



# **The Soy Supply Chain Policy**

*Striking a CSR balance in financial decisions*  
*January 2008*

<b>1.</b>	<b>Background.....</b>	<b>2</b>
1.1.	Starting position of this Soy Supply Chain Policy .....	2
1.2.	Objective of the Soy Supply Chain Policy.....	3
1.3.	Focus Soy Supply Chain Policy .....	3
1.4.	Policy framework of the Soy Supply Chain Policy.....	4
<b>2.</b>	<b>Context analysis .....</b>	<b>5</b>
2.1.	Developments within the soy sector .....	5
2.2.	Chain responsibility in the soy production chain.....	6
2.3.	Focus on problems in the periphery of soy production areal .....	8
<b>3.</b>	<b>The causes of the key CSR issues.....</b>	<b>9</b>
3.1.	Poorly defined land rights as a cause for deforestation and land conflicts. ....	9
3.2.	Poor working conditions.....	9
3.3.	Land cultivation techniques and farming practices. ....	10
<b>4.</b>	<b>Undesirable practices in soy production .....</b>	<b>11</b>
4.1.	New plantations in the Amazon Biome .....	11
4.2.	Plantations that are illegally constructed .....	12
4.3.	Plantations that are engaged in conflicts.....	12
4.4.	Plantations that have forced or child labour or poor working conditions.....	13
4.5.	Plantations without good agricultural practices.....	13
	<b>Appendix 1 Assessment of clients of Rabobank Brazil .....</b>	<b>14</b>

# 1. Background

The following document explains the position of the Soy Supply Chain Policy within the CSR policy, the objective of this policy document and the relationship with the applied internal and external guidelines.

## 1.1. Starting position of this Soy Supply Chain Policy

The Rabobank Group's CSR policy places crucial importance on integrating corporate social responsibility and behaviour into the mindset and daily practice of our financial operations and services<sup>1</sup>. Corporate Social Responsibility (CSR) has, since February 2007, accordingly been included as a structural part of the Credit Risk Management (CRM) Credit Manual<sup>2</sup> in relation to the assessment of (prospective) clients and their credit applications. This paragraph of the manual also explains the important role that CSR plays vis-à-vis the services of the Rabobank Group. The core section in the CSR paragraph in the Credit Manual contains guidelines for assessing client and credit applications according to ten CSR aspects (see following list). Diverse issues regularly arise within the context of these CSR aspects that can encompass considerable social sensitivities. The CSR issues periodically result in an intensive social debate and can play a material role within credit lending as soon as it emerges that a client and/or credit application is in some way involved with one or more of these issues.

**Ten key CSR aspects:**

1. corruption or bribery
2. employee discrimination
3. forced labour
4. harmful child labour
5. poor working conditions
6. violation of the rights of indigenous peoples
7. pollution
8. irresponsible depletion of scarce natural resources
9. cruelty to animals/ disproportionate reduction of animal welfare
10. products or services that impose severe health and/ or safety risks to consumers and communities in the neighbourhood of plantations

These ten CSR aspects and the related assessment guidelines are based on a number of international guidelines and codes, such as the UN Human Rights Norms for Business, the UN Global Compact, OECD Guidelines for Multinational Enterprises and ILO conventions. The assessment guidelines relating to human rights (guidelines 2 through 6) have been defined further in the 'Specification of the Human Rights Code'.

It is mandatory to carefully include these CSR aspects when assessing clients and financing applications, regardless of the sector in which the client is active. Assessing a client or credit application on the basis of these ten CSR aspects consequently constitutes a fixed component of the standard assessment

---

<sup>1</sup> See our Annual Sustainability Reports on [www.rabobank.com/csr](http://www.rabobank.com/csr)

<sup>2</sup> While the scope of the CRM Credit Manual is group-wide, there may be differences in its execution by the individual entities due to the nature of the financial services provided.

process and the ultimate credit assessment. One or more of these CSR aspects can play a role in the sectors and it is vital that account managers and credit analysts remain aware of this at all times.

