

**Soft Commodities Compact**

Reporting 2021

**Introduction**

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

**Our Approach for this report**

Clients covered: we define "clients" as BNP Paribas's Corporate Banking<sup>4</sup> active clients operating in the palm oil, timber and soy value chains (growing, processing and trading).

Period covered: given the changing nature of the Bank's exposure to these sectors, this report reflects the status of our client portfolio as of September 2020.

Business lines covered: Corporate and Institutional Banking (CIB), Retail Banking (international and France).

Minimum requirements for clients: BNP Paribas's Environmental and Social Risk Management Framework includes Sector Policies that formulate the guiding principles for conducting due diligence when assessing client relationships and transactions in the palm oil, agriculture and wood pulp sectors. Each policy contains mandatory ESG criteria which represent the minimum requirements for BNP Paribas to engage a relationship with a company operating in these sectors.

These criteria integrate the protection of areas recognized as having a cultural and/or environmental significance (UNESCO World Heritage Sites, Wetlands on the Ramsar list, Alliance for Zero Extinction sites, IUCN Category I-IV areas), High Conservation Value (HCV) areas and peatlands. For palm oil, the Bank also requires that conduct High Carbon Stock (HCS) assessments be made before developing new oil palm plantations and that HCS forests identified within the clients concessions be protected.

BNP Paribas also expects clients to demonstrate a commitment to the responsible practices that pertain to relevant commodities such as the Roundtable on Sustainable Palm Oil (RSPO), the Roundtable on Responsible Soy Association (RTRS), the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC). Commitment is defined as active membership of or adherence to the relevant criteria of organizations.

**Our progress reporting**

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<sup>1</sup> <https://www.cisl.cam.ac.uk/business-action/sustainable-finance/banking-environment-initiative>

<sup>2</sup> <https://www.cisl.cam.ac.uk/business-action/sustainable-finance/banking-environment-initiative/programme/restore-nature/soft-commodities>

<sup>3</sup> <https://www.theconsumergoodsforum.com/>

<sup>4</sup> Financial products & services including but not limited to lending, debt and equity capital markets, guarantees and advisory work, etc.

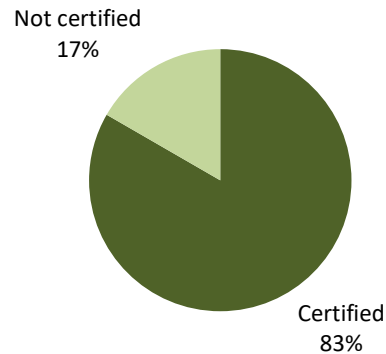


With this report, BNP Paribas intends to demonstrate its progress towards meeting the objectives of the Soft Commodities Compact. The report is based exclusively on data publicly disclosed via the certification bodies' or the clients' publications.

The charts below are based on information currently available and illustrate the certification status of the Bank's clients identified as operating in the palm oil, soy and timber sectors.

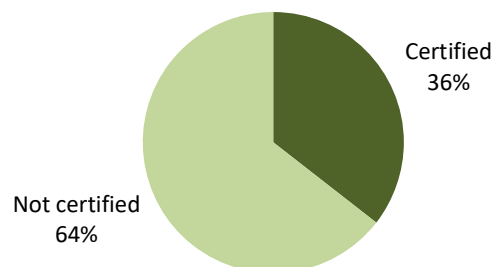
### Palm Oil

We report below the status of clients involved in the growing and primary processing palm oil sector, with operations certified RSPO. 83 percent of the clients are certified according to the RSPO standards.



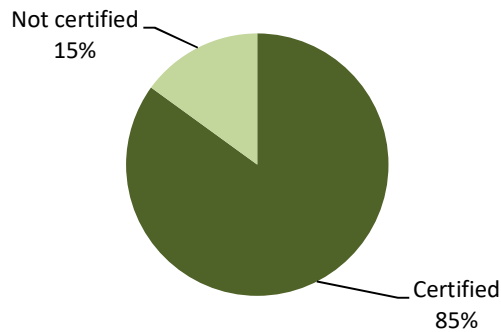
### Soybeans

We report below the status of clients involved in growing and primary processing soybean sectors, with operations certified RTRS and/or Proterra. 36 percent of the clients are certified according to RTRS and/or Proterra standards.



### Timber Products

We report below the FSC and PEFC sustainable forest management of clients involved in plantations and wood pulp sectors. 85 percent of clients involved in the timber sector with operations certified FSC or PEFC certification.



### Going beyond certifications: soy and beef issued from the Brazilian Amazon and Cerrado

Players operating over the value chains that impact forests, such as soft commodities or wood, have historically relied on existing standards to improve their operational practices. However, even though these standards have significantly evolved and if existing certification schemes have been a very good start, they prove not to be sufficient to stop deforestation. This is in particular due to the low membership rates compared to the total volumes produced and traded, as reflected in the share of soybeans certified RTRS.

To contribute to the urgent need to stop deforestation, whether legal or illegal, BNP Paribas has therefore chosen to go beyond existing certifications related to the beef and soybean sectors, which production in Brazil accelerates deforestation in the Amazon and the Cerrado.

The Group recently announced a reinforcement of its policy and defined restrictive criteria to accelerate the progress of its clients in terms of fighting against deforestation and ensuring traceability for its clients producers, meat conditioners and traders producing or buying beef or soybeans from the Amazon and the Cerrado regions.

In particular, BNP Paribas will require its clients to apply a **cut-off date** of 2008 in the Amazon, in accordance with regulations and sector agreements. The Bank will also encourage its clients not to produce or buy beef or soybeans from lands cleared or converted in the Cerrado after 1 January 2020, in line with global standards.

For all its clients, BNP Paribas will require **full traceability** of beef and soy (direct and indirect) channels by 2025.

The Bank will also encourage its clients producing or buying beef or soy from the Amazon and the Cerrado in Brazil to become 'zero deforestation' and to demonstrate transparently their progress. As a result, BNP Paribas will only provide financial products or services to companies (producers, meat conditioners and traders) with a **strategy to achieve zero deforestation in their production and supply chains by 2025 at the latest**.

<https://group.bnpparibas/en/press-release/bnp-paribas-defines-restrictive-policy-fight-deforestation-amazon-cerrado-regions>