

SECOND PARTY OPINION (SPO) on Sustainable Finance Framework

SHORT VERSION

Deutsche Bank Group
27 July 2020

ISS ESG ASSESSMENT SUMMARY

The Deutsche Bank's Sustainable Finance Framework can be found [here](#).

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Alignment of sustainable transaction processes with market standards for Sustainable Finance	<p>Deutsche Bank has set a formal and ambitious concept for sustainable transactions under its Sustainable Finance Framework. This framework defines a clear sustainability strategy and objectives for the group, eligible activities in line with stringent market guidelines and taxonomies, processes for evaluation and selection of transactions and for their governance during the investment period.</p> <p>This concept aligns with Deutsche Bank's existing Sustainability policies and with best market practices in terms of sustainable capital markets, investments and financing.</p>	Positive
Part 2: Sustainability soundness of Deutsche Bank's taxonomy and eligibility parameters	<p>The sustainability quality of the sustainable transactions contemplated under this framework is credible and ambitious. The environmental and social eligible activities defined in this framework, and their associated eligibility parameters, are in line with the ICMA Green and Social Bonds Principles project categories and with best market practices. Additionally, the environmental eligible activities refer to the TEG final report on the EU Taxonomy and Technical Annex requirements on a best effort basis².</p> <p>Even if the taxonomy does not fully align with the activity-specific criteria defined by the EU Taxonomy, Deutsche Bank is among the first international banks to explicitly refer to this market guideline in its group-level sustainability policy.</p>	Positive
Part 3: Deutsche Bank sustainability performance	<p>Deutsche Bank shows a medium sustainability performance and has been given a rating of C, in a rating scale going from D- (poor performance) to A+ (excellent performance). Deutsche Bank is classified as 'Prime' by the methodology of the ISS ESG Corporate Rating.</p> <p>It is rated 10th out of 285 companies within the Commercial Banks & Capital Market sector as of 27.07.2020. This equates to a high relative performance, with a Decile Rank³ of 1.</p>	<p>Status: Prime</p> <p>Rating: C</p> <p>Decile Rank: 1</p>

¹ The ISS ESG's present evaluation will remain valid until any modification of the Deutsche Bank Sustainable Finance Framework (v.1.03), and as long as the Corporate Rating does not change (last modification on the 06.07.2020). A full version of this SPO report, including the underlying assessment conducted by ISS ESG on this framework, is available on the ICS website. The present short version of the SPO present all conclusions of the assessment conducted by ISS ESG and present a complete opinion on the sustainability quality of the Sustainable Finance Framework.

² Deutsche Bank's ambition is to align its framework with the requirements of the upcoming EU Taxonomy regulation to the extent possible and on a best effort basis.

³ Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.

PART I: ALIGNMENT OF SUSTAINABLE TRANSACTION PROCESSES WITH MARKET STANDARDS FOR SUSTAINABLE FINANCE

ISS ESG's assessment methodology against relevant market standards

In its Sustainable Finance Framework, Deutsche Bank defines a process for identification, selection, management of and reporting on sustainable activities and products. This framework is applicable to sustainable transactions in Capital Markets (Debt Capital Markets/Equity Capital Markets) and financing (lending/debt).

ISS ESG reviewed this process against the ICMA Green and Social Bond Principles. As the Sustainable Finance Framework of Deutsche Bank is relevant not only to Fixed Income products, every requirement defined in the ICMA GSBPs cannot be considered *stricto sensu*. ISS ESG thus derived key principles for transparency and non-contamination of sustainable labelled-products from the ICMA GSBPs and best market practices from other market standards for Sustainable Finance, such as the Loan Market Association Green Loan Principles and Sustainability-Linked Loans Principles, the EU Green Bond Standards usability guide (March 2020), the TEG final report on the EU Taxonomy and Technical Annex, and Principles for Responsible Investment Guidelines for ESG integration in equity and fixed-income.

0. Sustainability strategy and objectives of Deutsche Bank

ISS ESG finds that the sustainability commitments defined by Deutsche Bank are relevant to its sector and business model. Furthermore, ISS ESG reviewed the alignment of Deutsche Bank Sustainable Finance Framework and found it aligns with the other sustainability related policies defined by the group.

1. Sustainable Finance Eligible Activities and Products

ISS ESG considers the eligible activities and products defined by the Sustainable Finance Framework of Deutsche Bank as broadly aligned with the concepts for transparency set in the ICMA Green and Social Bond Principles, core element 1. Use of Proceeds. The Framework eligible activities and products are in line with the sustainability objectives defined by Deutsche Bank. (A detailed assessment of the associated eligibility parameters is conducted in part 2 of this SPO).

2. Process for Activities and Products Evaluation and Selection

ISS ESG considers the Process for Products and Activities Evaluation and Selection described in the Sustainable Finance Framework as in line with the concepts for transparency set in the ICMA Green and Social Bond Principles, core element 2. Process for Selection & Evaluation. Appropriate responsibilities and evaluation processes are defined, and eligibility criteria are transparently displayed.