Considering that these guidelines have been established, why is it then necessary to have more detailed policy documents, such as the document for the soy production chain, to assess sector-specific CSR issues by the Rabobank Group in general and by our account managers and credit lenders in particular? There is a range of reasons why this is appropriate and necessary, such as:

- The scope and interest of the CSR issues involved in a specific certain sector
- The size of our credit portfolio in a certain sector
- The magnitude of the potential reputation damage and risks for the Rabobank Group that can ensue from involvement as a financial services provider with clients that conduct undesirable activities vis-à-vis one or more of the aforementioned CSR aspects

Sectors and production chains that warrant a detailed policy due to varying compositions of the above reasons include for example palm oil, soy, fish, wood, sugar and cotton. The production activities within these particular sectors regularly take place in countries and/or territories in which sufficient legislation in fields such as corruption, discrimination, property rights, human rights, environmental care and nature conservation is either lacking or there is insufficient compliance and/or enforcement.

## **1.2. Objective of the Soy Supply Chain Policy**

As a sector-specific policy document, the Soy Supply Chain Policy examines the specific CSR issues that are involved in the world-wide soy production chain, clarifies their assessment and addresses the range of actions that can ensue from this assessment. The related focus is on both the interests of the client and Rabobank Group. The document provides insight into how (future) clients in the soy production chain should avoid the identified CSR issues (refer to chapter 3 below).

The Soy Supply Chain Policy further defines the policy for the Rabobank Group and clarifies the following matters for credit analysts and account managers:

- Rabobank's expectations concerning client conduct (= client's responsibility)
- The importance that Rabobank Group places on these CSR issues
- How Rabobank assesses the client's conduct and takes its responsibility

In view of the significant social sensitivity associated with a number of specific CSR issues in the soy sector, this Soy Supply Chain Policy focuses especially on the related practices that are undesirable in Rabobank's opinion. This Soy Supply Chain Policy especially zooms in on specific manifestations of a number of aforementioned CSR aspects that come explicitly to the fore within the context of the soy supply chain. These CSR aspects are: forced labour (3), child labour (4), poor working conditions (5), violation of the rights of the indigenous people (6), environmental issues, primarily in the form of far-reaching damage to vulnerable nature reserves (7) and the irresponsible depletion of scarce natural resources (8).

## **1.3. Focus Soy Supply Chain Policy**

This Soy Supply Chain Policy is intended to above all serve as a guideline for assessing trading companies and processors such as livestock feed and

foodstuff companies and companies that process soy oil into cosmetics, washing detergents, biofuels and paint products (please refer to paragraph 2.2). However, the document can likewise be used for other players in the soy production chain.

The Soy Supply Chain Policy corresponds completely with the approach for the assessment of soy producers, i.e. the agricultural companies that produce soy, which was developed for this purpose in the CSR policy of Rabobank Brazil.

This policy forms an integral part of this supply chain policy. The soy supply chain policy is also normative and applicable for the assessment of clients (both farmers/growers and soy plantations owned by large corporates) and credit applications in other countries by Rabobank Group. Please refer to the appendix for a brief explanation of the method Rabobank Brazil uses to assess its clients.

#### **1.4. Policy framework of the Soy Supply Chain Policy**

In addition to the fact that the Soy Supply Chain Policy serves as a supplement to the KRM Credit Manual, it also expressly dovetails with the Social and Environmental Policy that Rabobank Brazil has previously formulated based on its current practice of credit lending to agricultural companies in various sectors. The policy is furthermore aligned with the specification of the Human Rights Policy of the Rabobank Group. A number of external directives have also been used as the foundation for this policy document. These include: (1) the Principles of the Round Table of Responsible Soy (RTRS); (2) Criteria for Corporate Responsibility of Soy Buyer Enterprises and (3) the Basel Criteria for Responsible Soy Production.<sup>3</sup>

