

# Rabobank's position on Palm oil

Rabobank Group



Rabobank

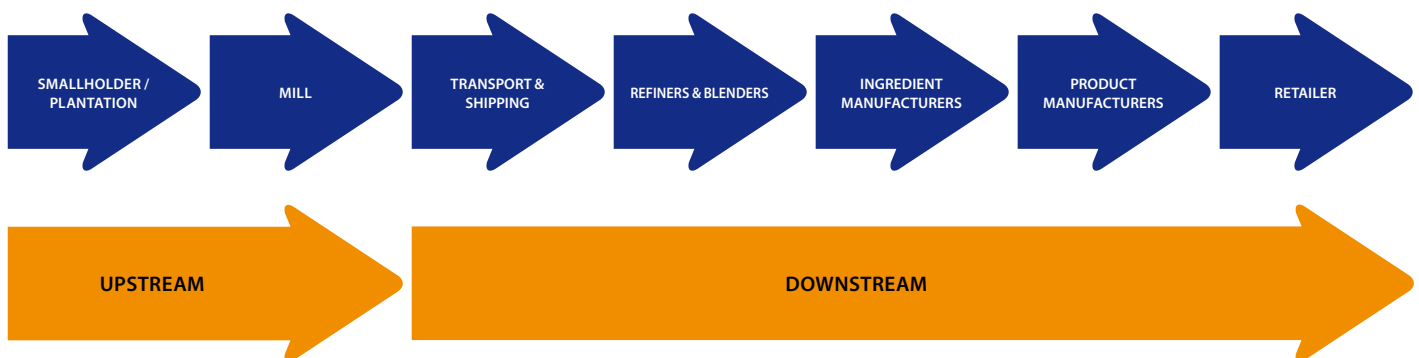
## Our aim

Sustainability is one of the four core values of Rabobank Group, next to Respect, Integrity and Professionalism. We aim to contribute to the sustainable development of society in economic, social and ecological terms. In order to cope with risks related to global environmental change and resource scarcity, it is essential that supply chains become sustainable. Companies face a number of sustainability challenges. This implies that sustainable solutions need to be integrated in their daily business. Sustainable resource management will be key for the long term viability of their business. In our view sustainability is not an option but a condition for future prosperity. This implies that sustainability issues need to be integrated in daily business and that positive and negative impacts as a result of our clients' activities on society and on the environment throughout the supply chain need full consideration in our decision making processes.

Rabobank aims to positively affect the overall sustainability of the operations of our clients. Our clients in the palm oil sector have to

deal with sustainability issues in their business operations. We want to contribute to the realization of a sustainable palm oil supply chain by *client assessment* and *client engagement*. The assessment of how our clients deal with material issues will be guided by our Code of Conduct and the Palm Oil Supply Chain Policy we have drawn up for this specific purpose; the policy is a supplement to the CSR section of our credit manual. It has been designed to support sustainable practices, sustainability being defined in economic, social and ecological terms. The philosophy behind the policy is 'positive engagement' (meaning constructive dialogue) with clients to identify and resolve CSR issues, thus enabling Rabobank Group entities to positively influence clients in CSR issues and avoid any risks to Rabobank. So, the engagement idea is to solve CSR related problems in partnership with the client and to meet challenges for the future. This approach will enable Rabobank to gradually exclude certain undesired operational practices and to motivate clients whenever possible to work towards realizing more sustainable business operations. The palm oil policy embraces some binding conditions between the bank and the clients based on material issues we have determined in the palm oil sector.

## Simplified overview of the palm oil supply chain



## Scope of our Palm Oil supply chain policy

Our Palm Oil Supply Chain Policy applies to all commercial banking services such as credit facilities, project finance, advisory services and trade finance provided by Rabobank in the palm oil sector. The policy provides conditions for assessing upstream companies (palm oil growers and mills). Downstream companies (traders, processors, manufacturers, wholesalers and retailers) will be assessed on how they take their responsibility in the supply chain.

