commit to and report regularly on efforts to achieve full traceability of the soy supply chain. The particular approach to soy production in the Amazon and the Cerrado in the Soft Commodities Compact statement is welcome, since it **prohibits direct financing** to operations that grow, process or trade soy from these regions.

Points for improvement

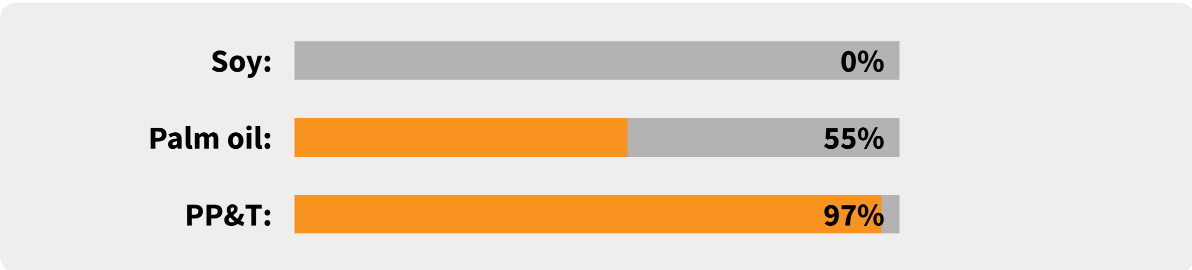
- The bank's approach to the beef industry should require a system for supply chain traceability and monitoring of secondary and tertiary cattle suppliers.
- For soy clients, RTRS certification should be a minimum requirement.
- The requirement for NDPE compliance should be extended to clients in all sectors.
- For forestry clients, PEFC or equivalent schemes are currently accepted as equivalent to FSC certification, PEFC represents a weaker standard.

- The bank's revised approach for soy from the Cerrado (August 2020) gives flexibility for clients to source, process and trade soy from the region. However, the Cerrado is the world's most biodiverse savannah and is being threatened by the expansion of the soy agricultural frontier in the Matopiba region, after the Amazon Soy Moratorium resulted in a shift in soy production away from the Amazon to the Cerrado.[5]

Reporting and results (KPIs 2 and 3)

The bank's tracking mechanism across the sectors is reflected in the bank's 2019 Soft Commodities Compact reporting, which uses a red, amber or green categorisation to provide an indication on which of the clients are adherent or have a time-bound plan to be adherent to the bank's position. For palm oil, the reporting is based on the certification status of clients. For forestry, reporting is based on certification and policies around HCV and HCS forests, fire and preservation of primary forest or legally protected areas. For soy, reporting is based on clients' implementation of a Sustainable Sourcing Policy, and/or operation in a Chain of Custody system under a recognised industry certification scheme (i.e. RTRS Chain of Custody standards for soy) as well as compliance to the prohibition on direct financing to operations that grow, process or trade soy from the Brazilian Amazon and Cerrado. In 2019, 55% of palm oil clients and 97% of forestry clients were classified as 'green'. For that year, 100% of soy clients were considered to be 'amber', and 0% 'green'.

Progress towards meeting 100% compliance with the bank's zero-net approach:[6]



Percentages refer to the proportion of clients categorised by the bank as "green", not the percentage of clients certified for each sector. For more details see the bank's reporting. Source: Standard Chartered 2019 Soft Commodities Compact report.

5 Important to note that Standard Chartered is, together with CGF members, a signatory of the Cerrado Manifesto, and therefore committed to adopt policies that eliminate deforestation and conversion of native vegetation in the biome.

6 The percentage verified for Standard Chartered's forestry and soy customers do not necessarily represent the percentage of customers' production or processing operations that were verified as compliant with the certification schemes applicable, since the bank's approach for progress reporting includes the verification of certification, alongside other criteria.

6.11 UBS

Finance for forest-risk sectors: ● **Low**
Total SCC implementation score: 6 / 14

UBS' total lending and underwriting for forest-risk commodities sectors between 2014 and 2020 amounted to USD 9.24 million. However, the bank has a much larger level of exposure to the sector through its shareholdings and bondholdings, of which it holds some USD 97 million. This includes exposure to Sinar Mas Group, – whose pulpwood concessions and those of its suppliers had the largest burned area of any corporate group in 2019 –, Bunge, ADM and Cargill.

Total lending and underwriting to forest-risk companies, 2014-Q1 2020, USD m	
Soy	0.13
Palm oil	9.11
Beef	-
PP&T	-
Total	**9.24**

For more information on UBS see the bank's profile here.

Policy commitments (KPI 1)

UBS addresses soft commodities in its Forests and Biodiversity position statement as part of its Environmental and Social Risk Policy Framework. This includes assessment criteria for soft commodities transactions including lending and trade finance.

