Sustainability Policy Framework

Rabobank Group

Rabobank

Growing a better world together.

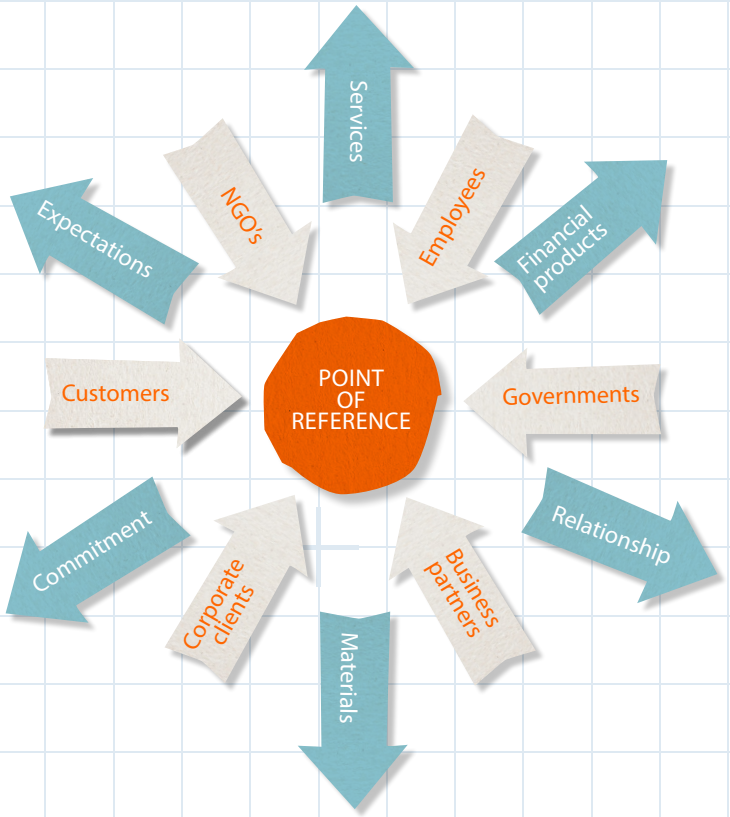

Figure 1.0

Point of reference for sustainability policies

In '**Sustainably Successful Together – our contribution to sustainable development until 2020**', Rabobank formulated the ambition to support its clients to achieve their ambitions in and for a sustainable society, and to prioritize financing businesses that are leaders in sustainable development. To realize these ambitions indepth knowledge of the absolute and relative performance of our business clients regarding sustainable development is required.
As a cornerstone of the implementation of Sustainably Successful Together, this framework describes the sustainability policies of the Rabobank Group. It is designed for all stakeholders of Rabobank including its employees, customers, corporate clients, business partners, governments, non-governmental organizations, and others who have an interest in Rabobank. The aim of the document is to provide one point of reference for all sustainability policies.
It outlines our commitments and the expectations we have of clients and business partners. It forms the basis of our sustainability standards for business relationships, and for providing financial products and services.

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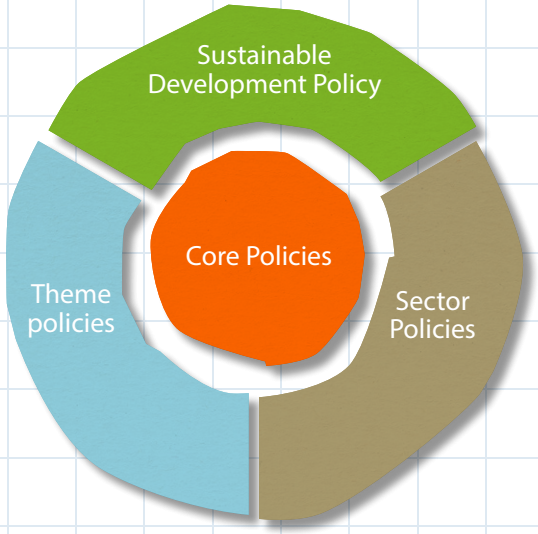

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Introduction

Sustainability strategy and core values

Rabobank Group takes its place in society and adheres to the core values that are embedded in its mission – respect, integrity, professionalism and sustainability. These core values determine the way in which we meet the needs of our customers and clients, and our attitude to our environment and our internal operations.

Sustainability is becoming increasingly important to our clients and to society. We define sustainability as the quality of not being harmful to people, communities, environment or depleting natural resources, and thereby supporting long-term social and ecological balance. There is more awareness that a healthy balance between wealth and well-being is essential to building a sustainable, vital society, and that the best solutions are created through cooperation.

We aim to contribute to economic, environmental and social progress with a view to achieving sustainable development, and to help our clients achieve their ambitions in a sustainable society. Sustainable development is development which meets the needs of the current generations without compromising the ability of future generations to meet their own needs (United Nations Brundtland Commission Report, 1987). As a cooperative bank, we focus our efforts on accelerating sustainable agriculture and food supply worldwide, and on strengthening vital communities. By linking our financial services, expertise and relevant networks to the sustainability ambitions of all our clients, we can be sustainably successful together!

Figure 2.0
Core values

Sustainability policies

Our sustainability policies outline our commitments and the expectations we have regarding our clients and business partners related to sustainable development. They are aligned with the Rabobank Group's view of sustainability as described in our Ambition Statement, Code of Conduct and Food & Agribusiness Principles[1].

Purpose and scope

The Rabobank Group sustainability policies support our business decision making at all levels and provide a frame of reference for how we want to deal with business opportunities and risks in the context of direct and indirect sustainability impacts. They are applicable to all of Rabobank's products and services, organizational units, companies of which we hold (partial) ownership and operations in all countries where we do business and includes corporate credits, trade & commodity finance, project finance, investments for own account, asset management and private banking[2].

Managing impact

Our sustainability policies align with the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development (OECD) and describe our ambition to neither cause nor contribute to adverse social and environmental impacts. By way of commitments and expectations, our policies address the (potential) direct impacts we could create because of our own operations, as well as the (potential) indirect impacts we could create because of our clients' activities. The policies outline how we expect to identify, prevent, mitigate and account for sustainability risks and performance of our own operations, and of those of our clients.

1 Rabobank has formulated five Food and Agribusiness Principles: 1) aiming for food safety and food security; 2) using natural resources responsibly; 3) contributing to enabling citizens and consumers to make well-considered choices; 4) treating animals responsibly; and 5) promoting social welfare.

2 To improve the readability, the users of products and services of Rabobank and (partially) owned companies will be referred to as clients in the remainder of the framework, including the products and services mentioned here. In the case of Private Banking, there is the objective to bring its services in line with the sustainability policy where possible.

Types of policy

There are four types of sustainability policies related to issues, specifically:

- **the Sustainable Development Policy** is a generic policy that overarches all of Rabobank's other sustainability policies and is applicable for all our products and services;
- **core policies** are related to core environmental, social and governance issues and are applicable for all our products and services;
- **theme policies** are related to thematic issues that we consider to be material for our business;
- **sector policies** are related to specific socially and environmentally sensitive industries and supply chains.

Expectations detailed in the Sustainable Development Policy and in the core policies are always applicable for all clients. The expectations outlined in the theme and sector policies are only relevant for clients operating in these specific sectors, industries or supply chains.

Rabobank has also identified activities the bank does not want to be involved in. It includes processes and the production and trade of specific products. These are described in the Rabobank Exclusion List.

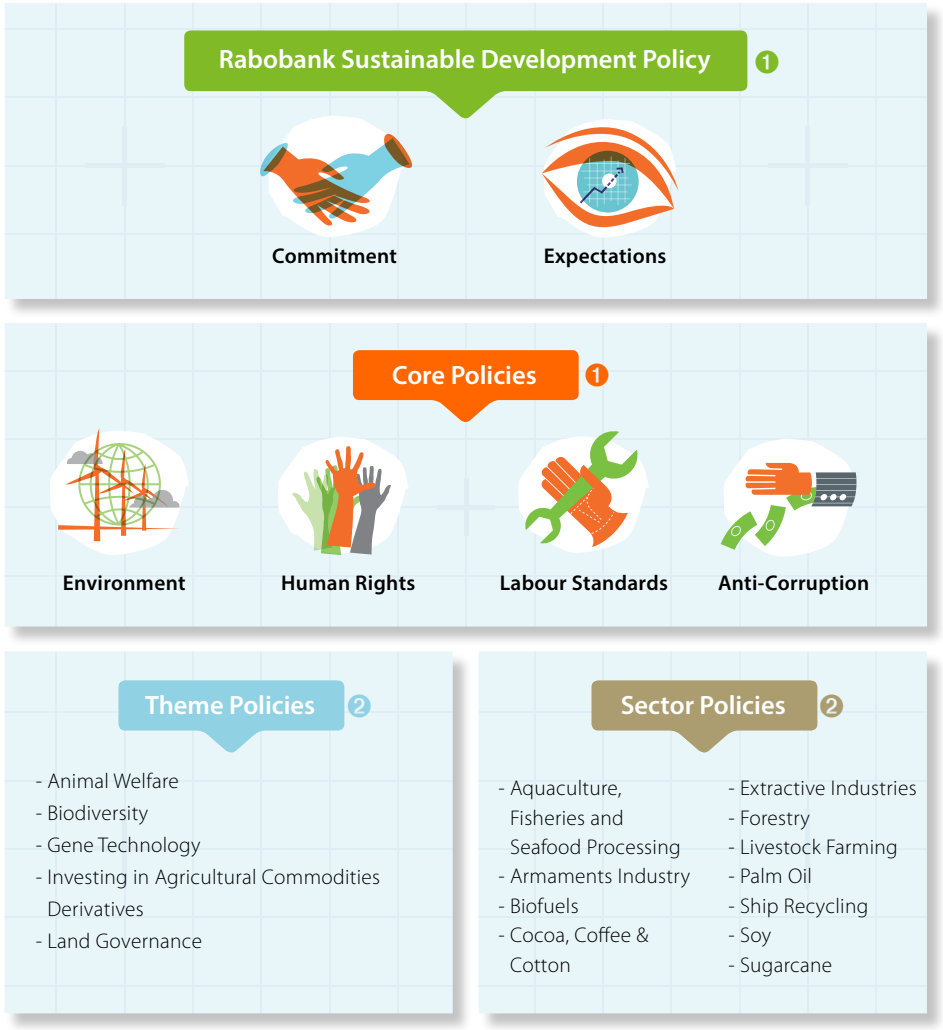

Figure 3.0
Types of policies

❶ *Applicable for all clients*
❷ *Applicable for specific clients based on industry*

Policy implementation

The Rabobank credit manual contains specific guidelines for the implementation of our sustainability policies. All employees that prepare and conduct approval and/or review of Rabobank clients and transactions are required to use these guidelines to structure client analysis. The implementation of local credit policies, client acceptance tools, and financing conditions is the responsibility of Rabobank management at the subsidiary or local level.

Materiality

Rabobank limits client assessments to the potential adverse impacts that we and our stakeholders consider to be material. An adverse impact is a negative effect that goes against desired conditions in our policies. We determine materiality based on the impact of issues, relevance over time and on whether a client has the ability to create a direct or indirect impact on society and/or the environment, be it positive or adverse. We also take our clients' industry and their countries of operation into account.

Legality

The Rabobank sustainability policies include binding conditions between the bank and its clients based on potential adverse impacts that we consider to be material. Contractual clauses regarding compliance with our sustainability policies may be inserted into the relevant contracts or letters for prospects. Should serious issues that breach our policy and/or international norms and standards not be rectified through engagement, Rabobank may decide to terminate the client relationship.

Monitoring

Compliance with our sustainability policies is reviewed annually via internal reporting, monitoring and client engagement. Our knowledge of our clients' sustainability policies and actions are tracked through a client photo. Given the differences in the nature of the various Group business units, the technical aspects of implementing the policy, embedding it into client acceptance procedures and other mainstream business processes, may differ for every business unit.

Engagement with stakeholders for continuous improvement

There is no single, globally applicable sustainable management solution. As issues can vary widely from one region to another, improvements towards sustainability can vary accordingly. Nonetheless, sustainability principles can be applied across different regions and business units. Rabobank is convinced that sustainable development can be achieved through the use of new technologies, improved management practices and internationally recognized best practice standards. It is therefore important that we have a two-way dialogue with our employees, business partners, clients and other key stakeholders to learn and understand the challenges they face, the innovations in the market and developments in sustainable business operations.

Engagement contributes to our ongoing learning and improvement. It is important to help us identify and create commercial opportunities, to identify and appraise risks, and to have the opportunity to remedy grievances among the Group's stakeholders.

