

Agrochemicals Policy

Purpose of the policy

The transition of our farming systems will also lead to a transition of the crop protection sector. Rabobank supports the transition towards long term food security, better public health and decreasing the environmental footprint of our food system through more sustainable farming systems whilst seeking to secure a sustainable income for the primary producers from these systems and/or alternative earning models.

Dilemmas and considerations

- Agrochemicals are an integral part of most farming systems and therefore instrumental in realizing world food production. Agrochemicals are used to protect crops and commodities from pests and diseases and hence the realization of higher crop yields and the reduction of post-harvest losses. In response, higher yielding farming systems need to be developed that can realize higher yields with less inputs- also known as sustainable intensification, which can be based on either higher yielding and more sensitive varieties that may require stronger protective measures or stronger varieties that require less protective measures. Also, agrochemicals can be the enablers of no-tillage farming systems that have a positive impact on soil organic matter content and soil structure and hence lower GHG emissions.
- Simultaneously by their nature, both the production (including supply chain) and use (including distribution, storage) of agrochemicals may cause and contribute to material adverse impacts on people (i.e. acute and chronic toxicity related to inappropriate handling and applying and other forms of exposure) as well as on the environment (a.o. animals, plants, water, soil, ozone layer) and ecology (a.o. insects, soil life and biodiversity as well as the impacts further down the food chain). For the adverse impacts on the ecology especially there is no science based, internationally widely accepted and legally or multilaterally accepted classification system agreed yet.
- The adverse impacts of agrochemicals can be caused by both the nature of the agrochemicals themselves as well as the inappropriate stewardship of such. Often this is considered to be the responsibility of the agrochemical companies. However, the different players in the value chain, as well as the international and local regulators and enforcement of such, each have an important responsibility and role to play to ensure the safe production, handling and use of agrochemicals to prevent or mitigate adverse impacts as much as possible.
- The access to markets, production, distribution and the use of agrochemicals is differentiated because it is regulated at the level of groups of countries (e.g. the EU) and/or individual countries and/or states or provinces on the basis of different considerations and can be strongly influenced by the parties in power. Even if market access is heavily regulated, it has been witnessed that agrochemicals may still find their way to these markets illegally as a result of one or more players in the chain not adhering to the relevant laws and regulations aggravated by a lack of regulatory oversight and enforcement.
- Moreover, the scientific proof is not always one directional and widely accepted and the regulatory process is not always trusted by society.

- Over the past years important steps have been made towards more sustainable farming systems, like higher yielding precision agriculture and circular farming systems, and it is widely expected that this trend will continue going forward, e.g. to meet the growing demand for food, to address the increasing concerns around the adverse impacts of the existing systems on people, the environment or ecology and to reduce the climate impact of our farming systems whilst seeking to secure a sustainable income for the primary producers from these systems and/or alternative earning models. What the farming systems of the future will look like and what the role of crop protection ingredients and formulations in (the transition to) these systems will be, is subject to ongoing and increasingly vocal public debate.
- The transition of our farming systems will also lead to a transition of the crop protection sector. This transition will require large investments in R&D, new technologies as well as the scale up of the production of new products and other solutions to be able to reap the benefits from the new and upcoming business opportunities. It will also require the scale down of the production capacity of the legacy portfolio's and their supporting infrastructure resulting in a new balance.

Scope

Agrochemicals can include both synthetic crop protection ingredients and formulations as well as fertilizers. The scope of this policy is limited to synthetic crop protection ingredients and formulations only.

Value chain

For the purpose of defining different requirements, this policy distinguishes the following links in the value chain:

- Chemical companies producing active ingredients;
- Agrochemical companies producing active ingredients and formulations;
- Traders of agrochemicals;
- Distributors of agrochemicals;
- Farmers and primary producers (i.e. the users of agrochemicals pre- and post-harvest).

The focus of this policy is on large clients producing active ingredients and formulations. Core policies and sector policies continue to apply to traders, distributors and users of agrochemicals.

Our commitment

Rabobank aims to positively affect the overall sustainable development of individual clients, client portfolios and wider sectors by providing financial products and services, sharing knowledge and providing access to networks. Regarding Agrochemicals, beyond the interactions with clients and business partners, Rabobank commits to:

- Following the scientific debate concerning -and form our own opinion on - the adverse impacts on human health and the environment / ecology of agrochemicals using a science based approach;
- Facilitating and stimulating the dialogue with and between stakeholders on more sustainable farming systems and the possibilities for replacing those categories of agrochemicals with many negative side effects with effective solutions with as little side effects as possible;
- Taking appropriate measures on the basis of science based, internationally widely accepted and legally or multilaterally accepted classification systems of the impact of active ingredients and formulations on people, the environment or the ecology and that enable us

to identify the Higher Risk active ingredients and formulations as soon as it becomes available;

- In the client relation, engaging in a meaningful dialogue with our clients in the agrochemicals sector on replacement of Highly Hazardous Pesticides, Higher Risk active ingredients, EHS risk management and supply chain management as well as adopting, implementing and improving product stewardship.