---

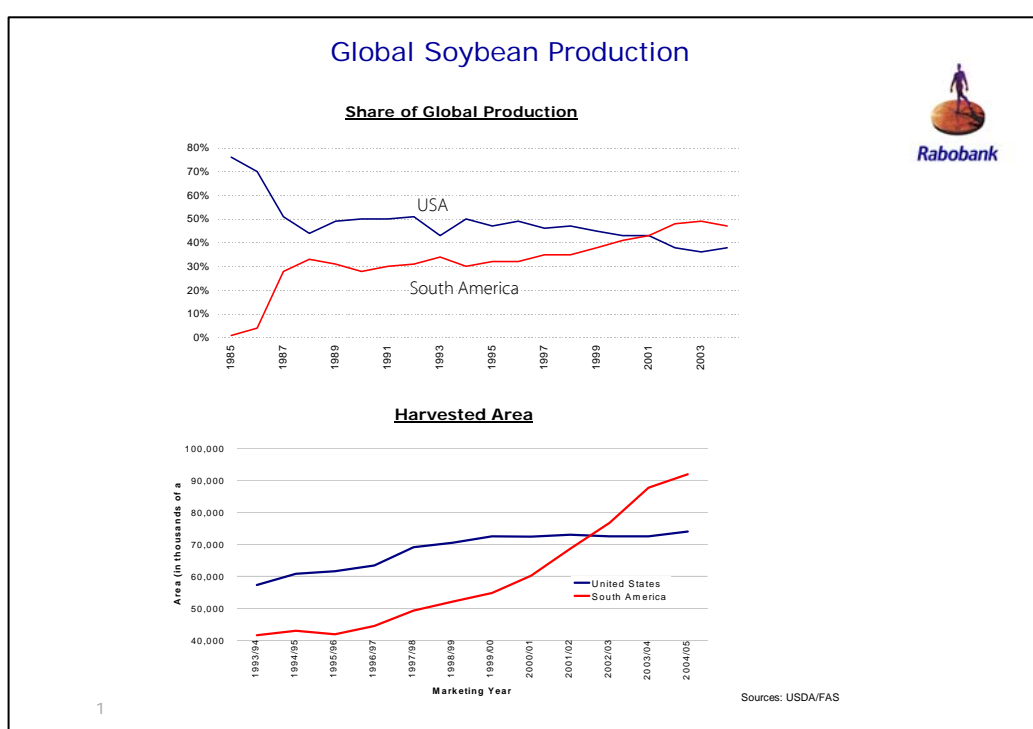
<sup>3</sup> These documents are available on <http://www.responsiblesoy.org/eng/index.htm> (click on 'documents')

## 2. Context analysis

This section outlines several leading developments in soy production, provides insights into the chain responsibility of various parties and provides an overview of the specific CSR issues that are the focus within the soy production chain.

### 2.1. Developments within the soy sector

World production of oilseeds has increased by 50 percent over the past ten years (from 250 million tonnes to 373 million tonnes) and this growth has been driven in large part by the increasing demand for animal protein feed. Soybeans continue to dominate the international trade in oilseeds and account for 85 percent (62.9 million tonnes) of the total trade, compared to 76 percent a decade ago. China continues to be the major driver for increasing world demand, with Europe in second position. World production of soybeans is dominated by the U.S. (39%), Brazil (25%) and Argentina (17%), with the latter two now holding the leading position<sup>4</sup>.



The demand for soy is rising due to increased prosperity and population growth. This is because the high protein content and favourable amino acid composition of soy render it a good source of protein for nutrition. Approximately 83 percent of the global harvest of soybeans is crushed, whereby the beans are separated into soy oil (18%), soy scrap or meal (79%) and soy fibres (3%).<sup>5</sup>

<sup>4</sup> Source: Food and Agri research (FAR) Rabobank (2007)

<sup>5</sup> Source: 'Soja doorgelicht, de schaduwzijde van een wonderboon' (Soy revealed, the shadow side of a miracle bean), Dutch Soy Coalition (2006)

Soy oil is an ingredient for numerous foods and for cosmetics and paint products. Soy oil is also increasingly used as a raw material for the production of biofuel<sup>6</sup>.

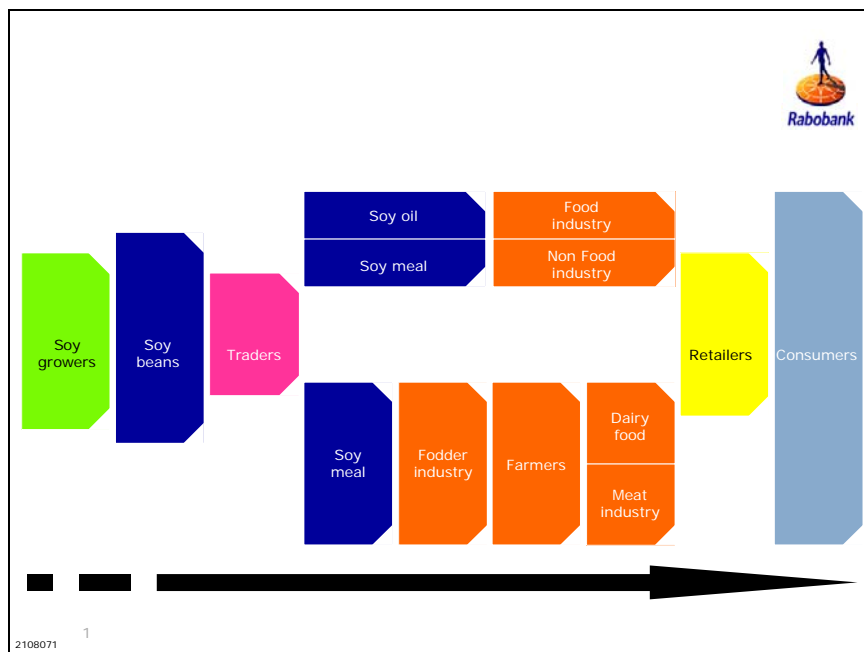
While soy meal and scrap are also used in foodstuffs and cosmetics and paint products, the majority is used in feed for beef and dairy cattle. The growth in production for the traditional uses of soy is expected to continue in the future and the use of soy as a raw material for biofuel is forecast to expand at a whirlwind pace.