Engagement with clients to improve sustainable performance

We believe that our goal of helping clients to improve their sustainability performance demands meaningful and proactive engagement. We aim to have constructive dialogue to contribute to improvements for sustainable development, and to share our knowledge and networks with our clients to motivate them to deal responsibly with their sustainability issues.

We encourage our clients to implement good practices, including monitoring and adaptive management, so that they can be responsive to changing conditions, and can avoid or minimize their adverse impacts. We undertake client assessments and regular reviews to understand the material issues they face, and help them identify and resolve problems with a view to positively influence their sustainability performance and minimize risks. This approach enables us to gradually exclude unsustainable operational practices, and to support our clients improve their sustainability performance, their business success, and their contribution to society in general.

We are aware that the process of implementing sustainable management standards and practices is challenging and takes time. We accept that some clients are more advanced than others in their ability to show significant progress of implementing environmentally and socially responsible management practices, and of responsible purchasing practices.

If we have reason to believe the client does not comply with the conditions described in our sustainability policies, or that the clients shows insufficient progress in integrating sustainability measures in its daily operations, we will engage with the client and ask him/her to submit a time-bound plan describing how he/she intends to improve the practices in the future, including specific goals and credible timescales.

Remediation

Even with the best policies and practices in place, the Rabobank Group, or one of its entities or business units, may cause or contribute to an adverse impact that it has not reasonably been able to foresee or prevent. If it is identified that the Rabobank Group, one of its entities or business units is causing or contributing to such an impact, the Rabobank Group will endeavor to remedy or cooperate in the remediation of the situation.

Whistleblower program

Rabobank has a Groupwide whistleblower policy for employees, including contractors and directors. Our whistleblower program is implemented at regional and/or local level, and all entities within the Group have an external hotline or alternative external reporting mechanism. Whistleblowers can confidentially report concerns via telephone and email to an independent trusted party on a 24/7 basis, and where local legislation permits or prescribes, they can also report anonymously. All whistleblowers acting in good faith are protected from retaliation. The whistleblower policy is also available to former employees of Rabobank, and a separate complaint channel is available for clients. Any stakeholder also has the possibility to recourse to the *OECD National Contact Point* (NCP). Rabobank will abide by the decisions of the NCP.

Accountability

Rabobank aims to be accountable for developing the right sustainability policies and the right application of this Sustainability Policy Framework. This means that Rabobank:

- formulates policies, standards and procedures on how to maintain, develop, implement and monitor the Sustainability Policy Framework;
- deems its Sustainability Policy Framework to reflect materially relevant issues;
- is responsive to stakeholder issues that affect its sustainability performance and takes care that its response occurs through decisions, actions, performance and communication with internal and external stakeholders;
- accepts accountability to those on whom it has an impact and who have an impact on it, while stakeholders participate in developing and achieving an accountable and strategic response to sustainability.

Responsibility and review

The responsibility for the delivery of the Rabobank sustainability policies is that of all Rabobank employees, with the ultimate responsibility resting with the Managing Board. However the management of the business units of Rabobank Group is responsible for appraising the policy issues in their own markets and for taking appropriate steps to ensure that clients meet our policy requirements. This includes engagement with clients and affected parties.

The Rabobank Sustainability Policy Framework is reviewed every two years and is approved by the Managing Board.

Policies in a nutshell

Sustainable Development Policy

This policy identifies how we intend to contribute to economic, environmental and social progress, with a view to achieving sustainable development.

Core Policies

Environment

Our clients are expected to know and take into account the potential impact of their activities on the environment and seek to avoid or, when avoidance is not possible, minimize these impacts. They are expected to have appropriate policies and programs to prevent and mitigate adverse impacts.

Human Rights

Rabobank respects all the human rights of its employees, carries out due dilligence regarding human rights in its commercial relationships and aims to make a positive contribution to society in the countries in which it operates. All clients are expected to respect and promote human rights as described in the *United Nations (UN) Declaration of Human Rights*. in their business decisions, and are expected to use their influence with their suppliers to do the same. For unavoidable adverse impacts, they are expected to provide for and cooperate in remediation through legitimate processes.

Labour Standards

All clients are expected to respect and promote labour standards as described in the *International Labour Organization Declaration on Fundamental Principles and Rights at Work* and related conventions. They are expected to do so in their own operations, and to use their influence with their suppliers to do the same. For unavoidable adverse impacts, they are expected to provide for and cooperate in remediation through legitimate processes.

Anti-Corruption

Rabobank is committed to applying high standards of honesty and integrity consistently across our global operations and in all our business dealings. We operate according to our corporate values and are committed to preventing corruption and bribery in all its forms and do not tolerate it in our business or in those with whom we do business.

Theme Policies

Animal Welfare

Rabobank uses a comprehensive framework for the assessment of animal welfare based on scientific knowledge and leading and globally accepted best practices and standards. We have strict guidelines regarding animal testing, the use of wild animals and for sponsoring of cultural events. Clients are expected to comply with, among others, the good practices as outlined by the International Finance Corporation's (IFC) Good Practice Note *Animal Welfare in Livestock Operations*, and with the terrestrial and aquatic animal health codes of the World Organization of Animal Health (OIE). Besides that, they are expected to meet the 'Five Animal Freedoms' and the 'principles of the three R's'.

Biodiversity

Clients are expected to not damage, cause or contribute to the conversion of high conservation-value or high carbon-stock areas, nor should they operate in legally protected areas, UNESCO World Heritage sites and RAMSAR wetlands unless the development is legally permitted and consistent with recognized management plans for the area. They are expected to not cause or contribute to a net reduction in the population of endangered species, nor intentionally introduce alien species. They are also expected to be efficient with natural resources and conduct (independent) ecological impact surveys and assessments.

Gene Technology

Rabobank strongly believes that the application of gene technology can significantly contribute to the solution for future social problems regarding food security, public health, and the development of environmentally sustainable production processes. Rabobank clients are expected to responsibly manage the application of gene technology and consider the interests of the community with great care, and to communicate openly. They are also expected to adopt good industry practices when using animals for experimental and scientific purposes.

Investing in Agricultural Commodity Derivatives

Rabobank is of the opinion that the derivatives market plays a vital role in offsetting price risk and in price discovery, and in providing access to instruments that can offset growing price risks. Rabobank will not engage in proprietary trading in commodity derivatives for pure speculative purposes.

Land Governance

Clients are expected to promote good land governance, and implement appropriate governance structures, policies and management systems. They are expected to respect legitimate land tenure rights, and apply inclusive business models and alternative forms of investment that may be more beneficial to existing land users and communities, and that do not require transfer of land tenure. They are expected to engage with stakeholders, with a special focus on indigenous peoples, and maintain open, transparent, effective and accessible mechanisms to record and resolve grievances and disputes.

Sector Policies

Aquaculture, fisheries and seafood processing

Clients operate in three types of business – aquaculture, fisheries (wild catch) or seafood processing. Aquaculture clients are expected to safeguard water quality, to become certified under a credible schema, such as that of the A*quaculture Stewardship Council (ASC)* and purchase feed from responsible suppliers. Wild catch clients are expected to become certified under a credible scheme such as that of the *Marine Stewardship Council (MSC)* and refrain from unauthorized catching and trading of endangered species. Seafood processing clients are expected to establish better traceability in their supply chain where possible. All are expected to apply food standards.

Armaments industry

Rabobank distinguishes seven types of controversial weapons: cluster munitions, anti-personnel mines, white phosphorus used in incendiary weapons or munitions, depleted uranium munitions, biological, chemical and nuclear weapons. Rabobank will not provide financial services to companies that are involved in controversial armaments, or that are involved in armaments that can be used for controversial purposes. We will also not invest our own funds in any activity that is connected with controversial weapons, or invest in government bonds or securities issued by companies in countries that are subject to sanctions in the form of an armaments embargo, economic sanctions or international travel bans.

Biofuels

Clients are expected to not produce biofuels that contain raw material obtained from land with high carbon stock. They are expected to produce biofuels that provide clear greenhouse gas emission benefits after considering the entire lifecycle of raw material compared to fossil fuel, where natural resources are used as efficient and optimally as possible. They should ensure that the biomass/feedstock used for the biofuels does not replace (land for) staple crops when there are indications of local food insecurity.

Cocoa, Coffee & Cotton

Clients are expected to take measures to protect biodiversity, safeguard water quality and quantity, use soil management practices that enhance fertility and prevent erosion and degradation, responsibly use, apply and store agrochemicals, and reduce, reuse and recycle waste.

Extractive Industries

Rabobank supports its clients to continuously increase their environmental performance and carbon efficiency and aims to contribute to reaching the Paris Accord goals for climate change. Rabobank doesnot directly finance the exploration and production of coal used for power generation and of shale gas or other non-conventional fossil natural resources, specifically oil sands, shale oil, shale gas, or coalseam gas, nor for the production or delivery of essential, specifically designed and dedicated services and assets that are used for the exploration and production of non-conventional fossil natural resources. Furthermore there are various restrictions for the financing of coal-fired power generation and the trade of coal for power generation.

Forestry

Clients are expected to achieve certification according to the *Forest Stewardship Council (FSC)* or the *Programme for the Endorsement of Forest Certification (PEFC)* and to have a purchasing policy that considers sustainability issues for forestry. There are additional expectations for clients that are still working towards certification including
to have a time-bound plan.

Livestock Farming

Clients are expected to treat animals accordingly to Rabobank's animal welfare policy, and to take into account local resource availability (land, water, capital, labour, knowledge, climate and infrastructure), effects of transport (costs, pollution and animal welfare), to minimize emissions, to responsibly use antibiotics, hormones, growth promotants, drugs and other chemicals, and to use sustainably produced feed and sustainable grazing practices.

Palm Oil

Clients are expected to achieve the *Roundtable on Sustainable Palm Oil (RSPO)* certification or verification against the RSPO principles and criteria based on a time-bound plan. Those in the palm oil supply chain should progressively increase the volume of RSPO certified palm oil as a proportion of the total volume of palm oil entering their supply chains.

Ship Recycling

Our policy applies to clients working with ships that have more than 500 tonnes gross tonnage. They are expected to adopt best practices, comply with several specific industry regulations identified in our policy. Rabobank will not provide products and services to or produce from businesses whose revenue models include irresponsible and unacceptable recycling practices as a substantial element.

Soy

Clients are expected to operate according to industry best practices such as those of the Round Table on Responsible Soy (RTRS) standard, e.g. to protect and manage soil and water, not establish plantations on land that has been cleared by fire, document the use of agrochemicals and disposal of chemical waste, progressively increase the proportion of sustainable soy in their value chain, and to respect land tenure rights.

Sugarcane

Clients are expected to operate according to industry best practices such as those of the *Bonsucro* standard, e.g. to refrain from deforestation, to responsibly use agrochemicals and take measures to protect soil, ground and surface water, and to respect land tenure rights.

Exclusion List

Clients are expected to not be involved in the production and trade of specific products and processes that Rabobank considers detrimental to sustainable development.

Rabobank Sustainable Development Policy

Commitment

Expectations

Sustainable development is development that meets the needs of current generations without compromising the ability of future generations to meet their own needs. Relevant impacts include, but are not limited to, environmental change, poverty and equity, as well as economic, cultural, technological and political globalization.

Rabobank recognizes that it has the opportunity to create positive environmental and social impacts, but that it also has risks associated with the potential negative impacts of its own operations and those of its clients. This Sustainable Development Policy is a generic policy that overarches all of Rabobank's other sustainability policies. The commitments and expectations identified herein are always applicable for all clients, companies of which we hold (partial) ownership, and business partners and are an integral part of our core, theme and sector policies.

Our commitments

In line with our commitment to sustainable development, in our day-to-day activities, and throughout the Rabobank Group we commit to:

- protect and respect the environment, human rights and labour standards;
- avoid causing or contributing to adverse social and environmental impacts;
- integrate material sustainability criteria in our business decisions and commercial activities;
- provide products and services that:
  - contribute to sustainable development of people, the environment and the economy;
  - reduce or avoid unsustainable practices;
  - deal responsibly with material impacts;
- encourage and support clients to improve their performance in a way that contributes to their business success and to society and the environment;
- terminate relationships with clients that do not meet the requirements outlined in our sustainability policies and/or international or national legislation and regulations, and that are unwilling to change the undesired practices within an agreed timeframe;
- promote inclusive business models;
- engage for continuous improvement and promote cooperation between businesses, governments and other stakeholders;

- share our knowledge and networks;
- foster the development of in-house learning, management capacity and leadership on sustainability issues;
- comply with all national laws and regulations in the countries where we operate;
- communicate transparently about our vision and activities;
- not lend to, or invest in, specific activities and industries as defined in the *Rabobank Exclusion List*.