Strong points

- The bank **requires companies to publicly commit to achieve full certification**, with available evidence, according to applicable sustainability certification schemes (RSPO, RTRS, FSC or PEFC).
- The bank stipulates a list of activities that contribute to deforestation in which the bank will not engage (Controversial Activities) **or** will only engage in under stringent criteria (Areas of Concern). The list includes business activities with impacts on UNESCO World Heritage Sites, Ramsar sites, and High Conservation Value forests.
- The bank requires palm oil companies to be committed to NDPE.

Points for improvement

- The requirement of NDPE compliance should be extended to clients in all forest-risk sectors.
- The bank **does not have specific sector policies** in place to address the specific environmental and social issues of each commodity sector and does not set requirements for the different stages of the supply chain, for example, from plantations to refiners and traders.
- For forestry clients, national schemes endorsed under the PEFC are accepted alongside FSC, although PEFC is a weaker standard.
- The bank does not establish requirements for transactions relating to the beef industry in its framework despite significant exposure via shareholdings and bondholdings.

Reporting and results (KPIs 2 and 3)

UBS has not reported on its progress under the Compact to date.

Progress towards meeting 100% compliance with the bank's zero-net approach:

Soy:	**Unknown**
Palm oil:	**Unknown**
PP&T:	**Unknown**

6.12 Westpac

Finance for forest-risk sectors: ● Medium
Total SCC implementation score: 5.5

Westpac's lending and underwriting to forest-risk companies between 2014 and 2020 amounted to USD 399 million. The bank invests in and provides financial services to forest-risk companies active in all the commodity sectors, including as Olam International, Cargill and Bunge.

Total lending and underwriting to forest-risk companies, 2014-Q1 2020, USD m	
Soy	62.85
Palm oil	286.73
Beef	3.11
PP&T	46.66
Total	**399.35**

For more information on Westpac see the bank's profile here.

Policy commitments (KPI 1)

Westpac's position under the Compact is outlined in its Financing Agribusiness statement from June 2019. In this statement, the bank declares that, while seeking to develop financial relationships with customers, it has preference for clients that demonstrate commitment to best practices, including certification by RSPO, CSPO, RTRS, FSC or national schemes endorsed under the PEFC for companies operating in the palm oil, soy and timber industries.

Strong points

- The bank **requires companies to demonstrate credible progress towards full certification** by the applicable standards for each commodity sector (RSPO, CSPO, RTRS, FSC, PEFC).
- The bank seeks to develop financial relationships with clients that avoid impacts on HCV and HCS forests, as well as clients that avoid operations in protected areas including UNESCO World Heritage Sites and Ramsar Wetlands.
- The bank expects palm oil clients to demonstrate commitment to NDPE policies.
- It seeks to develop relationships with customers that support the FPIC.
- The bank's Agribusiness statement addresses all four commodities covered by the SCC, including livestock.
- The bank supports the New York Declaration on Forests.

Points for improvement

- The bank does not have specific sector policies for each soft commodities sector, and its requirements for specific sectors is limited to a certification approach.
- The bank does not state what it considers 'best practices' and what its requirements are for clients operating in the beef industry in order to reduce environmental and social impacts.
- The bank should extend the requirement of NDPE compliance for clients in all forest-risk sectors.
- Operations in HCV and HCS, UNESCO World Heritage Sites, Ramsar wetlands and critical natural habitats are not listed as prohibited or excluded activities.
- It does not establishes as a clear requirement for companies to respect the right to FPIC.
- For timber clients, the bank does not differentiate between FSC and PEFC certification, although PEFC is a weaker standard.
- The bank has not established a tracking mechanism to check the progress of clients towards certification.

Reporting and results (KPIs 2 and 3)

Westpac has not reported on its progress under the Compact to date.

Progress towards meeting 100% compliance with the bank's zero-net approach:

Soy:	**Unknown**
Palm oil:	**Unknown**
PP&T:	**Unknown**

7. Conclusion and Recommendations

In the six years since the Soft Commodities Compact was signed, bank policies to tackle global deforestation in the palm oil, pulp and paper and soy sectors have clearly improved. SCC banks have either put in place or updated their existing commitments and policies for customers operating in the commodity sectors in order to align their business strategies with the zero net deforestation goal, core of the commitment.

However, at the same time, there has been no discernible or measurable positive impact on the level of deforestation occurring as a result of the expansion of these sectors. If anything, the indicators are moving in the other direction. Forests remain in acute crisis, and this is largely the result of the rapid expansion of agribusiness and the increasing global demand for consumer goods.

The SCC recognises that its goal of 'zero net deforestation' has not been met. In a statement on its website, posted in the second half of 2020, it states:

"Creating lasting change on this deeply complex problem has proven hard but not impossible. Progress has been made but the reality is that the goal of the 'Soft Commodities' Compact will not be achieved by the 2020 deadline. Nonetheless, the banks supporting the Compact remain dedicated to achieving zero net deforestation across the soft commodity sectors. They will continue to work beyond 2020, building upon what has been learnt and achieved to date."