## Material issues

Palm oil companies that do not effectively address sustainability issues cause serious ecological and social damage and at the same time create a significant business risk. Issues 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 impact, 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.

## Rabobank's 'conditions for investments' for upstream and downstream companies

Our Palm Oil Supply Chain Policy includes 'conditions for investments' for upstream and downstream companies based on the identified material issues as mentioned above. These conditions relate to (1) the Roundtable on Sustainable Palm Oil (RSPO), (2) certification, (3) protection of preserved areas, (4) legality, (5) human rights, (6) prior consultation, (7) land rights, (8) open burning, (9) planting area (10) social and environmental impact assessment.

### Rabobank requests a company with regard to:

- RSPO to commit to achieving compliance with the principles and criteria;
- certification to strive for RSPO-certification or verification against the RSPO principles and criteria;
- protection of preserved areas not to 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. The same counts for palm oil operations with continuing unresolved land conflicts.

### If certification is not yet fully accomplished, Rabobank will request a company with regard to :

- legality to show the legality of its operations and comply with all applicable local, national and international ratified laws and regulations, industry minimum standards;
- human rights to work in accordance with the Human rights guidelines as described in the Human Rights policy<sup>1</sup> of the Rabobank Group with special attention for the rights of local people;
- prior consultation to involve affected stakeholders before establishing new operations (process of free, prior, and informed consultation);
- land rights to 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;
- open burning not to develop land for the construction of plantations if the related area is cleared with the use of fire;
- planting area: to avoid planting on steep terrain, and/or on marginal and fragile soils;
- social and environmental impact assessment (SEIA) to undertake a SEIA prior to establishing new plantings or operations.

<sup>1</sup> The Human Rights Policy is based on the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights, as well as the four fundamental labour norms expressed in the core conventions of the International Labour Organisation (ILO)..

Rabobank believes that downstream companies play an important role in the sustainable palm oil supply chain. The extent to which downstream companies can exercise influence on sustainability issues depends among other things on their role and their impact in the supply chain. Therefore, Rabobank recommends companies to have a purchasing policy in place that pays attention to the sustainability issues for palm oil production and the conditions for investments as mentioned for the upstream companies. In addition, we advise a company to 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 its supply chains.

## Monitoring progress in sustainable management

Rabobank is 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, as long as clients are able to show significant progress in implementing environmentally and socially responsible management practices and responsible purchasing. If we have reason to believe the client does not comply with the abovementioned conditions or shows insufficient progress in integrating sustainability measures in daily operations, we will engage with the client to achieve the desired improvements within an arranged time frame.

## Engagement practices to contribute to improvements

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 climates. Rabobank is convinced that a sustainable palm oil 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. Rabobank chooses therefore to adopt an active and positive engagement approach to contribute to improvements in the sector.

For example, we will encourage upstream companies to be *transparent* on their current production and their plans to increase the production of sustainable produced palm oil (RSPO certified) or downstream companies to be transparent on the current sourcing and plans to increase sourcing of sustainable produced palm oil among other things.

We will also encourage companies to deploy *good practices* such as - among other things -, adopting good agricultural, social and environmental management practices, which contribute to and enhance biodiversity and soil conservation, the maintenance of water and air quality, the creation of safe and healthy working conditions and higher crop yields on existing plantations or expanding plantations on vacant degraded land.

### Disclaimer

Neither this position paper nor any of its contents may be used without the prior written consent of Rabobank Nederland. The information in this position paper reflects prevailing market situations and our judgment as of this date, all of which may be subject to change.

The information and opinions contained in this position paper have been compiled from sources believed to be reliable, but no representation or warranty, express or implied is made as to their accuracy, completeness or correctness. No rights may be derived from any potential offers, transactions, commercial ideas et cetera contained in this position paper. This position paper does not constitute an offer or invitation. This information shall not form the basis of or be relied upon in connection with any contract or commitment whatsoever.