What we expect of our clients

Rabobank believes that sustainability is not an option but a condition for future prosperity. We aim to positively affect the overall sustainability of our clients' operations. This implies that the identification of material sustainability impacts need to be integrated in daily business, and that the impacts of our clients' activities on society and the environment, and throughout their supply chains, need full consideration in our decision-making processes.

Rabobank's expectations of its clients regarding sustainability align with the *OECD Guidelines for Multinational Enterprises* and the principles of the *UN Global Compact*. We therefore expect them to contribute to economic, environmental and social progress with a view to achieving sustainable development. Our clients should avoid causing or contributing to adverse social and environmental impacts, they should seek to prevent or mitigate an adverse impact when the impact is directly linked to their operations or products and services, and they should account for how they address their actual and potential adverse impacts. This process of identifying, preventing, mitigating and being accountable should be an integral part of our clients' business decision making and risk management systems. It forms the basis of our implementation framework for client assessment and client relationship management, and has been consistently applied in all of our sustainability policies.

The expectations of our clients outlined in this policy are always applicable, regardless of the sector or industry in which they operate. Specifically, we expect them to:

- not cause or contribute to adverse social and environmental impacts;
- be aware of their sustainability risks, including those in their supply chain;
- use good industry practices;
- commit to time bound plans to achieve progression of their sustainability commitments;
- adopt mitigating strategies that seek to first avoid, then mitigate, then as a last resort compensate;
- implement adaptive mitigation and management measures;
- influence their supply chain to promote sustainable development[3];
- be transparent about their risks, commitments, and performance, including adverse impacts;
- comply with all applicable local, nationally and internationally ratified laws and regulations and other statutory requirements and be able to show the legality of their operations.

What we expect of our business partners

Rabobank expects its business partners and suppliers to endorse the *Sustainability Statement for Business Partners of the Rabobank Group* and to meet the obligations as outlined in our procurement criteria. We monitor our suppliers' commitment to sustainability by screening and engaging with them. In cases where our suppliers have not met the required obligations, and if ongoing engagement does not lead to improvements over time, we may terminate the relationship on the basis of pre-determined criteria.

3 We recognize that a client's ability to do this with suppliers will depend on the influence the client has in the supply chain, and its relative size compared to other players.

Core policies

Environment

Human Rights

Labour Standards

Anti-Corruption

Environment Policy

The natural environment is all living and non-living things that exist naturally on earth. Relevant risks to the natural environment include climate change, raw material scarcity, natural resource scarcity, water availability, environmental pollution, loss of biodiversity and ecosystems.

Our commitment

Rabobank recognizes that the economic activities of its own operations may have impacts that could threaten the environment. We are therefore committed to a responsible approach to the environment and take into account the consequences of our activities. In addition to our *Sustainable Development Policy*, with regard to the environment we specifically commit to:

- protect and enhance the environment;
- use natural resources efficiently and optimally;
- be climate neutral and energy efficient;
- use renewable energy sources where possible. We aim to reduce carbon emissions per FTE per year by 2020 by 10% from 2013;
- minimize our exposure to clients that could create material adverse social and environmental impact;
- encourage the development of a circular economy.

What we expect of our clients

Rabobank takes a precautionary approach to assessing the environmental challenges of its clients. Companies that do not effectively address their potential environmental impacts can cause serious long-term and possible irreversible environmental damage, whilst at the same time create significant business risk.

In addition to our *Sustainable Development Policy*, with regard to the environment we also expect all of our clients to:

- know their potential impacts on the environment, take them into account when making business decisions, and seek to avoid, or when avoidance is not possible, minimize them;
- apply industry-specific good operating principles, management practices and best available technologies that do not degrade the surrounding environment;
- when relevant production practices have been codified in globally, nationally or regionally recognized standards, the client should implement management practices to one or more relevant and credible standards, as demonstrated by independent verification or certification;
- be aware of the environmental risks in their value chain and limit dealings to those that can demonstrate that they also apply good industry standards and practices. We recognize that a client's ability to do this with suppliers will depend on the influence the client has in the supply chain, and its relative size compared to other players;
- use natural resources efficiently and optimally.

For clients whose activities could potentially create significant impacts, we also expect them to:

- have an environmental policy that reflects their awareness of the risks they have to cause environmental damage, and communicate those risks transparently;
- establish and maintain an environmental management system, including monitoring impacts and implementation of control measures;
- assess and address in decision making the foreseeable environmental impacts associated with their processes, goods and services, over their full life cycle;
- strive to reduce their own footprint.

For clients whose activities could potentially significantly pollute the environment, we also expect them to:

- apply pollution prevention principles and techniques and the most; appropriate technologies in the specific circumstances, consistent with good international practice;
- to avoid, minimize and control the intensity of the release of pollutants due to routine, non-routine and accidental circumstances with the potential for local, regional and trans boundary impacts;
- to have mechanisms in place for immediate reporting of serious accidents and emergencies to the competent authorities.

For clients whose activities have potentially significant[4] greenhouse gas emissions, we expect that the client considers alternatives and implement options to reduce direct and indirect emissions. Options may include, but are not limited to product changes to reduce material use, sustainable agricultural practices, material recycling, leak elimination, insulation, cogeneration of heat and power, process changes, and use of renewable energy sources.

4 An expected or current production of more than 25,000 tonnes CO2-equivalent annually.

Human Rights Policy

Human rights are universal – to be enjoyed by all people, no matter who they are or where they live. Rabobank recognizes its corporate responsibility and respects and upholds human rights in its own operations and asks its clients to do the same. Rabobank considers any infringements upon human dignity unacceptable.

Our commitment

We respect and uphold at all times the international human rights described in the *UN Declaration of Human Rights*, codified in international law[5]. We have the duty to respect the *UN's Guiding Principles on Business and Human Rights*, which is the global authoritative standard on business respect for human rights.
In addition to preventing and mitigating adverse impacts on human rights from its activities and associated relationships, Rabobank contributes positively to human rights wherever it can. Rabobank has identified human rights that are particularly relevant to its stakeholder relationships within the context of the bank's operations. This includes employees, customers and business associates, and society and other stakeholders:

Ad 1. Internal relationships

Rabobank is as an employer committed to respecting all the human rights of its employees:

- it fully respects the rights of workers, such as freedom of association and the effective recognition of the right to collective bargaining; elimination of all forms of forced or compulsory labour; effective abolition of child labour; and the elimination of discrimination with respect to employment and occupation;
- taking measures to assert these rights by means of dissemination and access of information and training;
- promoting a corporate culture of awareness of and respect for human rights;

5 Rabobank recognizes the human rights as codified in the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention on Elimination of All Forms of Discrimination Against Women, the Convention on the Rights of the Child, and the UN Declaration on the Rights of Indigenous Peoples.

- employees have access to grievance mechanisms, which are in line with human rights principles, through which complaints and disputes can be resolved effectively.

Ad. 2 Customers and business associates (including suppliers)

Rabobank carries out reasonable and appropriate human rights due diligence regarding material human rights risks within its commercial relationships:

- possible aspects of Rabobank's activities that are subject to human rights due diligence requirements include client acceptance, provision of loans and leasing products, project financing and investments;
- in order to help identify the material human rights issues, Rabobank has developed sector specific policies which are documented in this Sustainability Policy Framework. The most salient human rights impacts to be respected by Rabobank include the rights of indigenous peoples, labour rights and land governance, which are attended to in the theme specific policies;
- human rights principles will also be included in the process of establishing joint ventures and making acquisitions.

Rabobank insists that its suppliers respect human rights and take reasonable steps to satisfy it that this precondition is being met. This is monitored by screening and engaging with suppliers to ensure that they follow the same principles as Rabobank. Rabobank expects its customers, suppliers and other business partners to uphold the human rights commitment set out in this policy.

Ad. 3 Society and other stakeholders

Rabobank aims to make a positive contribution to society in the countries in which it operates. Specifically, we:

- respect sanctions imposed by the UN, the European Union (EU) or any other legislated sanctions that apply to the countries in which the bank operates. Rabobank will not undertake any transactions that may conflict with these sanctions;
- will not operate in countries in which we cannot comply with our human rights commitments towards its employees and/or where circumstances impede the free choice of business partners.

We acknowledge that organizations can potentially have an impact on all human rights. Therefore, Rabobank periodically assesses its human rights risks by analyzing its banking and financial activities, relationships and portfolios; conducting thorough research; and engaging in dialogue with stakeholders in order to provide specific guidance to its employees, managers, directors and members of the supervisory board.

The core features of this human rights due diligence process are as follows:

- the process is aimed at 'demonstrating' that human rights are not infringed upon in the course of doing business;
- it consists of:
  - Identifying and assessing actual and potential human rights impacts;
  - Integrating and acting upon the findings;
  - Tracking the effectiveness of the response;
  - Communicating how human rights impacts are addressed;
- the process will vary in complexity according to the size of the business enterprise, the risk of severe human rights impacts and the nature and context of the operations;
- it is different from other due diligence activities in that it focuses on adverse impacts on individuals and communities and on their rights, in addition to the risks to the company;
- the fact that human rights risks may change over time means this is an ongoing process;

- it covers adverse human rights impacts that Rabobank may cause or contribute to through its own activities or which may be directly linked to its operations, products or services by its business relationships;
- it applies to Rabobank's own activities and to its relationships with business partners, suppliers and other non-state and state entities and is consequently also aimed at avoiding legal and non-legal complicity.

With regard to stakeholder engagement, Rabobank recognizes that human rights require meaningful engagement with internal and external stakeholders. Human rights principles form an integral basis for dialogue and decision-making processes in Work Councils, our Group-wide Ethics Committee, NGOs, unions and other stakeholders. Stakeholder engagement is particularly important in relation to identifying, assessing and remedying grievances among any of Rabobank's stakeholders.

Even with the best policies and practices in place, Rabobank or one of its divisions may inadvertently cause or contribute to an adverse impact that was not foreseen or could not have reasonably been prevented. If this is the case, we will endeavor to remedy or co-operate in the remediation of the situation through legitimate processes. Rabobank therefore:

- seeks to have grievance mechanisms in place both for all employees in all countries and divisions and for other relevant stakeholders;
- fully co-operates in legitimate external processes aimed at addressing and resolving grievances directly and in a timely matter;
- assures that the collaborative and multi-stakeholder initiatives in which Rabobank participates provide for effective grievance mechanisms and/or other measures of adequate accountability;
- ensures that before investing in projects with severe potential human rights impacts, the operation will encompass effective stakeholder engagement, including an operational-level grievance mechanism.

What we expect of our clients

Specifically, in addition to our *Sustainable Development Policy*, with regard to human rights we expect all of our clients to:

- respect and uphold all human rights as described in the UN Declaration of Human Rights, and related international legislation and regulations;
- avoid causing or contributing to human rights violations;
- identify, prevent, mitigate and account for any actual or potential adverse human rights impacts that are directly linked to their operations, products and services through business relationships including customers, as well as business associates and society;
- be transparent about their risks of causing or contributing to adverse human rights impacts and how they manage those risks;
- be transparent about any violations of human rights;
- operate effective stakeholder engagement including an operational-level grievance mechanism for any adverse human rights impacts for which they have caused or contributed to, and involve affected stakeholders before establishing new operations in a process of free, prior, and informed consultation and duly record the process;
- provide for or cooperate in remediation through legitimate processes for violations of human rights that it has caused or contributed to.

Labour Standards Policy

Labour standards are human rights related to relations between workers and their employers. They are described in various codes and conventions and are an integral part of the UN Sustainable Development Goals (SDGs), which also includes the decent work agenda to achieve full and productive employment and decent work for all for a living wage. Core labour standards include freedom of association and the right to collective bargaining, elimination of forced and compulsory labour, the abolition of child labour, and elimination of discrimination in the work place. Other standards that are widely accepted relate to worker conditions such as health and safety.

