Introduction

The forestry and agribusiness industries are responsible for producing a range of soft commodities that play a critical role in feeding the world’s population and driving economic development. The production and processing of these commodities is also a major source of income and supports the livelihoods of millions of people across the world, particularly in developing economies. However, these activities are also one of the key drivers of tropical deforestation, which in turn contributes to climate change and biodiversity loss, as well as being associated with labour exploitation and displacement of local communities.

In recognition of these impacts, and the positive role that banks can play in encouraging more sustainable forestry and agribusiness practices, Barclays adopted the Banking Environment Initiative’s Soft Commodities Compact (the “Compact”) in 2015. The Compact, which was co-developed with the Consumer Goods Forum, aims to mobilise the banking industry to support clients in the soft commodities supply chain to achieve zero net deforestation by 2020. This report describes Barclays’ approach and progress in implementing this commitment for clients involved in the supply chains of palm oil, timber products and soy, as specified in the Soft Commodities Compact Technical Guidance document.

Our Approach

Scope of this Report

Barclays has active banking relationships with a limited number of clients involved in the growing and primary processing of palm oil, timber and soy. These clients are typically multinational agribusiness, trading or manufacturing companies, rather than national producers or local farmers. We provide lending, capital markets, advisory, trade finance and risk management services to these clients. Generally speaking, we are not involved in provision of financing for specific agricultural projects in relation to these commodities, and therefore it is rare that we would directly finance a specific plantation operation or processing site.

For this report we define “clients” as clients of Barclays Corporate and Investment Bank that have completed Barclays client on-boarding process, and with whom we have an active banking relationship. Clients included in this report are those with palm oil, timber or soy growing or primary processing operations in higher deforestation risk countries. We do not set minimum thresholds to determine the significance of these operations to the client’s business and consider all such activities in scope of our enhanced due diligence approach. We exclude from this report conglomerates that may be involved in these activities but where we have a relationship only with non-agribusiness entities.

Enhanced Due Diligence Approach

Clients or transactions identified as in scope of our Forestry & Palm Oil Statement are subject to enhanced due diligence review against a range of environmental and social risk considerations. This review includes a thorough assessment of publicly available information, and may include further requests for non-public company information, third party technical assessments and direct engagement with the client on potential areas of concern. Through this process we determine whether such companies meet Barclays minimum requirements, which includes but is not limited to:

- Establishment of a public commitment to prohibit the conversion or degradation of tropical forests, High Conservation Value (HCV) or High Carbon Stock (HCS) areas and peatlands.
- Achieving credible certification of production and primary processing operations (for example FSC or RSPO), or establishment of a plan to achieve this within three years.

Whilst soy is not directly covered in our Forestry & Palm Oil Statement, we apply a similar approach to clients involved in soy production and primary processing, for example by assessing their policy commitments and certification status, as well as management of broader environmental and social impacts.

Where such soft commodities clients are considered at risk of not meeting these criteria or that pose other material social or environmental risks, these may be escalated to the appropriate business unit Transaction Review Committee and, if necessary, the Group Executive Committee and Board for final decision. Any approved clients may also be subject to enhanced monitoring to ensure that identified areas of concern are addressed within an agreed timeframe. In cases where clients are unable or unwilling to comply or agree to an action plan to address identified gaps, Barclays would seek to exit the relationship taking into account existing contractual agreements.

Our Progress

As a means of reporting progress on client alignment with zero net deforestation, the Soft Commodities Compact encourages banks to confirm whether their clients have achieved the same internationally-recognised means of verification that the

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1 Definition of higher deforestation risk countries is outlined in our Forestry & Palm Oil Statement. This definition includes all countries identified as higher deforestation risk in the Soft Commodities Compact Technical Guidance: namely Argentina, Brazil, Cameroon, China, Colombia, DRC, Ghana, Malaysia, Myanmar, Indonesia, Paraguay, Papua New Guinea, Thailand, Vietnam.
Consumer Goods Forum has prioritised. The recommended certification schemes for each commodity that are covered in this report are:

- Roundtable on Sustainable Palm Oil (RSPO) certification for palm oil.
- Forest Stewardship Council (FSC) verification or a national scheme endorsed against the Programme for the Endorsement of Forest Certification (PEFC) for timber products.
- Roundtable on Responsible Soy (RTRS) certification or International Sustainability & Carbon Certification (ISCC) for soy.

Our progress reporting focuses on the proportion of our clients who have achieved membership of and / or certification by these schemes, or have established time-bound plans in place to do so. Information was taken from publicly available records compiled by these certification schemes and the public disclosures of clients. In certain cases, this information was supplemented by direct engagement with clients to clarify certification coverage.

**Palm Oil Certification**

We report below the RSPO certification status of clients involved in palm oil growing and primary processing activities (e.g. plantation estates and mills).

All clients reviewed are current members of the RSPO, and 80% of these clients have achieved partial certification of their estates and mills. Whilst no client has yet achieved full RSPO certification of all estates and mills, all clients have plans in place to achieve this within the next three years.

**Soy Certification**

We report below the RTRS and / or ISCC membership and certification status of clients with soy production or primary processing operations in higher deforestation risk countries. Our clients’ operations are limited to primary processing activities (e.g. crushing), as we do not have clients who are directly involved in soy growing.

All clients reviewed are current members of RTRS and / or ISCC. 80% of these clients disclosed the securing of RTRS and / or ISCC certificates for soy purchased. Although one client did not disclose the purchase of RTRS or ISCC certified soy, they have made a public commitment to do so in 2020.

**Timber Products Certification**

We report below the FSC and PEFC sustainable forest management certification status of clients involved in production and primary processing of timber (e.g. logging and timber milling) in higher deforestation risk countries. Whilst all clients publicly report on their FSC and / or PEFC membership and certificates obtained, it was not always possible to verify the extent to which these certificates covered clients’ operations based on publicly available information.

All clients reviewed are current members of FSC and / or PEFC and have obtained FSC and / or PEFC sustainable forest management certification.

### Certification Status

**Palm Oil Certification**

<table>
<thead>
<tr>
<th>Certification Status</th>
<th>RSPO certified area</th>
<th>Target year for full certification</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>1</td>
<td>2018</td>
</tr>
<tr>
<td>80%</td>
<td>2</td>
<td>2019 2020</td>
</tr>
<tr>
<td>60%</td>
<td>3</td>
<td>2021 2022</td>
</tr>
<tr>
<td>40%</td>
<td>4</td>
<td>2023</td>
</tr>
<tr>
<td>20%</td>
<td>5</td>
<td>2021 2022</td>
</tr>
</tbody>
</table>

- Uncertified area (%)
- Certified area (%)
- Target year for full certification of own operations

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**Sources:** [www.rspo.org](http://www.rspo.org), [www.fsc.org](http://www.fsc.org), [www.pefc.org](http://www.pefc.org), [www.responsiblesoy.org](http://www.responsiblesoy.org), company Information.

**Notes:**

2 Where we have an active banking relationship with a corporate parent and multiple subsidiaries involved in palm oil, we have reported the aggregated certification coverage of the corporate parent, as this is the format in which information is provided in company annual RSPO submissions.