The rising demand for soy stimulates the need to construct more soy plantations, particularly in South America. This occurs in this region for various reasons (please refer to 2.3 and chapter 3). An important part of the construction takes place in as yet uncultivated areas and this subsequently plays a part in damaging a diverse range of environmental resources in vulnerable nature reserves. In the United States soil erosion losses are an challenging problem that have to be solved in the agricultural practices.

In order to properly manage this growth and to chart a path to sustainably produced soy, it is crucial that **each link** in the product chain accepts its designated responsibility. Most parties now endorse the necessity for achieving a sustainable soy production chain. The remaining question is who should address which issues in the soy production chain worldwide?

## 2.2. Chain responsibility in the soy production chain

Which players within the soy production chain can exercise direct influence<sup>7</sup> on which specific CSR issue and must consequently accept responsibility for these issues in order to realize to a more sustainable soy production chain? The answer to this question could play a role in the assessment of the involved clients and credit applications.



<sup>6</sup> Source: Biomass, food and sustainability, is there a dilemma?, Prof Dr Ir Louise O. Fresco (2006)

<sup>7</sup> The qualifications 'have greater influence on' and 'are better able to' refer to the comparison to parties that are active further down and later in the production chain.

Rabobank's assessment of the clients in the various sections of the soy chain can vary. Most CSR issues are concentrated in the first soybean production and processing links in the soy chain. The influence that the various parties in the soy production chain can exert over these aspects can vary considerably. It depends primarily on the degree of influence that the involved clients can exercise over its suppliers in the chain. This depends in turn on a number of factors such as the client's size and position in the production chain and the related role the client fulfils.

There may, for example, be Rabobanks clients that purchase large amounts of soybeans, soy oil and soy scrap (= soy meal) directly from soy producers or from traders in a production country that are in a better position to exercise influence over these suppliers. They are also more capable of tracing the origins of soy and are better able to see improvements. The large proportion of the trade flows of soybeans, soy meal and soy oil is shipped as a component for feed. Soy oil is used primarily in the food and cosmetics industry. The majority of export and import activities are carried out by a small number of large international trading companies, namely ADM, Bunge, Cargill, Dreyfus and A. Maggi. These companies play often different roles (as producer, supplier, trader) in the chain.

Soy processors, such as livestock feed companies and foodstuff/cosmetics companies, make up the most important group of organisations that buy soy scrap, soy meal and soy oil as a raw material for use in other products. Examples of key players include Nutreco, Unilever, Nestlé, Kraft and Proctor & Gamble.

The 'international trading companies' and 'soy processors' are a manageable number of companies that have large purchasing capacity. This means that it is justified to expect these players to be able to trace the origin of soy.

The influence that the link comprised of retailers (supermarkets and fast food chains) can exercise within the soy chain is more complicated. This is particularly true in the case of retailers such as supermarkets that sell many end products that include soy as a raw material. In contrast, fast food chains can and do exercise considerable influence. Their products consist primarily of meat (hamburgers and chicken nuggets) and there is more of a direct relationship with soy as a raw material for making the end product for consumers. An example is the position taken by McDonald's that led the soy sector to introduce a two-year soy moratorium in July 2006 (see paragraph 3.1).

We view the above matters in relation to the responsibility that Rabobank Group has. In this view we could expect clients to move towards a more sustainable process in the soy sector. The most urgent social issues are connected with the activities of producers (agricultural companies), trading companies and soy processors. They are, after all, in the position to intervene independently or in cooperation with Rabobank Group.