Our commitment

Rabobank recognizes the importance of its role in an international business community, and that the economic activities of its own operations may risk violating labour standards. In addition to Rabobank's *Code of Conduct, our Sustainable Development Policy,* and our *Human Rights Policy,* with regard to labour standards we specifically commit to:

- uphold the principles concerning fundamental rights contained in the eight core conventions of the *International Labour Organization (ILO)* as set forth in its *Declaration on Fundamental Principles and Rights at Work*[6];
- respect and encourage diversity in the workplace, including equal opportunities for all;
- avoid causing or contributing to violation of labour standards;
- respect all labour standards of its employees including but not limited to freedom of association and the effective recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labour, effective abolition of child labour, and the elimination of discrimination with respect to employment and occupation[7];

6 Rabobank recognizes the United Nations Convention on the Rights of the Child, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the International Labour Organization Tripartite Declaration Concerning Multinational Corporations and Social Policy, and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

7 Rabobank encourages companies to put the Children's Rights and Business Principles into practice.

- provide a safe and healthy work environment;
- take measures to assert labour standards by means of dissemination of information and training;
- promote a corporate culture of awareness of and respect for labour standards;
- provide access to grievance mechanisms that are in line with human rights principles, and through which complaints and disputes can be resolved effectively.

What we expect of our clients

We take a precautionary approach to assessing the labour related challenges of our clients and expect them to uphold internationally recognized labour standards, including those described in the *IFC Performance Standard 2 on Labour and Working Conditions*.

In addition to our *Code of Conduct,* our *Sustainable Development Policy,* and *Human Rights Policy,* with regard to labour standards we expect all clients to:

- respect all labour standards as described in the ILO Declaration on Fundamental Principles and Rights at Work;
- avoid causing or contributing to violation of labour standards;
- respect and encourage diversity in the workplace, including equal opportunities for all;
- identify, prevent, mitigate and account for any actual or potential violation of labour standards that are directly linked to their operations, products and services through business relationships including customers, as well as business associates and society;
- provide a safe and healthy work environment;
- apply labour standards considerations in their business decisions;
- provide for or cooperate in remediation through legitimate processes for violations of labour standards that they have caused or contributed to;
- be transparent about their risks of causing or contributing to violations of labour standards and how they manage those risks;
- be transparent about any breaches of labour standards;
- operate effective stakeholder engagement including an operational-level grievance mechanism for any violations of labour standards for which they have caused or contributed to.

Anti-Corruption

Rabobank is committed to applying high standards of honesty and integrity consistently across our global operations and in all our business dealings. Our values, as stated in our Code of Conduct, guide the way we behave as individuals and the way we do business. We are committed to preventing corruption and bribery in all its forms and do not tolerate it in our business or in those with whom we do business.

We strive to uphold all laws aimed at countering corruption and bribery, including the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act, in all the countries in which we operate. Our policies encourage staff that have any suspicion of bribery or other form of corruption within or related to Rabobank to report this suspicion.

https://www.rabobank.com/en/about-rabobank/profile/organisation/key-documents/index.html

Theme policies

Animal Welfare

Biodiversity

Gene Technology

Investing in Agricultural Commodity Derivatives

Land Governance

Animal Welfare Policy

Animal welfare is the well-being of animals, i.e. the state of animals and how they cope with the conditions they live in. Rabobank believes that good animal welfare implies that an animal is healthy, well-nourished, safe, comfortable, able to express innate behavior, and that it is not suffering from pain, fear nor distress. Good animal welfare also requires disease prevention and veterinary treatment, appropriate shelter, management, humane treatment, and humane slaughter or killing. Animal welfare is an important issue recognized by legislation as well as relevant industry standards and good practices.

Our commitment

In addition to our *Sustainable Developmen*t Policy and our core sustainability policies, with regard to animal welfare we specifically commit to:

- promote the respect and protection of the well-being of animals based on generally accepted, contemporary, scientific understanding of animal welfare that emerged from the recognition that animals are sentient beings, referencing the following sources:
  - the *Terrestrial Animal Health Code* of the OIE;
  - the *Aquatic Animal Health Code* of the OIE;
  - the *European Convention for the Protection of Animals;*
  - the *Animal Welfare Directives* of the EU;
  - the *Good Practice Note: Animal Welfare in Livestock Operations* by the IFC;
- encourage clients to act in accordance with Rabobank's Food & Agribusiness Principles and changing societal expectations as they relate to animal welfare over time to ensure the ongoing sustainability of the industry and our clients' business;
- two key principles of animal welfare management. The first, to provide for the needs of animals that are critical to their survival, are safeguarded by the 'Five Animal Freedoms'. These freedoms refer to the minimization of negative experiences of animals by being free from hunger or thirst, discomfort, pain, injury, distress or fear and the freedom to express normal behaviour. The second, the promotion of positive experiences, refers to improving welfare above the survival minimum by providing animals with enriching

opportunities to engage in behaviours that increase their comfort, confidence and capacity to make rewarding choices.These principles support the contemporary recognition that acceptable animal welfare management should include both the minimization of negative experiences and the provision of opportunities to have positive experiences;
- apply a framework within which animal welfare assessments and decision-making may take place, allowing for differences in local legislation on animal welfare and market practices within animal husbandry to be reflected in the local procedures that will be applied in different geographical locations;
- not accept requests for the sponsoring of cultural events with animals, unless it can be clearly demonstrated that the Five Freedoms will be met, that positive experiences for the animals are stimulated and that the activity is generally accepted within the community it takes place;
- provide support and advice to clients on alternative solutions, where necessary give clients time to implement new standards if they change over time.

What we expect of our clients

We recognize that companies that work with animals can have significant business risk regarding animal welfare issues. We have general requirements for all our clients that work with animals, as well as specific requirements depending on whether a client works with farmed animals, uses animals for experimental purposes and for the sponsoring of cultural events.

In addition to our *Sustainable Development Policy* and our core sustainability policies, we expect all clients that work with animals no matter where they operate in the world to also:

- respect and protect the well-being of animals;
- be aware of their potential to cause or contribute to adverse animal welfare issues and take precautionary measures to avoid them;

- follow two key principles of animal welfare management:
  - To provide for the needs of animals that are critical to their survival, refers to meeting the 'Five Animal Freedoms'. These freedoms refer to the minimization of negative experiences of animals by being free from hunger or thirst, discomfort, pain, injury, distress or fear and the freedom to express normal behaviour;
  - The promotion of positive experiences, refers to improving welfare above the survival minimum, by providing animals with enriching opportunities to engage in behaviours that increase their comfort, confidence and capacity to make rewarding choices. These principles support the contemporary recognition that acceptable animal welfare management should include both the minimization of negative experiences and the provision of opportunities to have positive experiences;
- be transparent and account for any animal welfare incidents;
- apply the guidance below to working with animals in the following contexts:
  1. farmed animals;
  2. household pets;
  3. animals used for experimental purpose;
  4. use of animals for entertainment and cultural events;
  5. wildlife protection and conservation.

Ad 1. Protection of farmed animals

Rabobank will encourage clients to comply with 'accepted good practice' as published by the IFC guidelines in the Good Practice Note: *Animal Welfare in Livestock Operations*. The accepted good practices are grouped into eight topics. Below is a brief specification of the Rabobank principles on these topics.

- **Feed and water:** all animals must have access to sufficient feed and water to meet their functional and behavioural requirements. Medicated or enriched food and water should only be used on professional advice or when it is not detrimental to animal health and welfare.
- **Proper housing systems:** When housing systems are used, they should support the behavioural needs of the animals regarding movement, functional areas, environmental enrichment and resting, as well as non-harmful social habits. The housing system must protect the animals from injury and distress. Further specifications for housing systems can be found in the *Livestock Farming Policy*.

- **Health and disease:** A preventative health care program should be in operation, supported by periodic testing of the animals and remedial action being taken when necessary.
- **Husbandry practices:** All husbandry practices used should minimize the distress, injury and pain that animals may experience. In particular, where practicable, alternatives to practices that in their execution cause injury and pain (e.g. dehorning, castration) should be used or pain-relieving measures introduced.
- **Transport:** The transport time for animals closely confined in road vehicles should preferably not exceed eight hours. The animals should be off-loaded during the journey at intervals corresponding to driver fatigue breaks, and they should then be fed, watered and rested. The practices used should minimize distress and risk of injury.
- **Slaughter:** Animals should be handled and slaughtered in the least distressing and most pain-free manner possible. Rabobank recognizes that it is necessary to take account of the particular requirements of certain religious rites, such as 'Halal slaughter'[8]. In this case, reversible stunning should be practiced where possible.
- **Genetics and breed selection:** The choice of breeds and breeding objectives should not focus only on maximum production and/or profit, but should also include animal welfare requirements. In addition, breeds used should have a demonstrated capacity to adapt to the environments in which they are expected to perform.
- **Stockmanship:** Owners or keepers of animals must look after their animals' welfare and, as a minimum, ensure that they do not cause any unnecessary pain, distress or other harm. The provision of welfare enriching opportunities should also be included. As animals may be adversely or beneficially affected by the attitudes and behavior of stockpersons towards them, they should be treated with consideration at all times. Rabobank stresses the importance of and need for appropriate training of all stockpersons and the introduction of motivating incentives to ensure that good management practices are implemented.

8 The religious authority on whose behalf slaughter is carried out shall be competent for the application and monitoring of the special provisions which apply to slaughter according to certain religious rites. That authority shall operate under the responsibility of the official veterinarian.

Ad 2. Household pets

Most of the areas noted for farmed animals also apply to domestic pets. Specifically, these are feed and water, proper accommodation (housing), health and disease management, genetics and breed selection, and animal care (stockmanship). Of the three remaining, the equivalent of painful husbandry practices, if done, should usually be by a veterinarian, special precautions should apply to long distance transport of pets, and, of course, slaughter is excluded.

Ad 3. Protection of animals used for experimental purposes

In the view of Rabobank Group, experiments on sentient animals must only take place if, after specific evaluation, the purposes of the experiment/research (i.e. its anticipated benefits) are considered to be justified. Moreover, a harm-benefit analysis must have shown that the benefits outweigh the harms and that specific attention has been given to maximizing the benefits and minimizing the harms. When experiments are carried out, the principles of the Three R's should be applied. This entails the following principles:

- replace the use of animals with alternative techniques, or to avoid the use of animals altogether;
- reduce the number of animals used to a minimum, to obtain information from fewer animals or more information from the same number of animals;
- refine the way experiments are carried out, to make sure animals suffer as little as possible.

These provisions apply to the use of animals for the development, manufacture, quality, effectiveness and safety testing of drugs, foodstuffs and other substances or products:

- in treating diseases or health problems in humans, animals or plants;
- in treating physiological conditions in humans, animals or plants;
- for the protection of the natural environment in the interests of humans or animals.

The Rabobank Group will not fund other types of research on sentient animals, including the cloning of animals for commercial purposes. In addition, Rabobank usually will not finance the use of endangered species or primates for experimental purposes, expect in limited very specific cases:

- if the aim of the experiment/research in question is the preservation of the species concerned;
- if this species is patently the only one suitable for the biomedical purpose.

In the event that, after the experiments have finished, the wellbeing of the animal cannot be guaranteed, it must be euthanized by an approved method, as soon and as painless as possible. Persons who carry out experiments or take part in them must be scientifically competent and have the appropriate education and training. Any associated animal breeding, supply and user establishments must be approved by the competent authorities. Finally, all experiments and research on sentient animals must comply with relevant national and regional laws and regulations.

Ad 4. Use of animals for entertainment and cultural events

Rabobank will not accept requests for the sponsoring of cultural events with animals, unless it can be clearly demonstrated that the Five Animal Freedoms will be met, that positive experiences for the animals are stimulated and that the activity is generally accepted within the community it takes place. To this end, the organizer of the cultural event is required to provide Rabobank with proof in the form of an independent expert opinion.
Rabobank will not support any kind of animal fights for entertainment.
Rabobank will not take on any new clients involved in dolphin/whale centers.
Rabobank will help existing clients transition their businesses to other sectors if and when possible.

Ad 5. Wildlife Protection and Conservation

Rabobank Group will not establish a commercial relationship with clients where evidence has been found of illegal trade in species listed in appendices I and II of the CITES *Convention on International Trade in Endangered Species of Wild Fauna and Flora*.

Biodiversity Policy

Biodiversity is the term used to describe the variety of life found on earth and all natural processes. Damage to biodiversity is considered harmful if the impact is long-lasting or irreversible. Relevant potential adverse impacts include loss, degradation or fragmentation of habitats (modified, natural, and critical), invasive alien species, overexploitation, hydrological changes, nutrient loading and pollution.

Our commitment

Rabobank believes that sustainably managing living natural resources is fundamental to sustainable development. We recognize that the economic activities of our operations could have impacts that could threaten the environment, and possibly damage biodiversity and ecosystem services.

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to biodiversity we specifically commit to:

- avoid causing or contributing to adverse impacts on biodiversity and ecosystem services, and in addition to strive for a net positive impact on biodiversity and ecosystem services;
- provide responsible financial products and services to clients that will protect and preserve the integrity of biodiversity and ecosystem services;
- strive to achieving zero net deforestation by preferably not engaging in transactions that are directly linked to deforestation activities.

