

Rabobank's position on Mining

Rabobank Group

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

Our aim

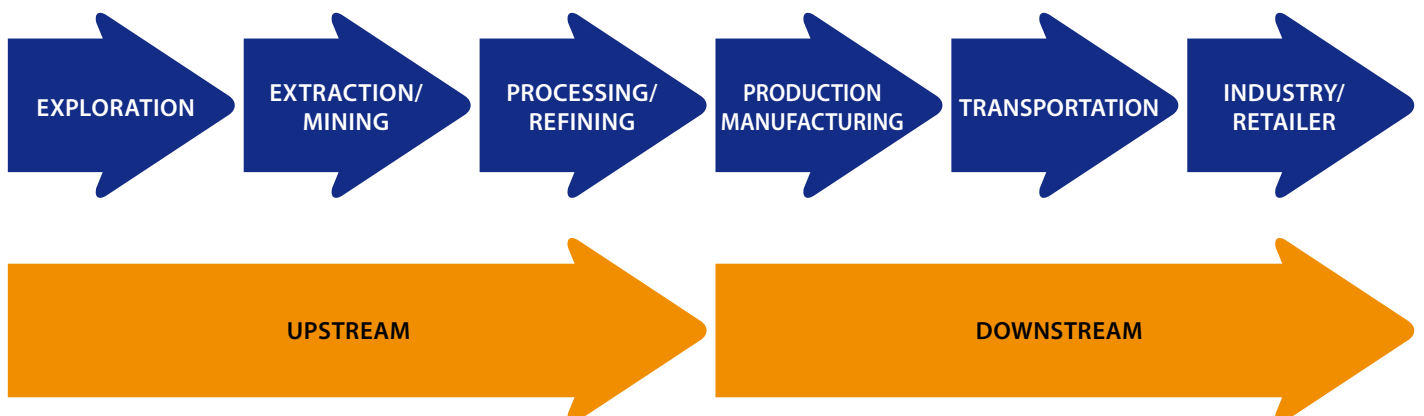
Sustainability is one of the four core values of Rabobank Group, next to Respect, Integrity and Professionalism. We aim to contribute to the sustainable development of society in economic, social and ecological terms. In order to cope with risks related to global environmental change and resource scarcity 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 mining sector have to deal with sustainability issues in their business operations. We want to contribute to the realization of a sustainable mining 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

Scope of our mining supply chain policy

Our Mining 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 mining sector. The policy provides conditions for assessing upstream companies (extraction/mining, processing and refining). Downstream companies (manufacturers, traders, wholesalers and retailers) will be assessed on how they take their responsibility in the supply chain. Generally Rabobank does not finance the upstream activities but is focused on the downstream (trade) activities. However, Rabobank believes that downstream companies also have to take their responsibility in making the mining supply chain sustainable. The extent to which downstream companies can exercise influence on sustainability issues depends among other things on their role and impact in the supply chain. Therefore, Rabobank recommends companies to have a purchasing policy in place that pays attention to the sustainability *issues* for mining production and the *conditions for investments* as mentioned for the upstream companies (see below).

Simplified overview of the mining supply chain



Material issues

Mining activities are carried out in different ways and under different circumstances. Rabobank acknowledges that sustainability issues vary accordingly and moreover that regional and local differences can occur, depending on the economic, environmental and social contexts. Taking this into account issues generally associated with mining activities, include:

- poor working and labour conditions (including forced-, bonded- and child labour);
- poor treatment of indigenous people and local communities, including cultural disruptions and gender specific impacts;
- converting natural habits resulting in loss of biodiversity, land and livelihood of directly impacted communities and those living downstream mining operations;
- pollution of ground- and surface water, air, soil and solid waste;
- vital concerns regarding the amount of GHG emissions and related climate change impact;
- mining revenues not contributing to economic and social progress of the country and local communities due to a lack of accountability and transparency.

Rabobank requests 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;
- **human rights** to work in accordance with the Human rights guidelines as described in the Human Rights Policy of the Rabobank Group¹;
- **new activities** to perform an environmental and social impact assessment;
- **operations**, to plan, operate and close operations in a manner that enhances sustainable development (restoring disturbed areas);
- **environmental impact** to focus on continuous improvement of the environmental impact 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, use of hazardous materials and GHG emissions;
- **protected areas** to avoid operations in national or international legally protected or preserved areas with a significant concentration of biodiversity values;
- **reporting and transparency** refrain from corruption and reports its payments and revenues and the progress towards achieving concrete CSR goals;
- **small holders** to refrain from activities that will largely negatively affect the livelihood of small holders and local communities.

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

Rabobank has established conditions for investments for both upstream (extraction, transport up to the production unit and production) and downstream companies (supply management, trade, shipping, pipeline transport, tank storage, blending, refining and electric power generation). The conditions for investment are based on the identified material issues as mentioned above. The conditions in the mining supply chain policy relate to (1) legality, (2) human rights, (3) new activities, (4) operations, (5) environmental impact, (6) protected areas, (7) reporting & transparency and (8) unconventional fossil fuels.

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.

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)..

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 (more) sustainable mining 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 companies to be transparent on their sustainability policies and performance in accordance with international reporting guidelines as well as on the impact of their business operations on climate change and reverse. Furthermore, Rabobank will encourage companies to adopt the *good practices* promoted through guidance documents and reports (such as the Voluntary Principles on Security and Human Rights) and to discuss concerns with a wider range of (non-commercial) stakeholders. Examples of good practices are securing sufficiently healthy and safe working conditions, providing a sufficient remuneration for their employees and having a system in place to ensure that all commodities come from legally operated mining companies.

Disclaimer

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