

Rabobank's position on Biofuels

Rabobank Group

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.

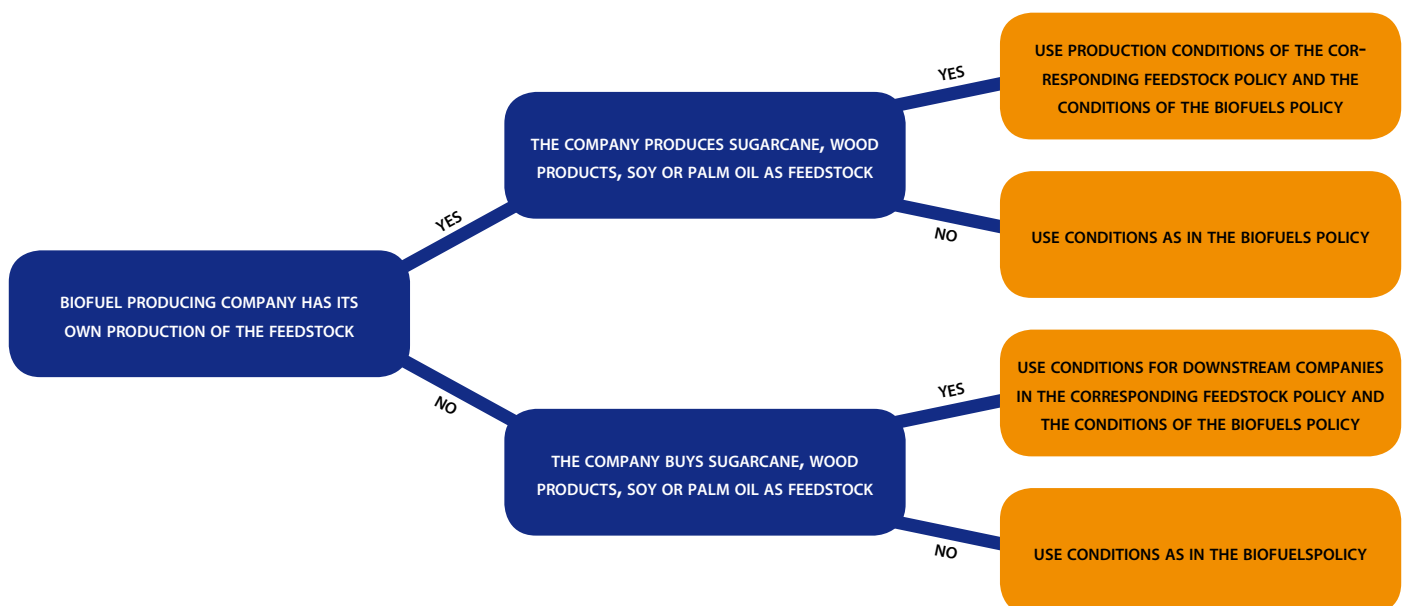
Rabobank aims to positively affect the overall sustainability of the operations of our clients. Our clients in the biofuels sector have to deal with sustainability issues in their business operations. We want to contribute to the realization of a sustainable biofuels supply

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 Biofuels 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 biofuels policy embraces some binding conditions between the bank and the clients based on material issues we have determined in the biofuels sector.

Scope of our biofuels policy

Our Biofuels Policy applies to all commercial banking services such as credit facilities, project finance, advisory services and trade finance provided by Rabobank in the biofuels sector.

The policy provides conditions for assessing companies involved in the production (e.g. conversion process) of biofuels. Sustainability in the biofuel sector is clearly linked to the feedstock used for the production of the biofuel. The biofuel producer is therefore expected to take into account the sustainability issues of the feedstock it sources. Rabobank applies specific sector criteria for sugarcane, soy, palm oil and forestry. Biofuel companies involved in the conversion of sugarcane, soy, palm oil or wood products into biofuel will be assessed according to 1) their role in the supply chain of these feedstock crops (upstream/downstream) and 2) our Biofuel Policy. The following figure should be used as guidance on assessing clients involved in the biofuel production.



Material issues

Although the feedstock for biofuels may be diverse, the majority of biofuels do have a number of concerns in common that affect whether we consider biofuels a sustainable alternative to conventional/fossil fuels. For biofuels these concerns are:

- the actual level of greenhouse gas emission reduction benefits from biofuels in comparison to fossil fuels when considering the full lifecycle of cultivation, production and utilisation;
- social and ecological damage of biomass/feedstock production and processing outweighing the GHG benefits (soil erosion, pollution, water depletion, agrochemical waste, etc);
- 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, economical and social terms.

- local food security to ensure to its best ability that the biomass used for the biofuels does not replace (land for) staple crops when there are indications of local food insecurity;
- human rights to work in accordance with the Human rights guidelines as described in the Human Rights policy of the Rabobank Group¹.

Rabobank believes that downstream companies play an important role in the sustainable biofuels sector. 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 biofuels and the conditions for investments as mentioned for the upstream companies.

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

Our Biofuels Policy includes 'conditions for investments' for upstream and downstream companies based on the identified material issues as mentioned above. These conditions relate to (1) legality, (2) raw material from high carbon stocks, (3) greenhouse gas benefits, (4) local food security, (5) human rights, (6) and source of the feedstock.

Rabobank requests a company with regard to:

- legality to show the legality of their operations and comply with all applicable local, national and international ratified laws and regulations;
- source of the feedstock to have a policy in place that guarantees that the feedstock used comes from a company that adheres the conditions described in our Palm Oil, Sugar-cane, Soy and Forestry Supply Chain Policies;
- raw material from high carbon stocks not to produce biofuels and other bioliquids that contain raw material obtained from land with high carbon stock;
- greenhouse gas benefits to produce biofuels that provide clear GHG benefits after considering the entire lifecycle of raw material from cultivation, production and utilizations compared to fossil fuel;

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 biofuels industry can be achieved through the use of new technologies and

¹ 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).

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 contribution to improvements in the sector.

For example, we will encourage biofuel producing companies to be *transparent* on their current production and their plans to increase the production of sustainable produced biofuels or to be transparent on the current sourcing and plans to increase sourcing of sustainable produced biofuels among other things.

We will also encourage companies to deploy *good practices* such as - among other things - setting up a track and trace system to identify sustainably sourced biofuels, producing biofuels from 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, or supporting feedstock production that gives clear additional benefits to local communities such as livelihood opportunities, energy/fuel security, contribute to economic and social stability.

Disclaimer

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