

'Soft Commodities' Compact

The banks of the Banking Environment Initiative (BEI) are in alliance with the Consumer Goods Forum (CGF) to investigate what it would mean to align the banking industry's services with the CGF's 2010 resolution to mobilise resources within their respective businesses to help achieve zero net deforestation by 2020.

The initiative has developed this Compact, the goal of which is to lead the banking industry in aligning with the CGF's resolution to help achieve zero net deforestation by 2020. Compact banks make two commitments:

1. Financing the transformation of supply chains

Compact banks will 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.

- When CGF member companies identify suppliers needing access to finance to make the transition to the CGF's required standards, Compact banks will endeavour to work with both parties to test appropriate financing mechanisms, including pre-export finance approaches.

2. Raising industry-wide banking standards

Compact banks will review the provision of their services with the procurement policies being implemented by the CGF and align those services where possible to reinforce the development of new market norms.

- 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. Alongside their own due diligence processes, by 2020 Compact banks will confirm that these customers' operations have achieved the same internationally-recognised means of verification that the CGF is prioritising. For each commodity, the starting point is:
 - Roundtable on Sustainable Palm Oil (RSPO) certification for palm oil
 - Forest Stewardship Council (FSC) verification or that of a national scheme endorsed against the 2010 Programme for the Endorsement of Forest Certification (PEFC) meta standard for timber products
 - Round Table on Responsible Soy (RTRS) certification for soy

Compact banks recognise that other sources of verification exist and are in a constant state of evolution and improvement. As sources of verification are deemed equivalent or superior by the CGF, they may be included in this commitment. Mechanisms for the BEI and CGF to track and respond to such evolutions will be put in place. The commitment to raise industry-wide banking standards is not intended to result in Compact banks taking any collective action or decisions beyond their reasonable endeavours to align banking industry services with the CGF's resolution to help achieve zero net deforestation by 2020; notwithstanding their commitment, Compact banks will continue to assess business opportunities and decisions individually and unilaterally.

- Individual banks will prioritise the components of this commitment according to their own business context and may choose to go further, faster.
- 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.