The Social and Environmental Policy of Rabobank Brazil is leading in relation to exercising direct influence on parties that are active in the primary process (refer to paragraph 1.3 and appendix).

### **2.3. Focus on problems in the periphery of soy production areal**

A good overall picture of the CSR issues that are caused by soy production can be gleaned from the research conducted by non governmental organisations (such as the Dutch Soy Coalition) and from international multi stakeholder bodies (such as the Round Table for Responsible Soy). The results of this research are reflected in part in directives formulated specifically for the soy sector (such as the Basel criteria). The CSR issues that emerge are:

1. Deforestation and loss of biodiversity due to a sharp increase in the demand for soy and insufficient compliance with relevant legislation<sup>8</sup>
2. Erosion and soil degradation due to deforestation and poor arable land processing
3. Non-transparency of land ownership, rights of use and other rights, as well as the lack of adequate government monitoring of compliance with this legislation that ultimately leads to land conflicts
4. Human rights violations in the form of poor working conditions that sometimes take on extremely severe forms such as forced labour and serious illness due to careless use of (banned) pesticides
5. Loss of employment due to large-scale agriculture
6. Soy is forcing out other agricultural crops and local food prices are rising as a result
7. Use of genetically modified soy

Assessing clients and credit applications should focus on positively impacting the CSR issues stated under 1, 2, 3 and 4. This approach will enable Rabobank Group to exclude its own – indirect – involvement as a financial institution in undesired practices and to motivate clients whenever possible to work towards realising more sustainable business operations.

This reflects Rabobank's opinion that combinations of the afore mentioned developments and the rapidly growing demand for soybeans and soy products will lead to sizeable expansions of soy plantations. Rabobank Group is also convinced that the expansion of the existing production areas towards high conservation value areas (HCVA's) is currently causing the largest and most complex problems. Rabobank Group believes that this development can be decelerated by achieving greater balance and connection between conservation of nature and natural environments on the one hand and economic activities in the soy production chain on the other. Pursuing a sustainable soy production chain, which is also what the RTRS and others are supporting, will produce the greatest benefits for all the parties in the soy production chain.

Due to the fact that Rabobank Group has limit influence on the CSR issues stated above under 5 and 6, this policy will not take these issues in consideration.

The issue of the use of genetically modified soy is covered by the statement on genetic modification of Rabobank Group.

---

<sup>8</sup> For example, compliance with the Legal Reserve in Brazil that arranges the relationship between nature conservation and economic activities.

### **3. The causes of the key CSR issues**

This chapter examines the causes that lie at the foundation of the key CSR issues outlined in chapter 2. Gaining insight into these causes is crucial in order to be able to effectively draw attention to the importance and choice of the criteria discussed in chapter 4.

In addition to the increased demand for soy and the related growth in agricultural activities, deforestation is primarily caused by a lack of adequate policy, permits and effective supervision by government authorities. This primarily involves policy relating to land, property and rights of use and registration, nature and environmental care, agricultural techniques and (financial compensation for) nature conservation.

#### **3.1. Poorly defined land rights as a cause for deforestation and land conflicts.**

The issue of the poorly defined property rights by the government and the vast area to be inspected, which involves hundreds of millions of hectares, is a main cause of the inefficiency and ineffectiveness of environmental regulations on illegal deforestation control in nature reserves (such as the Amazon Biome) because it is usually difficult to identify offenders and to enforce effective penalties. Substantial percentages of some areas are composed of public land under dispute (such as 40% of the Legal Amazon, which is wider than the Amazon Biome). This process leads to a mechanism whereby people first deforest new areas and then claim to have land possession titles. An official rural property registration and enrolment system is required. Programmes for professional land regulation in the related region are required in order to provide more effective protection and law enforcement.