What we expect of our clients

Rabobank clients can potentially create adverse impacts on biodiversity and ecosystems, and these impacts can in turn create further impacts on ecosystem services. Degradation and loss of ecosystem services can pose operational, financial and reputational risks for the client and for Rabobank. Rabobank will encourage clients to adhere to the *IFC Performance Standard 6 on Biodiversity*, which recognizes that protecting and conserving biodiversity, maintaining ecosystem services, and sustainably managing living natural resources are fundamental to sustainable development. In addition to our *Sustainable Development Policy* and our core sustainability policies,

with regard to biodiversity we specifically expect our clients to:

- know their potential impacts on biodiversity and ecosystem services;
- not damage, cause or contribute to the conversion of high conservation-value areas (HCV) or high carbon stock-areas (HCS);
- not to operate in national or international legally-protected or preserved areas and areas containing globally, regionally or nationally significant concentrations of biodiversity values;
- not operate in legally protected areas, UNESCO World Heritage sites and RAMSAR wetlands unless the development is legally permitted and consistent with recognized management plans for the area;
- not cause or contribute to a net reduction in the population of endangered species;
- not intentionally introduce alien species and implement measures to avoid the potential for accidental or unintended introductions including via the transportation of alien species;
- seek to avoid causing or contributing to adverse impacts on biodiversity and ecosystem services, or when avoidance is not possible, minimize these impacts. In addition, strive to achieve a net positive impact on biodiversity and ecosystem services;
- implement a mitigation strategy with a mitigation hierarchy that seeks as a preference to avoid impacts then to mitigate unavoidable impacts, and as a last resort, to compensate for unavoidable residual impacts that remain after avoidance and mitigation measures fail;
- implement good industry practices and adaptive management so that implementation of mitigation and management measures is responsive to changing conditions;
- execute breeding programs that take into account the quality of life of the animal;
- have a policy that reflects the awareness of their risks to cause adverse impacts on biodiversity and ecosystem services;
- obtain Free, Prior and Informed Consent (FPIC) of local indigenous peoples when developing plans that could adversely impact biodiversity or ecosystem services;
- have management practices, including quantitative targets and deadlines to protect biodiversity.

Gene Technology Policy

Gene technology or genetic engineering directly manipulates an organism's genome using DNA from bacteria, viruses or other plants and animals. It can be used in agriculture to engineer crops so that they can achieve enhanced nutritional value, show greater resistance and tolerance to insects, dry weather, soil conditions, or the direct application of herbicides or pesticides. Relevant potentially adverse impacts include food safety, food security, environmental damage, consumer choice and labelling.

Our commitment

Rabobank strongly believes that the application of gene technology can offer a solution to the requirement to continue to feed the rapidly growing world population into the long-term future. We expect that gene technology will be able to make a major contribution in the coming decades to solve social problems with respect to food security and public health, and to developing environmentally sustainable production processes. We are aware of the doubts that many still have regarding this technology. For this reason, we believe that great care should be taken in the application of gene technology by all parties concerned, specifically the interests of the community should be handled with care and communication with stakeholders should be open. It is under these conditions that Rabobank is willing to be involved in this technology as a financial services provider.

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to gene technology we specifically commit to:

- clearly state our position with regard to gene technology;
- only being involved in those activities with the potential to deliver added value to the users of the products in which gene technology is incorporated and which, at the same time, show due regard for the safety of people, nature, the environment and animal welfare;
- evaluate credit applications related to gene technology within their own specific context.

- be guided by the degree of transparency in the companies involved when deciding financing gene technology activities;
- maintain dialogue with scientists, ethicists, politicians and social organizations.

What we expect of our clients

Rabobank is aware of and also respects the concern that exists in some parts of the community regarding the possible negative effects of gene technology. In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to gene technology we specifically expect our clients to:

- establish a clear framework for the use of gene technology, which ensures that there is due consideration for moral principles and any current social concerns regarding the technology and its use;
- exercise transparency about their activities and aims with regard to gene technology and engage with stakeholders if and when the request for such engagement presents itself;
- adopt good industry practices when using animals for experimental and scientific purposes, which are in accordance with our animal welfare policy.

Investing in Agricultural Commodities Derivatives Policy

Agricultural commodities derivatives can be futures contracts, forward contracts, options and swaps of agricultural commodities. They are generally used as an instrument to hedge risk, but can also be used for speculative purposes. The related potentially adverse impacts include a destabilizing effect on the agricultural commodities markets.

Our commitment

Rabobank is aware of the ongoing debate about investing in agricultural commodities derivatives. It is our view that the derivatives market plays a vital role in offsetting price risk and in price discovery. The role of the derivatives market is becoming even more important now that the markets are becoming tighter and more volatile, increasing the need for all stakeholders in the food and agribusiness value chain to have access to instruments to offset these growing price risks. We are a leading food and agribusiness bank, and a strategic partner of companies throughout the global food chain. As such, we facilitate value chain participants – our food and agribusiness clients – in using the derivatives instruments and market.

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to agricultural commodities we specifically commit to:

- not engage in proprietary trading in commodity derivatives for pure speculative purposes;
- ensure that we have sustainable practices in our client and company relationships, as reflected in our Food and Agribusiness Principles and the various supply chain policies;
- integrate assessment of (material) environmental and social impacts in our investment decision making process and client-lending practices;
- actively participate in multi-stakeholder initiatives to promote the sustainability of commodity value chains such as roundtables for palm oil, soy and sugar, etc.;

9 Rabobank has formulated five Food and Agribusiness Principles: 1) aiming for food safety and food security; 2) using natural resources responsibly; 3) contributing to enabling citizens and consumers to make well-considered choices; 4) treating animals responsibly; and 5) promoting social welfare.

- take an engagement approach with key stakeholders (clients, NGOs, regulators, etc.) to contribute to the understanding of material issues and to affect positive change;
- make our clients aware of the risks and dilemmas that apply to agricultural commodity derivatives investing;
- facilitate clients that want to invest in agribusiness companies that contribute to food security;
- support research and further analysis of the impacts of commercialization of the agricultural commodities markets, also with a pro-poor emphasis engage with policy makers and regulators on the long term stability of agricultural commodities markets and with commodity futures exchanges, investment managers, etc. with the goal of improving governance and transparency of commodity futures and over-the-counter markets towards regulators;
- take different measures to prevent a potentially destabilizing effect of our activities on the agricultural commodities markets, aligning with the recommendations of the *UN Principles for Responsible Investment and UN Global Compact*.

Land Governance Policy

Changes in the governance and the use of land and natural resources can have economic, social, environmental, and political impacts on communities, families, and other stakeholders. Inherent scarcity of land can lead to profound disputes and conflicts, which are sometimes not easily resolved because of weak governance regarding land tenure or limited practical state protection of rights. They can significantly affect communities who often have insufficient countervailing power to defend their legitimate interests.

Our commitment

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to land governance we specifically commit to:

- recognize legitimate land tenure and the rights of local communities and individuals;
- promote sound and fair land governance practices, including the *Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the context of national food security (VGGT)*;
- encourage clients to deal responsibly with land governance, including respecting land tenure and land rights and the right to free, prior and informed consent of all stakeholders regarding changes in land ownership or land use, addressing gender issues in land governance, and implementing proper grievance and dispute resolution mechanisms which are communicated in a culturally appropriate and understandable way;
- encourage clients to respect rights of indigenous peoples, vulnerable groups and local communities and ensure that their concerns are properly addressed.

What we expect of our clients

We recognize that companies operating in the food and agricultural sectors can have significant business risks regarding land governance issues, and that the risks vary depending on the type of commodity and the countries of operation. We therefore have specific expectations of clients that operate in relevant industries.

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regards to land governance we specifically expect our clients to:

- know their potential impacts regarding land governance issues and understand local tenure frameworks, including the customary rules, regulations and bureaucratic processes;
- not cause or contribute to conflicts related to land ownership and/or the use or access thereof [10];
- identify project land via a process of due diligence that includes how the project land interacts with current land use and occupancy, and analyze the land tenure-related risks in the proposed project area and at national level;
- publicly commit to sustainable and/or responsible business principles promoting good land governance, and implement appropriate governance structures, policies and management systems;
- bring business processes into alignment with the VGGT and relevant round tables as much as possible;
- apply the use of inclusive business models;
- consider avoiding large scale transfer of tenure rights and look for alternatives that limit harm to local communities;
- apply best industry practices regarding good land governance and dealing with land governance-related disputes and have time bound plans and a proven track record of resolving non-conformities;
- engage with stakeholders to mitigate the risks and remedy potential and actual adverse impacts of changes in land governance and land use;
- conduct independent social and environmental impact assessments, human rights impact assessments and/or household livelihood impact assessments;
- provide grievance mechanisms that have proportionality, cultural appropriateness, accessibility, transparency and accountability to all stakeholders, and appropriate protection that prevents retribution;
- be aware of the risks of land related disputes in their value chain and limit dealings to those that can demonstrate that they also apply good industry standards and practices[11];

10 Land grabbing practices are in no way supported.
11 We recognize that a client's ability to do this with suppliers will depend on the influence the client has in the supply chain, and its relative size compared to other players.

- undertake due diligence in order to assess their exposure to companies which are not operating according to applicable laws and regulations;
- comply with applicable regulations and voluntary schemes of responsible agribusiness supply chains and apply their influence, knowledge and networks to make their incoming supply chain more sustainable;
- monitor and enforce agreements with communities and others;
- be transparent regarding cases of land governance-related disputes and conflict resolution.

Ad 1. Indigenous Peoples

We recognize that indigenous peoples are a particularly vulnerable group. When a client proposes to locate a project on lands owned by indigenous peoples, and when adverse impacts are expected, Rabobank will encourage clients to adhere to 'accepted best practices' as published by the UN Declaration on the Rights of Indigenous Peoples and the IFC Performance Standard 7 on Indigenous Peoples. Clients are also expected to comply with local legislation. Below is a brief, but not exhaustive, specification of the Rabobank principles on these practices.

- Compensation: the client is expected to offer affected communities of indigenous peoples appropriate compensation, together with culturally appropriate sustainable development opportunities.
- Consultation: the client will undertake an engagement process with the affected communities of indigenous peoples, as they are an important stakeholder with often considerable information of their traditional lands.
- FPIC: when communities of indigenous peoples are affected by the potential project of the client, the Free Prior and Informed Consent of these affected communities must be obtained before the project can proceed.
- Information flows: all aspects that have potential adverse impacts need to be assessed and documented, as well as the efforts to avoid or minimize these impacts. The client must ensure that affected communities of indigenous peoples are informed in a culturally appropriate and understandable way.

Sector policies

- Aquaculture, Fisheries and Seafood Processing
- Extractive Industries
- Ship Recycling
- Armaments Industry
- Forestry
- Soy
- Biofuels
- Livestock Farming
- Sugarcane
- Cocoa, Coffee & Cotton
- Palm Oil

Aquaculture, Fisheries and Seafood Processing Policy

This policy involves all activities in the aquaculture, fisheries and seafood sector. These activities lead to the raising and/or harvesting of aquatic organisms such as fish, crustaceans, molluscs and plants. Aquaculture involves fish farming, which takes place under controlled conditions. The fishery sector involves wild catch, where sea life is taken from the wild rather than bred from captive stock. The seafood sector involves processing and trading issues. Key potential adverse impacts include:

- pollution of surface water;
- loss of biodiversity;
- the depletion of wild stocks;
- catching and trading of endangered species;
- unsustainable fishing methods;
- loss of resources upon which local community livelihoods (food security) are dependent;
- poor labour conditions;
- food safety.

Our commitment

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to aquaculture, fisheries and seafood processing we specifically commit to:

- encourage our clients to be transparent about their current fish production or procurement and their plans to increase the portion of sustainably caught or farmed fish;
- encourage our clients to deploy good industry practices, using energy efficient vessels, securing sufficient health and safe working conditions, or providing a sufficient remun eration for their employees;
- encourage aquaculture clients to seek alternatives for fish oil and fish meal used as feed, and to be transparent about their current production of procurement and their plans to increase the production of sustainable farmed fish from sustainable sources;

- advise that clients trace back the wild catch they source to specific vessels and sources to avoid sourcing endangered or threatened species and to avoid becoming implicated in adverse human rights and labour issues.

What we expect of our clients

Rabobank is convinced that sustainable fishery is possible. Due to the different processes involved operation in aquaculture, seafood processing and wild catch business we have distinguished different expectations for clients engaged in the different activities. We expect all of our clients to always avoid *Illegal, Unrecorded and Unregulated* (IUU) fishing and related activities.

