

	Banco Rabobank International Brasil S.A.		
	Policy		Cód: POL-SA ENG
	Social and Environmental Policy	Pgs: 03	Version 1.01 Approved by MBRI (03/07/06)

Rabobank Brazil - Social and Environmental Policy

Rabobank plays a world wide leadership role in financing activities related to the food and agri sector. Aware of its responsibility in the enterprises it finances, of its role in the financial sector and of the growing importance of sustainability for the success of a company or rural producer, Rabobank Brazil has developed a Social and Environmental Policy, applicable to all of its commercial activities in the country.

Objective

The objective of Rabobank Brazil's Social and Environmental Policy is to ensure the provision of financial services in a manner consistent with its values: respect, integrity, professionalism and sustainability¹, while also minimizing credit and reputation risks. Rabobank Brazil also expects that its policy will contribute to strengthen the Brazilian agribusiness, improving its competitiveness and minimizing the risk of trade barriers related to environmental and social issues.

The policy defines the social and environmental aspects that the bank considers unacceptable, the so-called exclusion criteria. There are also other criteria, which the bank believes it can contribute to improve over the long run, the so-called qualification criteria and good practices. Exclusion and qualification criteria are an integral part of Rabobank's contracts in Brazil.

To ensure compliance with its social and environmental policy and its commitment to sustainability, Rabobank has structured a client analysis system, through which it expects to promote the adoption of good practices and identify the possible occurrence of exclusion criteria. Rabobank understands its social and environmental policy as something dynamic, a first step towards sustainability. This policy will be periodically improved based on the knowledge gained through its implementation.

Good Practices

Rabobank Brazil believes that agriculture and the food and agri sector has the potential to contribute to the generation of employment, conservation of natural resources and the growth of the country. To help its clients to achieve this potential, Rabobank will support and provide incentives for the adoption of good social and environmental management practices, such as:

- 1. Adoption of good agricultural practices and environmental management systems, which contribute to biodiversity and soil conservation, and the maintenance of water and air quality;*
- 2. Development of social and environmental policies concerning suppliers of raw materials;*
- 3. Adoption of animal welfare practices;*
- 4. Development of initiatives to reduce or mitigate the emission of gases responsible for global warming;*

¹ The way in which the Rabobank Group views its role in the world is largely determined by four basic values derived from the Mission Statement.

a. Respect - The Rabobank Group works in concert on the basis of respect, appreciation and commitment.

b. Integrity - The Rabobank Group believes that all its activities must be carried out with honesty, sincerity, care and reliability.

c. Professionalism - The Rabobank Group provides its customers with high-quality expertise and facilities. It is committed to maintaining high quality - whenever possible anticipating the future needs of customers - and providing its services in an efficient manner.

d. Sustainability - The Rabobank Group is committed to contributing to the sustainable development of society in the financial, social and ecological sense.

http://www.rabobank.com/Images/code_of_conduct_tcm25-620.pdf

5. Development of a documented social and environmental policy, with procedures and resources for its implementation;

Exclusion Criteria

Rabobank Brazil will not establish a commercial relationship with individuals that have evidence of the following practices:

1. Violation of Rabobank's social and environmental guidelines²;
2. Violation of the provisions contained in the [International Labour Organization – ILO Fundamental Principles and Rights at Work](#):
 - Freedom of association and the right to collective bargaining;
 - The elimination of forced and compulsory labour;
 - The abolition of child labour, and;
 - The elimination of discrimination in the workplace;
3. Overlap of areas with conservation units;
4. Overlap of areas with indigenous or quilombola territories;
5. Trade in species listed in Appendixes I and II of CITES – Convention on International Trade in Endangered Species of Wild Fauna and Flora (www.cites.org);
6. Production, trade or use of prohibited pesticides or included in the exclusion list of the International Finance Corporation (www.ifc.org);
7. Cultivation or manufacturing of products deemed illegal in Brazil;
8. Existence of legal disputes regarding land tenure;
9. Lack of legally registered workers, considering all workers involved in the client's activities, directly or hired through contractors, on a permanent or temporary basis;
10. Involvement with non authorized deforestation³ after January 2005⁴;
11. Involvement with legally authorized deforestation after January 2005, without the appropriate registration and conservation of legal reserves, as well as protection of permanent preservation areas, according to the requirements established in the Brazilian legislation⁵;
12. Processing, transporting or trading wood from natural forests without the applicable licenses and permits from competent authorities;
13. In the case of wood production from natural tropical forests, companies that are not certified or in the process of becoming certified according to the Forest Stewardship Council – FSC scheme or equivalent.
14. Overall lack of applicable licenses;
15. Existence of corruption, tax evasion or documentation fraud.