A related problem is that rural producers are required by law to preserve substantial parts of their property in certain areas (for example 80% of Amazon Biome and 35% of cerrado in legal Amazon of Brazil), but do not receive any compensation or incentives from the government in return. New jobs must be created in order to reconcile the local population's economic progress with the conservation of highly valued ecosystems.<sup>9</sup>

#### **3.2. Poor working conditions**

There are regular reports of poor working conditions in connection with the cultivation of new soy areas. Pay, housing and medical facilities are sometimes below par. The overall picture is further worsened by incidences of forced labour (including mandatory reimbursement for essential services such as transport, clothing and food) and punishment regimes for refusing to carry out certain work<sup>10</sup>. The reality of the situation outlined above is revealed by such developments as the call of ABIOVE (Brazilian Vegetable Oil Industry Association) to completely abolish all forms of slave labour.<sup>11</sup>

---

<sup>9</sup> Source: Report 1st Year Soy Moratorium of Soybean Working Group, 2007

<sup>10</sup> Source: 'Soja doorgelicht, de schaduwzijde van een wonderboom' (Soy revealed, the shadow side of a miracle bean), Dutch Soy Coalition (2006)

<sup>11</sup> For the soy sector's standpoint on slavery, visit [http://www.abiove.com.br/english/ss\\_infroma\\_us.html](http://www.abiove.com.br/english/ss_infroma_us.html) and for the standpoint on child labour visit <http://www.grupomaggi.com.br/en/materia.jsp?areald=112&id=115>

### 3.3. Land cultivation techniques and farming practices.

Natural ecosystems, such as forest and savannah, retain water in vegetation and soil. However, without vegetated cover, the balance becomes disrupted and erosion seizes hold of the soil and it quickly loses its fertility. Deforestation and the subsequent planting of soy regularly creates a downward spiral. To start with, four times more water evaporates from this land in comparison to the original overgrowth. What's more, land that is not covered with overgrowth heats up and dries out faster. This leads to low air humidity and higher temperatures and ultimately to lower groundwater levels and water sources drying up in the agricultural countries such as Brazil, Argentina and China<sup>12</sup>. This in turn makes irrigation necessary, which then leads to a further decrease in the groundwater level. An effective (environmental permits) policy for preventing this is currently lacking in most cases. Six to ten kilos of soil are currently lost for every kilo of soy. Rivers and reservoirs silt up by mud that is carried along by the water. And rain water also carries pesticides into the river. This poses a serious threat to aquatic life and the health of humans and animals that live downstream.<sup>13</sup> This situation once again leads to renewed cultivation of natural ecosystems. These effects can be strongly reduced by using sophisticated, environmentally-friendly land cultivation techniques including zero-tillage or contour ploughing. This demands a boost in the exchange of knowledge to growers (publications and training) regarding sustainable land cultivation techniques and good farming practices. This would make it possible for agricultural lands to remain fertile for longer, to achieve a more sustainable water balance and to significantly improve the use and storage of pesticides.

#### **'Soy Moratorium' Initiative**

In order to solve these problems, ABIOVE (Brazilian Vegetable Oil Industry Association) and ANEC (Brazilian Grain Exporters Association), and their respective member companies, introduced an initiative known as the 'Soy Moratorium' on 24 July 2006. They pledged not to trade soy originating from deforested areas within the Amazon Biome after that date. This initiative will remain in effect for two years and will seek to reconcile environmental preservation with the region's economic development through the responsible and sustainable use of Brazil's natural resources. During this period, the sector will work with entities representing society (Conservation International, Greenpeace, IPAM, TNC and WWF) to develop and implement a governance structure with rules for operations in the Amazon Biome and to encourage the Brazilian government to define, apply and comply with public policies (ZEE, ecological-economic zoning) regarding land use in this region.<sup>14</sup>

<sup>12</sup> In the USA the issues of concern have been addressed because of the maturity and development of the US farming sector; along with development of the various governmental agencies that regulate the activities identified as concerns. For example, the US Soil and Water Conservation Service has been a major part of US agricultural development for well over 50 years. Additionally, areas where the use of underground water sources are used are regulated by local, state and federal regulations. The infrastructure for these types of oversight have been in place, in most cases, for decades in the US.

<sup>13</sup> Source: 'Soja doorgelicht, de schaduwzijde van een wonderboon' (Soy revealed, the shadow side of a miracle bean), Dutch Soy Coalition (2006)

<sup>14</sup> Source: Report 1st Year Soy Moratorium of Soybean Working Group, 2007

## 4. *Undesirable practices in soy production*

Chapter 1 states that the performance of Rabobank Group's clients is assessed according to ten key aspects of corporate social responsibility. This assessment is carried out as standard practice in accordance with the CRM Credit Manual and is intended to generate material information required for the ultimate credit assessment. Based on the arguments presented in chapters 2 and 3, Rabobank Group does expect its clients, independent of the quality of their own direct activities in the soy production chain, to devote extra attention and care to the origins of soy (raw soy materials, semi-finished and finished soy products). This is necessary in order to genuinely incorporate the CSR issues stated in paragraph 2.3 that have been deemed critical in their performance. The related emphasis is on the CSR issues that are largely linked to the (recent) expansion of soy plantations and/or their management. These CSR issues are:

