

Deforestation and land conversion policy

Rabobank Group

Introduction

As a cooperative bank we use our industry knowledge, networks and financial solutions to help customers transition to a sustainable future and help move 'the system' in a more sustainable and just direction. This is about increasing positive impact and reducing negative impact. Because we know: change is needed.

And we want to contribute to that as a cooperative bank. To us that means we act on climate, value nature and enable people. While the composition of our portfolio means that most of our focus is on helping our customers and their sectors transition to that sustainable future, we also make conscious choices in growing our portfolio in a more sustainable manner.

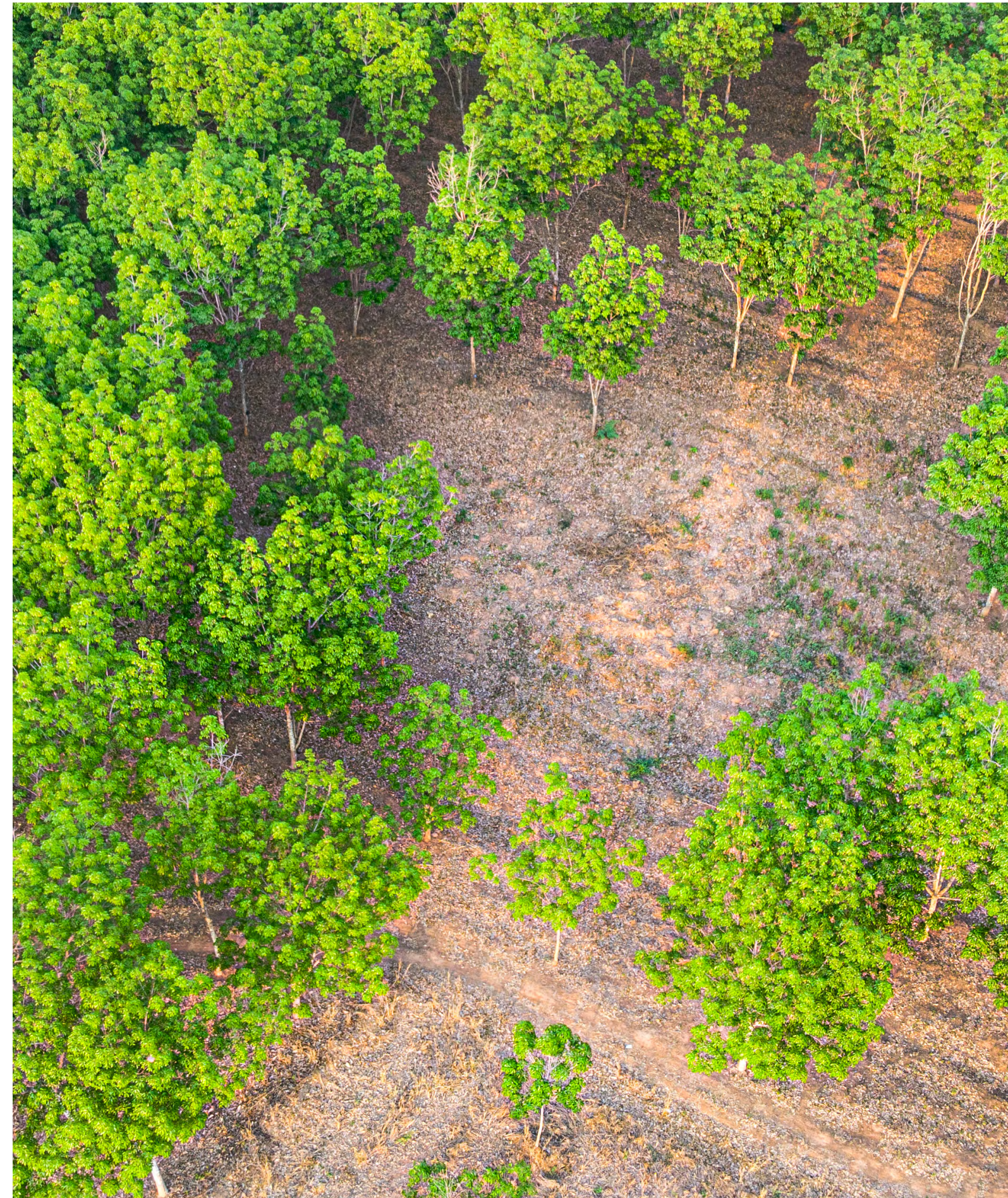
We use policies to set minimum requirements which clients and business partners are expected to meet. This also holds in relation to deforestation and land conversion.

Natural ecosystems, such as forests, grasslands and savannahs, help to maintain biodiversity and support food production and human livelihoods. These ecosystems are being deforested or converted around the world, leading to climate change and biodiversity loss, as well as endangering the wellbeing of local communities and indigenous people. Deforesting or converting land for agricultural use is one of the main reasons of deforestation and land conversion.

Rabobank believes that future-proof and sustainable agricultural practices, encompassing the production, trade and use of agricultural commodities, are key to combatting deforestation and land conversion.

