

Rabobank's position on Soy

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.

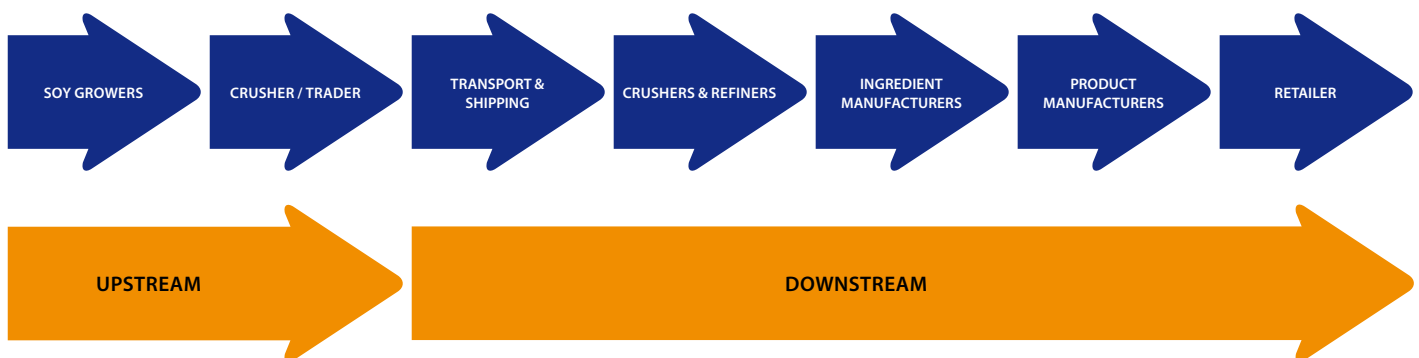
Rabobank aims to positively affect the overall sustainability of the operations of our clients. Our clients in the soy sector have to deal with sustainability issues in their business operations. We want to

contribute to the realization of a sustainable soy 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 Soy 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 soy policy embraces some binding conditions between the bank and the clients based on material issues we have determined in the soy sector.

Scope of our Soy supply chain policy

Our Soy 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 soy sector. The policy provides conditions for assessing upstream companies (soy growers and mills). Downstream companies (traders, processors, manufacturers, wholesalers and retailers) will be assessed on how they take their responsibility in the sector.

Simplified overview of the soy supply chain



Material issues

Soy producers 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 soy production, include:

- deforestation and converting natural habitats into agricultural land resulting in loss of biodiversity;
- disturbance of preserved or protected areas;
- large amounts of greenhouse gas emissions caused by forest fires 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 conditions;
- soil erosion and degradation due to deforestation and poor arable land processing;
- irresponsible use of fresh water, especially in water-stressed environments;
- pollution of ground- and surface water.

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

Our Soy 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) commitment, (2) protection of preserved areas, (3) legality, (4) human rights, (5) open burning, (6) social and environmental impact assessment, (7) prior consultation, (8) soil management, (9) water management (10) fragile soils, (11) integrated crop management and (12) agro chemical use.

Rabobank requests a company with regard to:

- commitment to 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;
- protection of preserved areas not to be involved in soy 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 28 May 2009 (cut of date RTRS);

- 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 policy¹ of the Rabobank Group;
- open burning not to develop land for the construction of plantations if the related area is cleared with the use of fire;
- social and environmental impact assessment (SEIA) to undertake a SEIA prior to establishing new plantings or operations.
- prior consultation to involve affected stakeholders before establishing new operations (process of free, prior, and informed consultation);
- soil management to use soil management techniques that maintain and enhance the structure and fertility of the soil and prevent erosion;
- water management to safeguard the quality and quantity of ground- and surface water;
- fragile soils to adopt sustainable management practices that avoid planting on marginal and fragile soils, along riverbanks, and in water catchments;
- Integrated Crop Management to reduce negative environmental and health impacts of phytosanitary products;
- agro chemical use to document all application of agro-chemicals and monitor all handling, storage, collection and disposal of chemical waste and empty containers.

Rabobank believes that downstream companies play an important role in the sustainable soy 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 soy production and the conditions for investments as mentioned for the upstream companies. In addition, we advice a company to progressively increase the volume of sustainable produced soy (e.g. based on P&C of RTRS) as a proportion of the total volume of soy 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

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)..

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 soy 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 soy or downstream companies to be transparent on the current sourcing and plans to increase sourcing of sustainable produced soy 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.