We don't

As a matter of principle, regarding Agrochemicals, Rabobank does not do business in relation to the following activities:

- clients who are proven *not* to meet local laws and regulations with respect to market access, production, distribution and use of agrochemicals;
- All other activities and industries specified in the Rabobank *Exclusion List*.

We only do

To confirm we only do business with those who embrace the same principles as we do, Rabobank expects clients and other business partners regarding Agrochemicals, to have committed to:

- replace Highly Hazardous Pesticides and Higher Risk active ingredients and formulations or to reduce the production or to replace those by other effective, as little harmful as possible, active ingredients and formulations from either biological or chemical origin or by technology based solutions or alternative farming practices.
- the adoption of product stewardship, including production, distribution and measures to prevent the illegal sale of (formulations) of their agrochemicals and ensure the safe storage and use of their agrochemicals.
- be willing and able to updating itself on the scientific debate around the adverse impacts of agrochemicals on the environment and have a nuanced position on such.

We require

At periodic intervals Rabobank engages clients and other business partners to collect evidence and show progress on key sustainability controls. We require clients and other business partners regarding Agrochemicals, to:

- Ensure that the above-mentioned replacements of Highly Hazardous Pesticides and Higher Risk active ingredients and formulations occur within a reasonable time frame and described in time bound plans, taking into account that a pro-active stance and investments (including in R&D and the (scale up of) the production) for alternative solutions strengthens their commitment justifying a more extended time frame;
- Show compliance with all relevant local laws and regulations with respect to market access, production, distribution and use of agrochemicals;
- Take all reasonable steps to prevent the illegal sale and use of (formulations of) their agrochemicals;
- Provide guidance on the safe storage and use of agrochemicals that take into consideration the conditions in the target markets;
- To meet the international standards of managing the EHS risks and hazardous waste at their production facilities (e.g. IFC PS and WB EHS standards) and their supply and distribution chains (e.g. participation in the Together for Sustainability Initiative);

- Adhere to the International Code of Conduct on the Distribution and Use of Pesticides issued by the Food and Agriculture Organisation (FAO) concerning the manufacture, sale distribution and advertising of pesticides;
- To actively follow and/or participate in the scientific debate around the adverse impacts on pesticides on human health and/or the environment and ecology and have a nuanced position on such.

We encourage

Engagement aims to facilitate continuous improvement and working towards best practices. We encourage clients and other business partners regarding Agrochemicals, to:

- If applicable, gradually replace based on a science based plan WHO Class 2 agrochemicals for all uses except for those uses for which there are no best alternative Integrated Pest Management (IPM) methods available to reach the same goal;
- To adopt and adhere to the best practices on Product Stewardship;
- To underpin their commitment to support the transformation to more sustainable farming systems by conducting R&D and investing in:
 - new biologicals and less harmful agrochemicals;
 - data driven technologies aimed at supporting the adoption of biologicals and lowering the application rates of agrochemicals in the field (e.g. precision farming);
 - new farming systems;
 - agronomy aimed at increasing the productivity of the agrochemicals and/or minimizing their harm.
- Share information in the public domain on all results of R&D, the (re)registration processes and their public affairs strategy;
- Engage in an open dialogue with society.

Definitions

Highly Hazardous Pesticides: Pesticides meeting one or more of the Criteria 1 to 8 of the definition of Highly Hazardous Pesticides of the International Code of Pest Management by FAO and WHO (i.e. Pesticides categorized as 1A or 1B by WHO; categorized as 1A or 1B by Globally Harmonized System on Classification and Labelling of Chemicals (GHS); substances banned under the Stockholm Convention on Persistent Organic Pollutants (POP); or substances listed in Annex III of the Rotterdam Convention and other pesticides that show a high incidence of severe or irreversible adverse effects on human health or the environment).

In a nutshell

The transition of our farming systems will also lead to a transition of the crop protection sector. Rabobank supports the transition towards long term food security, better public health and decreasing the environmental footprint of our food system through more sustainable farming systems. This means a need to replace Highly Hazardous Pesticides and Higher Risk active ingredients and formulations by other effective, less harmful solutions or practices. Clients also need to adopt product stewardship, including production, distribution and measures to prevent the illegal sale of agrochemicals and ensuring the safe storage and use. Rabobank and its clients need to keep updating themselves on the scientific debate around adverse impacts of agrochemicals.