3. Management of products during investment period

ISS ESG finds that the management of products labelled as sustainable during the investment period is in line with the concepts for transparency set in the ICMA Green and Social Bond Principles, core element 3. Management of proceeds. Compliance checks are conducted during the entire investment period and can lead to declassification of the products as sustainable.

4. Reporting

ISS ESG finds that the Deutsche Bank's reporting processes align with the concepts for transparency set in the ICMA Green and Social Bond Principles, core element 4. Reporting. The reporting occurs annually, and its scope is defined.

PART II: SUSTAINABILITY SOUNDNESS OF DEUTSCHE BANK'S TAXONOMY AND ELIGIBILITY PARAMETERS

ISS ESG's assessment methodology against relevant market standards

In its Sustainable Finance Framework, Deutsche Bank defines environmental and social eligible activities for sustainable transactions. This taxonomy is relevant for every transaction contemplated under this framework. ISS ESG reviewed the sustainability soundness of the taxonomy defined by Deutsche Bank and its associated eligibility parameters against relevant market guidelines. For environmentally sustainable activities, ISS ESG assessed the activities against the best market practices, the TEG final report on the EU Taxonomy and its Technical Annex, and the project categories defined by the ICMA Green Bond Principles. The EU Taxonomy is among the most technical and ambitious reference points for green activities in the market to date, while the ICMA GBP is one of the best-established guidelines related to green finance. For socially sustainable activities, ISS ESG assessed the activities against the project categories and targeted populations defined in the ICMA Social Bond Principles and against the social IFC Performance Standards. Those two voluntary guidelines are among the most acknowledged and best-established guidelines for social finance. Finally, ISS ESG assessed the compliance of both environmentally and socially sustainable activities with international guidelines outlined in the EU Taxonomy, namely the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the International Labour Organization's ('ILO') declaration on Fundamental Rights and Principles at Work, the International Bill of Human Rights and, where applicable, more stringent EU / regional legislation.

1. Environmentally sustainable activities

a. Contribution to environmental objectives and sustainability quality of eligibility criteria

ISS ESG finds that the majority of the environmentally sustainable activities defined in the Sustainable Finance framework and their associated eligibility criteria are robust, credible and aligned with best market practices. For most of the activities, Deutsche Bank refers to activity-specific Technical Screening Criteria defined by the EU Taxonomy, to the eligible green projects defined by the ICMA GBPs or to market good practices. Thus, they have a positive contribution to environmental objectives.

b. Environmental risks management

ISS ESG finds that the environmental risks management established in the Sustainable Finance framework address relevant other environmental objectives. The environmental due diligence processes are robust, involving appropriate departments and expertise (see part I, section 1. for detailed opinion on processes). The high-level environmental key considerations defined by Deutsche Bank for each objective are ensuring minimum level of environmental performance for all sustainable transactions.

c. Social risks management

ISS ESG finds that the Minimum Social Safeguards set in the Sustainable Finance framework are in line with the ones defined by the EU Taxonomy. Thus, they ensure minimum labor, and health and safety standards for all sustainable transactions.

2. Socially sustainable activities

a. Contribution to social objectives defined in line with the ICMA Social Bond Principles

ISS ESG finds that the socially sustainable activities defined in the Sustainable Finance framework and their associated thresholds align with the eligible social projects and example of targeted populations defined by the ICMA Social Bond Principles. Thus, they have a positive contribution to social objectives.

b. Social risks management

ISS ESG finds that the due diligence criteria set for socially sustainable activities are in line with the IFC Performance Standards and Minimum Social Safeguards defined in the EU Taxonomy. Thus, they ensure that minimum standards are in place toward labor conditions, communities health, safety and security, land resettlement and rights of indigenous people.

PART III: ASSESSMENT OF DEUTSCHE BANK'S ESG PERFORMANCE

ISS ESG's assessment methodology

This assessment is based on the ISS ESG Corporate Rating of Deutsche Bank. The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime'⁴ or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
DEUTSCHE BANK	PRIME	C	1

As of 27.07.2020, this rating places Deutsche Bank 10th out of 285 companies rated by ISS ESG in the Financials/ Commercial Banks & Capital Markets sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Sustainability impacts of lending and other financial services/products
- Customer and product responsibility
- Sustainable investment criteria
- Labour standards and working conditions
- Business ethics

In four of the key issues, Deutsche Bank rates above the average for the sector. A very significant outperformance was achieved in "Sustainable investment criteria". The company lags the industry's average performance in "Business ethics".

The company is facing a significant controversy level. Severe and very severe controversies relating to weaknesses in anti-money laundering controls, allegations on anti-competitive behavior, and aiding tax evasion in the US have been revealed.

Opinion

ISS ESG finds that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG. In ISS ESG's view, the company's operations therefore all meet the basic requirements for sustainable investments.

⁴ Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

DISCLAIMER

1. Validity of the SPO: For Deutsche Bank's Sustainable Finance Framework (v.0.32), until any modification of the Framework and as long as the Corporate Rating does not change (last modification on the 24.03.2020).
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) based on data from the company.
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About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the company themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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