

The Rabobank in the palm oil industry

The Rabobank plays a leading international role as a financial services provider in the Food & Agribusiness.

As such the bank aims to have a distinctive position as an expert partner and an organization that makes choices based on a transparent consideration of the consequences of its actions for people, planet and profit.*

The Rabobank's activities in Indonesia include operating as a financier of oil palm plantations.

In connection with continual reports on damage to the tropical rain forest due to the construction of plantations and the social unrest relating to certain plantations, the Rabobank now explicitly defined its policy for this sector (in consultation with experts and NGOs). This policy has been established in writing and brought to the attention of customers, potential customers and interested and concerned parties.

Rabobank and palm oil

The Rabobank recognizes the importance of palm oil for the world's food production and the importance of the palm oil industry for the Indonesian economy. As a financial services provider we consequently wish to remain involved in the development and operation of palm oil plantations in Indonesia. The Rabobank does, however, place a number of specific demands on its clients in order to prevent the environmental and social risks that are sometimes associated with the development of plantations.

Criteria for financing palm oil plantations

The Rabobank attaches the following conditions to its involvement in palm oil plantations:

- The plantations must be developed in accordance with the regulations of the Indonesian law and the applicable international regulations to which the Indonesian government has committed itself.
- If land is developed for the construction of plantations, the related area may not be burnt off.
- Primary forests are not cut down for the construction of plantations.
- When constructing plantations, secondary forests with considerable ecological and cultural value are respected.**
- No financial assistance is given for the development or operation of oil palm plantations if the related party is directly or indirectly (within the context of a larger group) involved in illegal and commercial logging in the area designated for the plantation.
- The Rabobank observes an investment moratorium of at least three years if primary forest or HCV forest is removed with a view to constructing plantations.
- The wishes and interests of the local population must be taken into account in the development and management of plantations.

* The values upon which the Rabobank bases its operations are laid down in its mission statement and code of conduct that are accessible to everyone on the Internet.

** The Rabobank employs the term High Conservation Value Forests as defined by the Forest Stewardship Council. The term refers to secondary forests of special value owing to: biodiversity, the presence of unique ecosystems, the important function of the forest (to prevent erosion for example) and the importance of the forest to the traditional local community.

- Besides the location, the Rabobank also looks at the manner of cultivation and at the social aspect, as well as at the ecological sustainability of the business management. In doing so it refers to the guidelines of the World Bank and the IFC.
- The bank prefers to finance plantations that are linked to so-called plasma programmes of the Indonesian government within the context of increased prosperity. These programmes enable the local population to acquire land themselves and to sell palm oil to the plantations at a fair price set by the government. The bank has unfortunately noted that the Indonesian government currently has insufficient funds to continue the plasma programmes and as a result the programmes are operating less effectively at some locations.
- In addition to the aforementioned considerations, the Rabobank also bases its decisions relating to financing plantations on the environmental effect reports and social effect reports compiled by its clients (the so-called Amdal report).

Advice of independent party

The Rabobank engages the advice of independent experts in assessing its financial involvement in oil palm plantations. In addition, the bank employees periodically visit the plantations concerned.

Monitoring

The Rabobank requires its clients in the sector to comply with the above conditions. The bank also asks its customers to provide periodical environmental effect and social effect reports. If the bank has reason to doubt proper compliance with these criteria, it will commission a report by independent experts.

The bank will discuss the results of these reports with its clients and when necessary insist on improvements. If these discussions do not provide good prospects for operational changes that the bank deems satisfactory, the association with the plantation or parent company concerned will be reviewed.

For this purpose the criteria will also be established as binding condition between the bank and the client.

Towards a broadly supported PO code

The Rabobank recognizes the importance of a broadly supported code of conduct for the palm oil industry. An internationally recognized PO code must be the outcome of consultation among representatives of the palm oil industry, the governments of the countries involved (particularly Malaysia and Indonesia), investors, international and local NGOs (particularly environmental organizations and human rights organizations) and customers (processing industry and consumer organizations). The Rabobank is prepared to participate in every serious initiative aimed at achieving an international code for the palm oil industry. Only when an international PO code and sound chain agreements exist will it be possible to distinguish between sustainable palm oil production and non-sustainable production.

Q & As relating to the Rabobank PO criteria

Q: Why is the Rabobank introducing these PO criteria (PO Code)?

A: We are an internationally recognized expert and highly respected food and agri bank. Our presence in the palm oil industry also fits within this context. Due to the less responsible actions of a number of parties in this sector, the industry is sometimes associated with damaging the tropical rain forest, illegal logging, large-scale fires and social unrest. The Rabobank wants to make it clear that it places stringent demands regarding sustainability on itself and its clients.

Q: Why is the Rabobank introducing a PO Code *unilaterally*?

A: It is not our intention to unilaterally impose a code on the industry. Our aim is, however, to create transparency regarding our own policy. Our customers, our employers and also our stakeholders demand this.

Q: With whom did you coordinate the code?

A: The code has been formulated based on consultations between our own experts and external experts. We have also discussed this material with a number of NGOs, such as Greenpeace, Friends of the Earth (environmental defence) and Sawid Watch. (They support our criteria)

Q: Is the Rabobank going to take the initiative to attain a broadly supported PO Code?

A: We have discussed this material extensively with all the parties in the chain. We made it clear that we would participate in every serious initiative aimed at reaching such a code. Due to our size in the sector and our position as a guest in Indonesia, we are not in a position to take the lead in this process.

Q: How does the Rabobank handle clients who do not meet or who violate these criteria?

A: We do not work with clients who do not meet the criteria. If a client violates the criteria, we discuss the situation and if improvements are not made, we review the relationship. (“review” = (possibly) terminate).

Q: Who does the Rabobank engage for the monitoring?

A: The Rabobank is assisted by independent experts. These can also be NGOs. The Rabobank works extensively with the Centre de Cooperation Internationale et Recherche Agronomique pour le Developpement (Cirad). This French agency, located in Montpellier, specializes in tropical crops and acts as an independent technical consultant. For the Rabobank Cirad produces independent agronomic studies on plantations and projects that are to be financed or are already financed. Cirad is a state enterprise and has acquired expertise through operating plantations in the former French colonies.