This admission from the SCC is welcome, but it falls short of a frank recognition that a certification approach alone is inadequate, particularly where certification schemes are not sufficiently robust to ensure forest protection. It also indicates a reluctance to raise the level of ambition from the problematic concept of 'net zero' and embrace a commitment to ensure the world's remaining intact forests stay standing.

In order to properly address the devastating social and environmental impacts endemic to the forest-risk commodity sectors, banks must move beyond certification and adopt their own robust standards of due diligence and client selection. Then they must take steps to ensure they are effectively and transparently implemented.

We recommend Compact banks take action and establish follow-up plans to achieve the goal of *zero deforestation* by improving accountability, making corporate engagement transparent, and establishing concrete time-bound commitments attached to meaningful consequences, such as the exclusion of non-compliant clients from their portfolios.

We recommend banks should:

1. **Set their sights on achieving zero deforestation:** Tropical forests in Southeast Asia, the Amazon and in Central and West Africa, known biodiversity hotspots, are being destroyed to give room to the expansion of agro-commodities. Destruction of these forests through their conversion into plantations cannot be offset through replanting, due to the inestimable value of their ecosystem and biodiversity. In the face of an unprecedented ecological emergency, 'zero net' commitments are not enough, and banks should commit to policies that protect all remaining natural forest and ensure a halt to the conversion of forested land for plantations or agricultural use.

2. **Set No Go policies for protected areas and respect FPIC:** Banks should adopt exclusion lists and prohibited activities lists in their sector policies in order to avoid the conversion of critical intact ecosystems into plantations. Beyond the protection of HCV and HCS areas, banks should include in these lists protected areas such as Ramsar Sites, UNESCO World Heritage Sites, and IUCN designated areas, for example following the "No Go policy" set out by the Banks and Biodiversity campaign. In addition, banks should recognise the extensive knowledge and experience of forest-dwelling communities and Indigenous peoples in protecting forests, and ensure their rights are respected. This includes ensuring the free, prior and informed consent (FPIC) of Indigenous communities is ensured before agricultural developments on their legal and/or customary lands are approved.

3. **Move beyond certification schemes and adopt NDPE approaches backed with robust due diligence:** Many of the voluntary sustainability standards for soft commodities (RSPO, RTRS, PEFC, etc.) have been criticised for failing to effectively tackle social and environmental risks and guaranteed deforestation-free supply chains. Yet the approach of the SCC and of the majority of bank policies is to rely on these standards as a proxy for their own due diligence. Banks should move towards making No Deforestation, No Peatland and No Exploitation (NDPE) policies mandatory for clients and investee companies in all forest-risk commodity supply chains, and ensure that these are independently verified and progress on their implementation is reported. This approach should be backed with more robust due diligence frameworks encompassing all stages of the commodities supply chains to properly manage and mitigate deforestation risks.

4. **Demand traceability and transparency:** In order to effectively halt deforestation across commodities supply chains, it is critical that banks address traceability and sourcing transparency. Soft commodities pass through many stages, from growers, processors, and commodities traders, before being made into finished consumer goods. In order to ensure the original commodity is not linked to deforestation, companies at each stage need to disclose detailed data on the suppliers from which they sourced the commodity. Banks should engage transparently across the supply chains and, in sectors in which traceability can be limited, demand companies implement systems for monitoring secondary and tertiary suppliers in order to exclude suppliers that clear forests and violate human rights. Banks should divest from those companies that are unwilling to provide such traceability.

5. **Set concrete, time-bound and ambitious commitments:** Despite the Compact's self-imposed deadline of addressing deforestation in the companies' supply chains by the end of 2020, logging and deforestation driven by these industries continue at a fast pace. Many banks have taken a rather flexible approach to this deadline, allowing clients to set time-bound plans for their alignment with the banks' policies well into the coming decade in many cases. Forests around the world are perishing because of the predatory agribusiness model linked to the production of these commodities, and we can no longer rely on these failed promises. Concrete and ambitious time-bound commitments are urgently needed, and those should be attached to meaningful consequences, such as the exclusion of non-compliant clients from the banks' portfolios.

6. **Disclose forest-risk clients and establish effective grievance mechanisms:** To ensure they are accountable for their no-deforestation policies, banks should adjust their client onboarding processes for new customers in the high-risk soft commodities sectors to ensure they can disclose details, including names of financed clients and projects, for new credit relationships. Further, banks should ensure that they have grievance and accountability mechanisms in place to ensure affected communities and civil society organisations can raise complaints and seek resolution from the bank, as part of an enhanced approach to due diligence and risk management.

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