Furthermore, notwithstanding the provisions contained in items 10 and 11 above, Rabobank establishes a five year moratorium⁶ for financing farms in the Amazon biome⁷.

Qualification Criteria

Rabobank Brazil recognizes that the Brazilian social and environmental legislation is complex, which at times can pose a challenge to its full compliance. Rabobank believes it can play a positive role in this issue, through supporting

² Rabobank has guidelines that orient its activities with respect to Human Rights (http://www.rabobank.com/Images/hrcode_rabobank_tcm25-623.pdf), Genetically Modified Organisms (http://www.rabobank.com/Images/gm_statement_engels_tcm25-621.pdf) and Palm Oil Plantations (http://www.rabobank.com/Images/palmoilcode_rabobank_tcm25-625.pdf).

³ Deforestation in this policy is understood as the conversion of natural habitats, such as tropical forests, savannahs and others.

⁴ Date in which Rabobank has started to work directly with farmers in Brazil.

⁵ Legal reserve areas constitute the area of a property which has to be kept under native vegetation. According to the Brazilian legislation, the requirements for reserva legal are:

- 35% and 80% for the savannah (cerrado) and tropical forest region in the Legal Amazon, respectively;
- 20% for other types of vegetations and regions in the country.

⁶ Rabobank Brazil has imposed in 2006 a moratorium on financing farming activities on deforested land in Amazon biome in the past 5 years. The moratorium is a part of the social and environmental policy of Rabobank Brazil. Proposal is to impose the moratorium for all sectors and countries where deforestation in primary or natural forest is an issue (General policy approach).

⁷ Tropical forests areas in the Brazilian Legal Amazon.

its clients to comply with the applicable legislation. On the long term, lack of interest or commitment in demonstrating evidence of improvement in the fulfilling of these aspects will result in the decision of Rabobank to end its relationship with a specific client:

1. *Compliance with legal requirements related to Permanent Preservation Areas;*
For Rabobank to maintain or establish a new relationship with enterprises that have problems regarding the protection of permanent preservation areas, it is necessary that the enterprise present evidence that it is working for its restoration within two years from credit approval.
2. *Compliance with legal requirements related to Legal Reserve Areas;*
For Rabobank to maintain or establish a new relationship with enterprises that have problems regarding the maintenance and registration of Legal Reserve areas in the Brazilian Legal Amazon, it is necessary that the enterprise file a Compliance Adjustment Agreement to the competent authority within three years from credit approval.
3. *Existence of good working conditions: safety, food, personal hygiene, lodging and transportation;*
For Rabobank to maintain or establish a new relationship with clients that present problems related to the working conditions it is necessary that the issue be solved within one year.
4. *Adequate storage, use and disposal of chemical products, fuels and lubricants, as well as their containers;*
For Rabobank to maintain or establish a new relationship with clients that present problems related to chemical products it is necessary that the issue be solved within one year.
5. *Adequate disposal of residues generated by the client's operations.*
For Rabobank to maintain or establish a new relationship with clients that present problems related to the disposal of residues it is necessary that the issue be solved within one year.

Implementation

To ensure compliance with its social and environmental policy, Rabobank Brazil will analyze its clients based on field visits, publicly available information and interviews with clients themselves. This analysis will help the bank identify issues on which it can work together with the client for environmental improvements and the adoption of good practices. As a sign of its commitment to sustainability, social and environmental analyses have influence on interest rates of loans provided by the bank.

Rabobank Brazil believes that its social and environmental policy is just the first step in the path towards the sustainability of its activities and of its clients. Thus, to enable continuous improvement, the policy will be assessed and revised every two years, through an internal analysis and with stakeholders.

Transparency

In order to guarantee transparency in the implementation of its social and environmental policy, Rabobank Brazil will publish an annual report with an analysis of the cases assessed and actions taken, within the possibilities of the confidentiality requirements applicable to the bank. Rabobank has also established a communication channel, which can be used for complaints or suggestions related to its social and environmental policy. Any complaints and suggestions must be sent to the "Social and Environmental Sustainability Department", through:

E-mail: socioambiental@rabobank.com

Mail: Av. das Nações Unidas 12.995 7º andar – 04578-000 – São Paulo, SP

FAX: +55 (11) 5503 7007

Furthermore, the social and environmental analysis system will be periodically audited by an independent third party, which will verify the consistency of analysis produced and actions taken.