Ad 1. Aquaculture

Rabobank will encourage clients to adhere to 'accepted good practices' as published by the IFC guidelines on aquaculture in the *Good Practice Note: Improving Animal Welfare in Livestock Operations*. In addition to our *Sustainable Development Policy* and our core sustainability policies, we specifically expect clients operating in aquaculture businesses, depending on their role in the industry, to:

- take action to become certified under a credible scheme, for example the *Aquaculture Stewardship Council* (ASC) standard or the *Best Aquaculture Practices* (BAP);
- take adequate measures to safeguard the undiminished quality and availability of surface water and aquifer;
- take adequate measures to minimize the harmful effects of introducing non-native species or genetically altered stocks into waters;
- purchase feed from reliable suppliers that have a responsible approach to sourcing raw materials, preferably from suppliers with IFFO RS certification;
- undertake social and environmental impact assessments prior to establishing new aquaculture operations, and incorporate results into planning, management and operations;
- apply food safety standards and trace back the products to the farm and the aquaculture practices being used;
- apply good land governance practices that meet our land governance policy.

Ad 2. Seafood Processing

In addition to our *Sustainable Development Policy* and our core sustainability policies, we specifically expect clients operating in seafood processing Sugarcane businesses to:

- avoid bringing IUU fish into their systems;
- ensure good working conditions in their businesses;
- ensure that there is no child labour or slave labour anywhere in their supply chain;
- establish, to the best of their abilities, better traceability in their supply chain;
- apply food safety standards.

Ad 3. Fisheries (Wild catch)

In addition to our *Sustainable Development Policy* and our core sustainability policies, we specifically expect clients operating in wild catch business to:

- take action to become certified under a credible scheme, for example the *Marine Stewardship Council* standard for sustainable fishing;
- have a purchasing policy that pays attention to the sustainability issues for the fishery sector;
- conduct the fishery in a manner that does not lead to over-fishing or depletion and that demonstrably leads to the recovery of populations that are depleted;
- use catching methods that minimize the impact to other marine species and/or habitats and avoid the capture of non-target species;
- apply good land governance practices that meet our land governance policy.

Armaments Industry Policy

Armaments generally referred to as arms, weapons and weapon systems, including product-specific components, partial systems, spare parts, maintenance, operation, intermediation and advisory services that are designed for and can be used in armed conflicts and represent a substantial contribution to that end. The generally accepted and realistically applicable definition of the armaments industry is an industry in which armaments and derivative products are manufactured for and purchased by the armed forces, private security organizations or the police force of a country. Armaments can be divided into two types: controversial and non-controversial armaments.

It is difficult to reconcile the armaments industry and human rights as weapons, the trade in weapons and the armaments industry can lead to the violation of human rights, especially in conflict situations and in countries governed by a controversial regime.

Our commitment

Rabobank's primary international focus is the food and agribusiness sector. Nonetheless, it is essential to determine a position with respect to the armaments industry, since business activities related to this industry are often carried out under the umbrella of large conglomerates.

The Rabobank acknowledges the right of democratic countries to defend themselves. At the same time, the Group pursues an armaments industry policy based on the 'No, unless' principle. This principle is implemented as follows: based on its core values, Rabobank refrain from facilitating the armaments industry except where the company in question is only involved in the supply of non-controversial weapons or armaments-related products to non-controversial regimes. Rabobank distinguishes seven types of controversial weapons, specifically cluster munitions, anti-personnel mines, white phosphorus used in incendiary weapons or munitions, depleted uranium munitions, biological, chemical and nuclear weapons[12]. They are considered controversial because of their humanitarian impact and/or the large numbers of civilian casualties they cause, often for many years after the conflicts in which they were deployed have ended.

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to the armaments industry we specifically commit to:

- not provide financial services to companies that are involved in controversial armaments or are involved in armaments that can be used for controversial purposes;
- not invest its own funds in any activity that is connected with controversial weapons. This is also applicable to direct investments within the framework of our investment services (including asset management and associated advisory services);
- not be involved with controversial regimes, that is those that are subject to both an armaments embargo and financial sanctions and travel restrictions as defined and imposed by the UN, the United States of America, and/or the EU. Effectively, this means that:
  - Rabobank does not invest in government bonds issued by states that are subject to sanctions imposed by the UN Security Council and/or the EU or the United States in the form of an armaments embargo and financial and travel restrictions, nor does Rabobank provide financial services to these states and/or their central banks;
  - Rabobank does not invest in securities issued by companies that are involved in the production of or trade in armaments that are supplied to countries that are subject to sanctions imposed by the UN Security Council and/or the European Union or the United States in the form of an armaments embargo and financial and travel restrictions;
- impose (when prompted) the same restrictions on states – and associated enterprises – which are not subject to the aforementioned sanctions from the UN Security Council and/or the EU or the United States, but which are deemed to be at greater risk of armed conflict and/or of violating human rights.

12 Definitions of controversial weapons are based on the following: Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (Ottawa Treaty, 1997); Convention on the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their destruction (1972); Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993); Convention on Cluster Munitions (Oslo Convention, 2008); and the Non-proliferation Treaty (1968).

What we expect of our clients

When financial services are provided to companies involved in non-controversial weapons, in addition to complying with all relevant legislation and regulations, and the general expectations we have of clients with regard to sustainable development, and those outlined in our other sustainability policies, the client must also meet the following criteria:

- in cases concerning the export of military goods and dual-use goods, the exporter must hold an appropriate export license;
- there should be no business relationships with intermediaries, because this can quickly obscure the actual purpose of the financing and the ultimate use of the armaments-related product;
- there must be respect for the tension and stability criterion: the bank must assure itself that the possible use of the armaments to be supplied will in no way provoke conflict, or contribute to increased tension, and thus have a negative impact on the peace, safety and stability of the region.

Biofuels Policy

Biofuels are fuels derived from living matter (feedstock) such as sugarcane, soy, palm oil or wood products. Although the feedstock for biofuels varies, the majority of biofuels do have a number of potentially adverse impacts in common. These are:

- social and ecological damage of biomass/feedstock production such as soil erosion, pollution, water depletion, agrochemical waste;
- decline in access to food and feed due to higher market prices and decline of available staple crop for human or livestock consumption;
- displacement impact at the biomass source location, with negative consequences in ecological, economic and social terms.

Our commitment

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to biofuels we specifically commit to:

- encourage clients to deploy good industry practices, e.g. to establish a
- track and trace system to identify sustainably sourced biofuels;
- encourage biofuel producing clients to use non-edible crops, wastes, residues, non-food cellulosic material, ligno-cellulosic material and algae as well as non-irrigated plants grown in arid areas to fight desertification;
- support feedstock production that provides clear additional benefits to local communities such as livelihood opportunities, energy/fuel security, and economic and social stability;
- encourage companies to be transparent about their current production and sourcing and their plans to increase the production of sustainably produced biofuels.

What we expect of our clients

Rabobank is convinced that a sustainable biofuels industry can be achieved through the use of new technologies and improved management techniques in combination with attention being paid to working and labour conditions. Our clients include biofuel producers with their own feedstock, and companies producing feedstock for biofuel production.

In addition to our *Sustainable Development Policy* and our core sustainability policies, we specifically expect all our clients active in the biofuel industry to:

- comply with relevant national and international legislation;
- take into account the material adverse impacts of the feedstock they source;
- have a policy in place that guarantees that feedstock is sourced from a company that adheres to the conditions described in our *Palm Oil, Sugarcane, Soy and Forestry policies*;
- not to produce biofuels and other bio liquids that contain raw material obtained from land with high carbon stock;
- respect high biodiversity value areas and peatlands;
- produce biofuels (renewable bioenergy) that provide clear greenhouse gas emission benefits after considering the entire lifecycle of raw material from cultivation, production and utilizations compared to fossil fuel, where natural resources are used as efficiently and optimally as possible;
- ensure to their best ability that the biomass/feedstock used for the biofuels does not replace (land for) staple crops when there are indications of local food insecurity;
- promote international cooperation and dialogue between stakeholders with a special focus on local communities.

Cocoa, Coffee & Cotton Policy

Cocoa, coffee and cotton are all seed products, that are processed and used in consumer products such as beverages, consumables and clothing. The potential adverse impacts associated with the production of the three products are:

- poor working and labour conditions, including forced, bonded and child labour;
- deforestation and conversion of natural habitats resulting in loss of biodiversity;
- soil erosion and degradation;
- inappropriate and/or inadequate use of agrochemicals;
- pollution of ground and surface water;
- irresponsible water usage and management;
- pollution from processing waste;
- concerns about the economic situation and livelihoods of smallholder farmers.

Our commitments

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to cocoa, coffee and cotton we specifically commit to:

- encourage the use of industry best practices and principles, including a track and trace system to identify sustainably sourced product. Examples of best practices include, but are not limited to:
  - the *World Cocoa Foundation's Cocoa Action Plan*, a strategy for the cocoa sector;
  - *4C membership* for the coffee sector;
  - *Better Cotton Initiative* membership for the cotton sector;
- encourage the responsible use of water;
- encourage the respect of the environment, biodiversity, human rights and labour standards;
- encourage clients to be transparent about their current production and sourcing and their plans to increase sustainably produced or sourced produce.

What we expect of our clients

Rabobank is convinced that sustainable cocoa, coffee and cotton industries are possible. In addition to our *Sustainable Development Policy* and our core sustainability policies, we specifically expect all of our clients active in the cocoa, coffee and cotton industries to:

- have a purchasing policy in place that pays attention to the sustainability issues for production;
- refrain from deforestation of primary forest;
- use practices that maintain and enhance the structure and fertility of the soil and prevent erosion and degradation;
- use, apply and store agrochemicals in a responsible way;
- take adequate measures to safeguard the quality and quantity of ground and surface water;
- take measures to minimize the environmental impacts of by-products through reduction, reuse and recycling of waste;
- apply good land governance practices that meet our land governance policy.

Extractive Industries Policy

Extractive industries involve the extraction of metals, minerals, aggregates, oil and gas from the earth. Extractive processes include mining, dredging, quarrying and drilling. Extracted resources are processed and produced in different ways, and are used in various industrial and consumer products. Other activities in the extractive industry could include trading, transport, storage and supply management.

The extractive industries have numerous environmental and social responsibility challenges as a result of their typically large footprint and their social and environmental impacts in the geographies in which they operate. The challenges include:

- maintaining good working and labour conditions for the people they employ;
- fair treatment of indigenous people and local communities, including the avoidance of cultural disruptions;
- mitigating the effects of the conversion of natural habitats that results in a loss of biodiversity, land and livelihood of directly impacted communities and those living downstream of operations;
- avoiding the pollution of ground and surface water, air, soil and solid waste
- finding ways to minimize greenhouse gas emissions and related climate change impact as a result of its operations;
- to contribute to economic and social progress of the country and local communities displaying accountability and transparency;
- to avoid misappropriation of funds generated from raw materials mined from areas in armed conflict and used to fund militias (conflict minerals).

Our commitments

We will support our clients to continuously increase the environmental performance and carbon efficiency of their business in terms of both their products and their business process. As a result of this and through the development of our client portfolio in extractive industries we aim to contribute to reaching the Paris Accord goals for climate change.

We will not:

- directly finance the exploration, extraction or production of coal used for power generation, shale gas, tar sands and other nonconventional fossil natural resources, nor the transport up to the production unit, production, processing, or refining of these extractive industries products;
- directly finance coal-fired power generation;
- directly finance the trade of coal for power generation. We may directly finance the trade of higher grade metallurgical coals used for the production of steel and base metals only;
- finance companies that realize more than 20% of their turnover in trading coal used for power generation.

Rabobank is convinced that extractive industries are partly indispensable and can become more sustainable through the use of new technologies and improved management techniques in combination with attention to labour conditions. In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to extractive industries we specifically commit to:

- encourage clients to be transparent about their sustainability policies and performance in accordance with international reporting guidelines and about the impact of their business operations on climate change and reverse;
- diminish financing provided to companies who underperform in terms of carbon efficiency and environmental performance, transparency about carbon efficiency and environmental performance or goal-setting on its carbon efficiency and environmental performance;
- increase finance to frontrunner companies;
- encourage clients to adopt the good practices promoted through guidance documents and reports (such as the Voluntary Principles on Security and Human Rights), including securing sufficiently healthy and safe working conditions, and providing a sufficient remuneration for employees;

- encourage clients to have systems in place to ensure that all commodities come from legally operated companies;
- encourage clients to use more energy efficient extraction and production methods, for example, plants partly operated using solar energy;
- discuss concerns with a wider range of (non-commercial) stakeholders;
- encourage clients to discuss concerns with a wider range of (non-commercial) stakeholders.