- Deforestation and loss of biodiversity
- Non-transparency of land ownership, rights of use and other rights, as well as the lack of adequate government control to ensure that these rights are respected, which ultimately results in land conflicts
- Human rights violations in the form of poor working conditions that sometimes take on extremely severe forms such as slavery, forced labour and serious illness due to careless use of (banned) pesticides (included the affects of pesticides to local communities)
- Erosion and soil degradation in relation to land cultivation techniques.

The client is requested to provide further information as to the origins of the soy, soy oil, soy meal and soy fibres that the related client produces, uses (in semi-finished form) or trades, and this information is verified. In verifying this information, a distinction is made within the international context between the nature and quality of the areas of origin, i.e. the Amazon Biome or HCVA's. This has resulted in the formulation of the following criteria for the assessment of clients and financing applications in the Soy Supply Chain.

### 4.1. *New plantations in the Amazon Biome*

Soy should does not originate from plantations that have been constructed recently (< 5 years) in the Amazon Biome.

Undesirable practice: soy originates from plantations that have been constructed recently (< 5 years) in the Amazon Biome.

The criterion 4.1 for further decision-making regarding a financing application corresponds with criteria 1 and 8 of the Round Table for Responsible Soy, criterion 3.1.1 of the Basel Criteria and criterion 1 of the 'Criteria for Corporate Responsibility of Soy Buyer Enterprises'.

The soy sector representatives that are party to the Soy Moratorium have now agreed to not purchase any soy from newly constructed (starting date 24 July 2006) soy plantations in the Amazon Biome until August 2008. Rabobank Brazil has decided to employ a longer time frame and will not extend any financing for agricultural activities on plots of land in the Amazon Biome that have been deforested in the past five years. This also includes the trade in and/or use of soy

and half-finished soy products produced on these plots of land by third parties.<sup>15</sup> This is related principally to the fact that it will undoubtedly take several years before the Brazilian government will be able to implement an adequate system of registering land rights in the Amazon and be able to effectively monitor and enforce compliance with this system.

The client and/or supplier will be asked the following (using satellite photographs and/or other certified official documents):

- ⇒ That the involved soy plantation has not been constructed in the Amazon Biome during the period of the 5-year moratorium (the time frame employed by Rabobank Brazil); or
- ⇒ That the involved soy plantation is located outside the Amazon Biome.

In addition, the client and/or supplier must meet the criteria stated below under criterion 4.2.

#### **4.2. *Plantations that are illegally constructed***

Undesirable practice: Soy originates from illegally constructed soy plantations

The criterion 4.2 for further decision-making concerning a financing application corresponds with criteria 2, 3, 4 and 5 of the Round Table for Responsible Soy (RTRS), criteria 3.2 and 6.1 of the Basel Criteria, criteria 4 and 5 of 'Criteria for Corporate Responsibility of Soy Buyer Enterprises', criterion 1.1 of the Basel criteria, criterion 5 'Violation of the rights of indigenous peoples' of the Rabobank Group Human Rights Policy and the Social and Environmental Policy of Rabobank Brazil.

Soy to be purchased in soy production countries, that does not originate from plots of land in the Amazon Biome (see 4.1.), must originate from plantations that have been planted legally on demonstrably legally deforested and/or drained parcels of land.

The client and/or the supplier will be asked (using satellite photographs and/or other certified official documents) that:

- The soy plantation is located in an area in which deforestation is permitted (consequently not in High Conservation Value Areas (HCVA) and areas where reservations of indigenous people are located)
- The soy producer (grower) is the legal owner or user of the plantations or plots of land and that of the soy plantation
- The deforestation and the construction of the soy plantation are in compliance with the local environmental and labour legislation.

#### **4.3. *Plantations that are engaged in conflicts***

Undesirable practice: Soy originates from plantations that are engaged in conflicts regarding land rights with the local population.

The criterion 4.3 corresponds with criteria 3 and 5 of the Round Table for Responsible Soy, criteria 4.1.2, 4.3.4 and 4.4.1 of the Basel Criteria, criterion 6 of the 'Criteria for Corporate Responsibility of Soy Buyer Enterprises,' criterion 5 'Violation of the rights of indigenous peoples' of the Rabobank Group Human Rights Policy and the Social and Environmental Policy of Rabobank Brazil.

---

<sup>15</sup> *Social and Environmental Policy Rabobank Brazil (2006): Rabobank Brazil has imposed a moratorium on financing farming activities on land in the Amazon Biome that has been deforested in the past 5 years.*

This must be demonstrated based on the procedure stated under 4.2 and by providing the relevant ownership or use documents.

#### **4.4. *Plantations that have forced or child labour or poor working conditions***

Undesirable practice: Soy originates from plantations that have forms of forced labour or child labour or extremely poor working conditions and careless use of (banned) pesticides; included the negative effects (serious illness) to local communities.

The criterion 4.4 corresponds with criterion 2 of RTRS, criteria 4.1.1, 4.2.1, 4.2.2, 4.2.3, 4.3.1, 4.3.2, 4.3.3 and 6.1 of the Basel Criteria, criteria 2 'Forced labour', 3 'Child labour' and 4 'Poor working conditions' of the Rabobank Group Human Rights Policy and the Social and Environmental Policy of Rabobank Brazil.

The client and/or supplier will be asked to demonstrate compliance with the local legislation in the field of labour conditions (with certified official documents).<sup>16</sup>

#### **4.5. *Plantations without good agricultural practices***

This criterion corresponds with criteria 6, 7, 8 and 9 of the Round Table for Responsible Soy, criteria 2.1, 2.2, 2.4, 3.3, 3.4, 5.1 and 6.1 of the Basel Criteria, and the Social and Environmental Policy of Rabobank Brazil.

Undesirable practice: Irresponsible use of water resources, irresponsible use of chemical fertilizers and pesticides, pollution of valuable surroundings and other bad agricultural practices.

Bad agricultural practices may result in extreme hydrological changes, soil, ground water and air pollution and loss of biodiversity. The client and/or supplier must reduce these adverse effects as much as reasonably possible and employ good agricultural practices (GAP) that contribute to biodiversity, soil conservation, and the safeguarding of water and air quality<sup>17</sup>. They also prevent pollution of valuable surroundings by looking after adequate storage, use and disposal of chemical products, fuel, lubricants and residues, as well as their containers. Suppliers should communicate these practices to the producer. If the client and/or supplier are not in compliance, a written document must be provided stating the period within which the client will as yet achieve compliance.

---

<sup>16</sup> Refer to standpoint regarding slavery in the soy sector at [http://www.abiove.com.br/english/ss\\_infroma\\_us.html](http://www.abiove.com.br/english/ss_infroma_us.html) en voor o.a. and the standpoint regarding child labour at

<http://www.grupomaggi.com.br/en/materia.jsp?areald=112&id=115>

<sup>17</sup> For case studies of GAP, also refer to:

<http://www.grupomaggi.com.br/en/materia.jsp?areald=161&id=120>

## **Appendix 1 Assessment of clients of Rabobank Brazil**

### **Explanation of assessment of agricultural clients by Rabobank Brazil**

Rabobank Brazil uses a questionnaire for the assessment of its agricultural clients (farmers and growers). The client is required to answer the questions in the questionnaire and confirm fulfilment of the criteria contained within the Social and Environmental Policy of Rabobank Brazil. The account manager of Rabobank Brazil also fills in a CSR score during his or her visit to the client's farm. The score that the account manager gives the client determines in part the interest rate that Rabobank Brazil sets for providing financing to the client.

Rabobank Brazil uses a questionnaire to assess its corporate clients. Rabobank Brazil also requires its corporate clients to provide copies of all relevant permits and authorisations necessary to carry out the activities for which financing is requested and to provide a written statement of the manner in which the company approaches the suppliers from whom it sources the (agricultural) raw materials.

[http://www.rabobank.com/content/global/office\\_pages/South\\_America/Brazil/Sao\\_Paulo/About\\_our\\_Sao\\_Paulo\\_office.jsp](http://www.rabobank.com/content/global/office_pages/South_America/Brazil/Sao_Paulo/About_our_Sao_Paulo_office.jsp)

### **Contact persons for questions**

For questions or a further explanation of the Soy Supply Chain Policy, please contact:

Richard Piechocki  
CSR Issue Manager  
Rabobank Nederland  
+31 30 216 60 05