We also commit to:

- not finance the production or delivery of essential, specifically designed and dedicated services and assets for the exploration and production of non-conventional fossil natural resources as long as impacts and risks for society in general and specifically our clients and the bank itself, have not been convincingly proven to be sufficiently mitigated by practical tests, regulatory oversight and by validation of expected impacts by scientific evidence, followed by a transparent, democratic dialogue with a positive outcome;
- service our clients in the most responsible way possible within the legal possibilities, recognizing that, depending on the jurisdiction they are in, our clients may not have the control over the exploration and production of non-conventional fossil natural resources on, under, or near their properties;
- remain aware of new insights and revise our position when we consider it appropriate.

What we expect of our clients

The majority of our clients are not active in the extractive industries itself but are traders and distributors of natural resources (wholesalers and retailers), or part of the offshore sector. However some also are processors or are active in extraction, or own businesses in shipping, pipeline transport, equipment supply and services to extraction companies, tank storage, blending, refining and electric power generation and manufacturing.

In addition to our *Sustainable Development Policy* and our core sustainability policies, we specifically expect those clients that are active in the extractive industries to:

- plan, operate and close operations in a manner that enhances sustainable development (mine reclamation, restoring disturbed areas and the decommissioning of offshore facilities);
- promote and implement where possible the use of renewable energy sources and promote and implement the transition from energy use from fossil energy sources to energy from renewable sources;
- focus on the continuous improvement of the environmental performance of the operations based on defined goals to prevent or mitigate adverse environmental impacts including among other things, water and air pollution, waste storage and disposal, greenhouse gas emissions, physical hazards, use of hazardous materials and hazardous waste;
- avoid operations in national or international legally protected or preserved areas with a significant concentration of biodiversity values including HCV, HCS and peat areas;
- refrain from corruption and report payments and revenues and the progress they have made toward achieving concrete sustainability goals;
- refrain from activities that will significantly and negatively affect the livelihood of smallholders and local communities;
- take adequate measures to safeguard the quality and quantity of ground and surface water;
- have a purchasing policy that pays attention to the sustainability issues for mining production;
- use properly trained security forces in protection of public security in line with the Voluntary Principles on Security and Human Rights;
- have a statement regarding the avoidance of conflict minerals, when operating in mining activities of Tantalum or Coltan (Columbite-tantalite), Tin (Casserite), Tungsten (Wolframite) and Gold;
- apply good land governance practices that meet our land governance policy.

Forestry Policy

Forestry is the practice of creating, managing, using, conserving, repairing and caring for forests. It also includes all other parts of the supply chain, for example end products from forestry. It is practiced in both natural habitats and plantations. The potential adverse impacts associated with forestry include:

- deforestation of primary forests in temperate, boreal and tropical zones resulting in irreversible negative impacts on the environment;
- human disturbance of preserved or protected areas;
- conversion of natural habitats resulting in loss of biodiversity;
- timber trade from illegal or unknown origin;
- timber from endangered species and timber trade that fuels violent armed conflicts;
- profound disputes over land tenure and land use;
- poor treatment and violations of the rights of indigenous people and local communities;
- large amounts of greenhouse gas emissions and related climate change impact, due to forest fires, forest or peat land disturbance or clearance;
- soil and water erosion;
- pollution.

Our commitment

Rabobank is convinced that sustainable forestry is possible. In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to forestry we specifically commit to:

- support and promote the FSC and the PEFC certification schemes.

What we expect of our clients

Our clients include companies involved in the growing and harvesting of timber in industrial tree plantations and forestland, in temperate, boreal and tropical zones. They also include traders, wholesale wood suppliers, companies in the charcoal, pulp and paper industries, and retailers.

In addition to our *Sustainable Development Policy* and our core sustainability policies, we specifically expect all of our clients active in the forestry industry to:

- certify the company and its wood products according to the FSC scheme or one of the PEFC national certification schemes;
- have a purchasing policy that pays attention to the sustainability issues for forestry;
- avoid all uncontrolled and illegal use of fires for clearing of forest;
- establish a documented traceability system;
- progressively increase the volume of wood entering their supply chains that is sourced from FSC certified forestry units or PEFC national certification as a proportion of the total volume.

For client that have not yet achieved full FSC or PEFC certification, we specifically expect them to:

- commit to achieving certification or verification against FSC certification or PEFC national certification schemes;
- refrain from deforestation of primary forests or wetlands in temperate, boreal and tropical zones;
- adopt sustainable forest management practices that avoid negative impacts on the environment;
- establish a documented traceability system;
- avoid all uncontrolled and illegal use of forest fires for clearing forest;
- refrain from the harvesting and trading of timber from endangered species that are protected under CITES without the necessary permits;
- apply good land governance practices that meet our land governance policy.

Livestock Farming Policy

Livestock farming is the farming of animals such as cows, pigs, sheep and chickens. It provides meat, dairy and eggs, as well as wool and leather. Types of livestock farming include intensive (automated feeding systems), free-range (graze outdoors) and organic (graze outdoors, no systematic use of antibiotics and no artificial fertilizers or pesticides on grazing land). Potential adverse impacts relevant to this industry are side effects of livestock production, for example, exhaustion of natural resources, animal welfare, greenhouse gas emissions, risks to human health, and socio environmental impacts of land use change implied by animal feed needs.

Our commitment

Rabobank wants to contribute to a livestock farming sector that is environmentally and economically sustainable and has broad public support. We have significant global commercial interest in a sustainable livestock farming sector and its surrounding value chains. We aim to grow financing of the livestock farming sector to further realize the goal of becoming the leading global food and agribusiness bank.

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to livestock farming we specifically commit to:

- increase awareness, supporting clients in making the right choices and in facilitating them as they develop towards a more sustainable business operation;
- support innovation by supporting initiatives that contribute to a sustainable livestock farming sector through knowledge, products and funding;
- engage in dialogue with the authorities and non-governmental organizations in order to contribute constructively to a more sustainable livestock farming sector based on making feasible progress;
- strongly encourage all of our clients to have transitioned to cage-free housing systems for laying hens and group housing systems for sows by 2025;
- respect the culture and customs of the countries where we operate and adjust targets accordingly based on what is locally feasible, but always striving for greater sustainability.

What we expect of our clients

Our clients involved in livestock farming have very diverse operations, ranging from small famers to leading global meat processing companies.In addition to our *Sustainable Development Policy*, our core sustainability policies and the requirement to comply with local legislation we specifically expect all of our clients active in the livestock farming sector to:

- efficiently produce affordable meat and dairy products to meet growing global demand;
- realize acceptable profitability and have the capability to deal with increased volatility in input and output markets;
- take into account local resource availability, specifically land, water, capital, labour, knowledge, climate and infrastructure in addition to the effects of transport (costs, pollution, animal welfare). We encourage our clients to produce in the most sustainable way possible;
- safeguard living conditions for livestock by ensuring sufficient space for each animal. Clients are encouraged to consider best practices[13];
- transport of livestock should preferably not exceed eight hours, and must be in accordance with our animal welfare policy standards;
- produce safe products based on sustainably produced inputs including:
  - minimal emissions of minerals, metals and greenhouse gases originating from animals, manure, fertilizers and crop protection chemicals;
  - responsible use of antibiotics, hormones, growth promotants, drugs and other chemicals. This includes the reduction of antibiotics for prophylactic use as much as possible;
  - responsible grazing practices that do not negatively impact on bio-diversity and natural habitats;
  - use of feed that is also produced sustainably;
- have good relationships with neighbours and society at large and minimizes nuisances for its neighbours, ensuring a strong license to produce in the community where it is located;
- treat animals responsibly and in accordance with our animal welfare policy;
- be transparent to consumers and citizens and adapt easily to changing demands.

13 Best practices include: 1) for broilers a maximum of 30kg/m^2; 2) for dairy cows a minimum of 13.5 m^2/animal; 3) for sows 2.25 m^2/animal.

Palm Oil Policy

Palm oil is the most widely used vegetable oil on earth and demand continues to grow. However, palm oil companies that do not effectively address potential adverse impacts can cause serious ecological and social damage, creating significant business risks. Potential adverse impacts generally associated with palm oil production include:

- deforestation and converting natural habitats into agricultural land resulting in biodiversity loss;
- disturbance of preserved or protected areas;
- large amounts of greenhouse gas emissions and related climate change impacts, due to forest fires, forest or peatland disturbance or clearance;
- profound disputes over land tenure and land use;
- poor treatment and violations of the rights of indigenous people and local communities;
- poor working and labour conditions;
- soil erosion and degradation;
- pollution of ground and surface water.

Our commitment

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to palm oil we specifically commit to:

- support and promote the RSPO and its certification scheme;
- encourage that clients progressively increase the volume and chain of custody controls of RSPO certified palm oil as a proportion of the total volume of palm oil entering their supply chains.

What we expect of our clients

Rabobank is convinced that a sustainable palm oil industry can be achieved. Our clients are growers, millers, traders, transporters, processors, manufacturers, wholesalers and retailers.

In addition to our *Sustainable Development Policy* and our core sustainability policies, we specifically expect all of our clients active in the palm oil industry to:

- commit to achieving compliance with the principles and criteria of the RSPO;
- commit to achieving RSPO certification or verification against the RSPO principles and criteria based on a time bound plan;
- not be involved in palm oil operations in areas designed as primary forest, national or international legally protected or preserved areas or in any area required to maintain high conservation values since 7 October 2001;
- not be involved in palm oil operations in areas with continuing unresolved land conflicts;
- have a purchasing policy that takes into account the sustainability issues for palm oil production;
- apply good land governance practices that are in accordance with our land governance policy, including respecting the right to Free, Prior and Informed Consent (FPIC) of indigenous peoples.

For clients that have not yet achieved RSPO certification, we specifically expect them to:

- be a member of the RSPO;
- be able to show the legality of their operations and comply with all applicable local, national and international ratified laws and regulations, industry minimum standards and other statutory requirements;
- have a purchasing policy that takes into account the sustainability issues for palm oil production;
- involve affected stakeholders before establishing new operations (process of free, prior, and informed consent);
- demonstrate clear title to the land and there must not be credible concerns or actions by local people relating to disputed land uses and rights claims;
- not develop land for the construction of plantations if the related area has been cleared with the use of fire;

- avoid planting on steep terrain, and/or on marginal and fragile soils;
- not be involved in palm oil operations in areas designed as primary forest, national or international legally protected or preserved areas or in any area required to maintain high conservation values since 7 October 2001;
- commit to achieving No Deforestation, No Peat, No Exploitation (NDPE);
- apply good land governance practices that meet our land governance policy, including respecting the right to Free, Prior and Informed Consent (FPIC) of indigenous peoples.

Ship Recycling

Ship recycling is the demolition and recycling of ships, vessels systems for offshore applications and shipping materials. The potential adverse impacts associated with ship recycling include:

- increased risk of negative impacts when the work is performed under poorly monitored conditions on beaches, using what is known as 'beaching' or 'slipway' methods, or if health and safety measures are disregarded;
- the vulnerability of plant and animal species, ecosystems, natural resources and the means of existence of local communities (including water, the atmosphere, the soil and fishing grounds) due to serious damage caused by releasing hazardous and poisonous substances and materials from ships (including asbestos and PCBs) into the environment;
- accidents, diseases and other medical conditions caused by unhealthy and dangerous working conditions.

Our commitment

Rabobank is aware that ship recycling can potentially have a negative impact on humans and the environment. In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to ship recycling we specifically commit to:

- promote responsible shipping, offshore activities and ship recycling;
- promote cooperation between business, government and other stakeholders;
- promote best practices for sustainable ship recycling;
- promote awareness of the economic, social and environmental risks inherent to ship recycling among businesses, employees and communities;
- foster a more circular economy by contributing to the introduction of vessels that are more environmentally friendly, use materials, natural resources and fuels more efficiently, and that are designed to promote recycling.

What we expect of our clients

Rabobank believes governments and the private sector are responsible for contributing to the sustainable development of the shipping industry and for avoiding, reducing and managing the risks associated with irresponsible ship recycling practices. In contrast, responsible ship recycling contributes to sustainable development and to building a circular economy, as well as increasing the wealth and welfare of communities – which, by extension, can help improve market opportunities. Our clients include companies involved in the construction, use, sale and recycling of ships or offshore vessels and systems.

In addition to our *Sustainable Development Policy* and our core sustainability policies, we specifically expect all of our clients active in ships or offshore vessels and systems with a gross tonnage of more than 500 tonnes to:

- adhere to the *Responsible Ship Recycling Standards* (RSRS);
- adopt a proactive approach and invest in improving the sustainability of their value chain;
- demonstrably avoid or reduce risks relating to ship recycling;
- adopt best practices for improving ship recycling and avoid involvement in ship recycling practices that are damaging to the environment, workers and local communities;
- take precautions to prevent the negative social and environmental effects of ship recycling in relation to location and processes and procedures (including the 'beaching' or 'slipway' methods referred to above) or as a result of partnering with companies whose certification or authorization does not comply with the standards;
- comply with all applicable regulations, including:
  - *The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal* ('Basel Convention') of the UN. Any arrangements designed to circumvent the Basel Convention, such as the sale of ships to buyers that will use irresponsible demolition methods, are unacceptable, and businesses must provide adequate proof of their compliance with this requirement;
  - *The International Convention for the Safe and Environmentally Sound Recycling of Ships* ('The Hong Kong Convention') of the International Maritime Organization of the UN;
  - *Safety and Health in Ship Breaking: Guidelines for Asian Countries and Turkey* of the ILO of the UN;
  - those of the Organisation for Economic Co-operation and Development (OECD);
  - those of the European Union, including the *EU Ship Recycling Regulation*.

Soy Policy

Soy is produced from soybeans derived from a cultivated plant and is used as a replacement for animal protein. Grown in large plantations, the potential adverse impacts associated with its production include:

- deforestation, which leads to soil erosion and degradation;
- loss of biodiversity due to conversion of natural habitats into agricultural land;
- disturbance of preserved or protected areas;
- large greenhouse gas emissions caused by forest fires or clearance;
- poor treatment and violations of the rights of indigenous people and local communities;
- poor working conditions;
- poor arable land processing;
- irresponsible use of fresh water, especially in water-stressed environments;
- pollution of ground and surface water.

Our commitment

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to soy we specifically commit to:

- encourage the use of industry best practices and principles;
- encourage the responsible use of water;
- encourage the respect of the environment, biodiversity, human rights and labour standards;
- recommend that clients progressively increase the volume of sustainably produced soy (for example based on the principles and criteria of the *Roundtable on Responsible Soy* (RTRS) as a proportion of the total volume of soy entering its supply chain).

What we expect of our clients

Rabobank is convinced that a sustainable soy industry is possible. Our clients include soy growers and mills, traders, processors, manufacturers, whole-salers and retailers.

In addition to our *Sustainable Development Policy* and our core sustainability policies, we specifically expect all of our clients active in the soy industry to:

- be able to show the legality of their operations and comply with all applicable local, national and internationally ratified laws and regulations;
- operate according to the industry's best practices and principles for social and environmental responsible soy production, for instance, such as the principles and criteria of the RTRS or the *Basel Criteria for Responsible Soy Production*;
- have a purchasing policy that pays attention to the sustainability issues for soy production;
- establish better traceability in the supply chain to the best of their abilities;
- not to be involved in soy operations in areas designed as primary forest, national or internationally legally protected or preserved areas, or in any area required to maintain high conservation values since 28 May 2009, the cut-off date of the RTRS standard;
- not develop land for the construction of plantations if the related area has been cleared with the use of fire;
- use soil management techniques that maintain and enhance the structure and fertility of the soil and prevent erosion;
- undertake a social and environmental impact assessment prior to establishing new plantations, and incorporate results into planning, management and operations;
- safeguard the quality and quantity of ground and surface water;
- adopt sustainable business practices that avoid planting on marginal and fragile soils, along riverbanks, and in water catchments;
- reduce negative environmental and health impacts of phytosanitary products;
- document all application of agrochemicals and monitor all handling, storage, collection and disposal of chemical waste and empty containers;
- apply good land governance practices that meet our land governance policy.

Sugarcane Policy

Sugarcane belongs to the grass family. The main product of sugarcane is sucrose, a liquid that is stored in the stalk of the plant. The sucrose is extracted and processed for use in food, plastics and biofuels. The potential adverse impacts associated with its production include:

- poor working and labour conditions;
- pollution of ground and surface water;
- irresponsible use of fresh water, specifically in water stressed environments;
- soil erosion and degradation;
- conversion of natural habitats resulting in loss of biodiversity;
- air pollution as a result of harvesting and processing activities.

Our commitment

In addition to our *Sustainable Development Policy* and our core sustainability policies, with regard to sugarcane we specifically commit to:

- encourage our clients to be transparent about their current production and their plans to increase the production of sustainably produced sugarcane according to industry best practices such as *Bonsucro*;
- encourage our clients to be transparent on their current sourcing and plans to increase sourcing of sustainably produced sugarcane;
- encourage our clients to deploy good practices such as establishing a track and trace system to identify sustainably sourced sugarcane;
- encourage our clients to adopt good agricultural, social and environmental management practices;
- encourage our clients to operate with safe and healthy working conditions that stimulate yield enhancement;
- encourage our clients to improve livelihoods and sustainability performance of local communities;
- encourage our clients to use water responsibly and maintain water quality.

What we expect of our clients

Rabobank is convinced that a sustainable sugarcane industry is possible. Our clients include growers, harvesters, mills, traders, processors, food & beverage industry and retailers.

In addition to our *Sustainable Development Policy* and our core sustainability policies, we specifically expect all of our clients active in the sugarcane industry to:

- use practices that maintain and enhance the structure and fertility of the soil and prevent erosion and degradation;
- take adequate measures to safeguard the quality and quantity of ground and surface water;
- undertake social and environmental impact assessments prior to establishing new plantings or operations;
- commit to achieving product certification against credible sustainable certification schemes such as *Bonsucro*;
- not use fires for clearing;
- document all application of agrochemicals and monitor all handling, storage, collection and disposal of chemical waste and empty containers;
- have a purchasing policy that pays attention to the sustainability issues for sugarcane production;
- apply good land governance practices that meet our land governance policy.

Exclusion List

The Exclusion List defines sectors, types of clients or activities that do not fit into Rabobank's profile. This list is based on Rabobank policies and the exclusion list of the IFC. Rabobank will not provide its services to facilitate activities listed below:

- energy sector activities in the Arctic region[14];
- exploration and extraction of natural gas below the Wadden Sea;
- mountaintop removal;
- mining of and trade in rough diamonds unless Kimberly Process certified
- the exploration and production of shale gas or other non-conventional minerals (oil from tar sands and oil shale, fuel from liquefied coal and shale gas) and the supply of services and means that are specifically designed and dedicated to the exploration and production of shale gas and other non-conventional minerals[15];
- exploration, extraction or production of coal used for power generation, coal fired power generation and trade of coal used for power generation[16];
- tobacco manufacturing[17];
- trade and manufacturing of angora wool.

14 Refers to the direct financing of offshore oil and gas exploration and production in the Arctic region.
15 As defined in Rabobank's extractive industries policy.
16 As defined in Rabobank's extractive industries policy.
17 As defined in industry code 312230: "This industry comprises establishments primarily engaged in stemming and redrying tobacco and/or manufacturing cigarettes or other tobacco products." One of Rabobank's commitments is the care for society and its communities. In this light we see and acknowledge the importance of keeping track of human wellbeing throughout the value chain of any sector wherein we operate. This exclusion includes e-cigarettes in accordance with the Dutch Tobacco Act.

In addition, Rabobank will not facilitate clients or other business relationships engaging in the activities listed below:

- the development, production, trade, marketing, sales, distribution, transport and maintenance of controversial weapons and munitions: cluster munitions, anti-personnel mines, biological, chemical weapons, nuclear weapons, white phosphorus used in incendiary weapons or munitions, depleted uranium munitions;
- logging or purchase of logging equipment for use in primary tropical moist forest;
- trade in or unauthorized catching of wildlife or wildlife products regulated under CITES or species on the IUCN Red List of threatened species[18];
- production or trade in or use of unbounded asbestos fibres[19];
- production or trade in products containing PCBs or other Persistent Organic Pollutants (POPs) subject to international bans or phase outs[20];
- production or trade in pharmaceuticals subject to international phase outs or bans;
- production or trade in pesticides/herbicides subject to international phase outs or bans;
- production or trade in ozone depleting substances (ODS) subject to international phase outs or bans[21];

18 CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species can be found on http://checklist.cites.org/. A search engine for the IUCN list can be found on http://www.iucnredlist.org/search.
19 This does not apply to the purchase and use of bounded asbestos cement sheeting where the asbestos content is less than 20%.
20 As listed by the Stockholm Convention, http://chm.pops.int/TheConvention/ThePOPs/tabid/673/Default.aspx
21 Ozone Depleting Substances (ODSs): chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol can be found on http://ozone.unep.org/en/treaties-and-decisions/montreal-protocol-substances-deplete-ozone-layer.

- production and trade of fur[22];
- traditional foie gras production and trade;
- cloning of humans, or related activities;
- cloning of animals for commercial purposes;
- hunting marine mammals and shark finning;
- using dynamite and poison in fishery practices;
- drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

22 This refers to onboarding new clients involved in fur industries, existing relationships with clients involved in fur activities are respected but not further expanded. Existing clients are assisted with their transition towards other activities.

Our commitment to sustainability initiatives

Rabobank participates in many initiatives to reach a higher level of sustainability, such as the UN Environment Partnership, membership of the World Business Council for Sustainable Development and participation in several round tables, as well as several initiatives of external bodies related to sustainability and also the financial sector.

Soft Commodities Compact of the Banking Environment Initiative

The *Banking Environment Initiative (BEI)* was established in 2010. Its mission is to lead the banking industry in collectively directing capital towards environmentally and socially sustainably economic development. The *'Soft Commodities' Compact,* developed in alliance with the Consumer Goods Forum, aims to mobilize the banking industry to help transform soft commodity supply chains (with a focus on beef, palm oil, soy and forestry), thereby helping corporate clients to achieve zero net deforestation by 2020. Rabobank is non-member adopter of the *BEI 'Soft Commodities Compact'.*

Equator Principles

The *Equator Principles (EP)* is a voluntary risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and project related finance.

The EP apply globally, to all industry sectors and to specific financial products above certain thresholds. The specific products are project finance advisory services, project finance[23], project-related corporate loans and bridge loans. Rabobank applies the EP to all products and services where the EP are applicable.

Natural Capital Declaration

The *Natural Capital Declaration (NCD)* is a global finance-led and CEO-endorsed initiative to integrate natural capital considerations into financial products and services, and to work towards their inclusion in financial accounting, disclosure and reporting. The initiative is jointly convened by the *United Nations Environment Programme Finance Initiative (UNEP FI) and the Global Canopy Programme (GCP)*.

OECD Guidelines for Multinational Enterprises

The mission of the *Organisation for Economic Co-operation and Development (OECD)* is to promote policies that will improve the economic and social well-being of people around the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems. It strives to work with governments to understand what drives economic, social and environmental change. The OECD also sets the international standards on a wide range of things, from agriculture and tax to the safety of chemicals. Rabobank endorses the OECD Guidelines and is guided by its principles.

23 Rabobank defines 'project finance' as a method of finance whereby we look primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. Repayment therefore depends primarily on the project's cash flow and on the collateral value of the project's assets. 'project-related corporate loans' are defined by Rabobank as corporate loans where the majority of the proceeds are related to a single project. For definitions of 'project finance advisory services' and 'bridge loans', we follow the definitions of the Equator Principles.

UNEP Finance Initiative

The *United Nations Environment Programme Finance Initiative (UNEP FI)* was established in 1992 as a platform associating the UN and the financial sector globally. It is a global partnership of over 200 institution, including banks, insurers and fund managers, working with UNEP to understand the impacts of environmental and social considerations on financial performance. Rabobank endorses the *UNEP Statement of Commitment by Financial Institutions on Sustainable Development* and is guided by its commitments.

UN Global Compact

Global Compact asks companies to embrace universal principles and to partner with the UN. It has grown to become a critical platform for the UN to engage effectively with enlightened global businesses.

United Nations Sustainable Development Goals

The (SDGs) were drawn up to end poverty, protect the planet and ensure prosperity and well-being for all. This new
global sustainable development agenda must be achieved before 2030. As a cooperative bank wanting to realize social impact and with a mission *Growing a better world together,* Rabobank feels a responsibility to make a meaningful contribution to achieving the 17 UN SDGs. That is why we have embedded our contribution to the UN SDGs in our strategic ambitions.

Contact

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Rabobank

Growing a better world together.