In this policy we use the following general definitions for deforestation and land conversion¹:

- Deforestation: permanent conversion of forest areas to other non-forest land uses (forests are considered e.g. dense ombrophilous forest as located in the Brazilian Amazon biome, the tropical rainforest in Australia, the tropical wet forests located in Southeast Asia, and other locations).
- Land conversion: permanent conversion of natural ecosystem (not considered forests) to agriculture or another land use (e.g. savannahs as located in the Brazilian Cerrado, Australia, Africa and other locations).



The policy

We distinguish between impacts in our direct control and those that are indirectly created through our relationships with clients and business partners. We therefore set requirements for our own activities ('Rabobank's own activities') and for our clients and business partners ('acceptance requirements' and 'performance monitoring'), to the extent applicable.



*Rabobank's
own activities*



*Acceptance
requirements*

Scope

This policy applies to all clients and business partners whose activities have potential and actual material impacts on forests and the conversion of other natural ecosystems, with a primary focus on the agricultural sector.

In addition to the general requirements in this policy, Rabobank applies specific requirements to priority Sectors and Regions (S&R) that we consider to be the most impacted by deforestation and land conversion (D&LC). These priority S&R are soy and beef in the Amazon and Cerrado biomes in Brazil and in the Chaco biome in Argentina. When specified, requirements apply only to these identified priority S&R.

The palm oil sector in South East Asia is also considered a priority S&R, for which we require our clients and business partners active in that sector to comply with the requirements included in the agricultural commodities & forestry policy. Therefore, the deforestation and land conversion policy does not apply to clients in this S&R.

The deforestation and land conversion requirements are complemented by our other policies, notably on nature and human rights (including land governance).

In the context of this policy we distinguish requirements for clients in the up, mid, and downstream value chain:

- Upstream: those developing activities that take place before the farm gate, including the production of inputs such as seeds, that may have impacts on D&LC; on the farm itself, including planting, cultivating, harvesting, and post-harvest processing, e.g. growers, harvesters and primary/on-site processors/millers of agricultural products.
- Midstream: those developing activities after the farm gate, but not active in consumer-facing activities, e.g. storages, traders, off-site processors, packagers, transporters and distributors, of agricultural and forestry products. Criteria and thresholds are applied for the selection of meaningful and material midstream clients.
- Downstream: those developing activities after the farm gate and who have consumer-facing activities, e.g. consumer goods companies, retailers, wholesalers, food services, etc. Criteria and thresholds are applied for the selection of meaningful and material downstream clients.

When specified, requirements apply only to one or more of these client groups.

Rabobank's own activities



For activities in our direct control we will:

- engage with upstream, midstream and downstream clients and business partners, who have the potential or actual material impacts on forests and the conversion of other natural ecosystems, with the goal of supporting and encouraging these stakeholders to raise awareness on this issue and take actions aligned with science-based frameworks, such as Kunming-Montreal Global Biodiversity Framework and sector-specific initiatives, commensurate with their risks and controls.
- generally direct our efforts to address deforestation and land conversion following the principles of a mitigation hierarchy: first, avoid deforestation and land conversion in our portfolio; then minimize what cannot be avoided; restore what cannot be minimized; and as last resort, offset remaining impacts.

Acceptance requirements

Rabobank assesses clients and business partners and their activities against specific requirements, which are split into client and business partner-level and activity-level.

Client and business partner-level

For clients and business partners:



- We do not do business with upstream clients or business partners whose lands have been illegally deforested or converted after January 1st, 2018.¹
- We do not do business with midstream and downstream clients where there is confirmed evidence of illegality within their supply chain, unless remediation and mitigation actions have been implemented to address and prevent these issues.¹

For selected midstream clients and business partners² in priority S&R of deforestation and land conversion (except palm oil):

- We do business with large midstream clients sourcing unprocessed raw materials from priority S&R, if they have a strategy³ in place towards no deforestation, even if legally authorized. This strategy must extend to both direct and indirect suppliers.

Specifically for the palm oil sector:

- Specifically for our clients active in the palm oil sector in South East Asia, we require them to comply to the requirements included in the agricultural commodities & forestry policy, as deforestation and land conversion is already covered there. Therefore, the deforestation and land conversion policy does not apply to clients in this priority S&R.

Activity-level

For all clients and business partners:

- We will not do business related to new land development in places where there are land tenure conflicts with local communities or indigenous peoples.

For upstream clients in priority S&R of deforestation and land conversion:

- We do not provide loans or finance for deforestation and land conversion purposes, even if legally authorized.

New collateral from upstream clients in Brazil:

- We do not accept lands in the Amazon biome as new collateral, which has been deforested after January 1, 2018, even if done legally.

Existing collateral from upstream clients in Brazil:

- Based on the collateral monitoring for the Amazon biome, taking into account the aforementioned cut-off date, we will verify whether the collateral is free from deforestation. In instances of non-compliance, we will initiate a process with clients aimed at gradually replacing the collateral and phasing out non-compliant collateral from Rabobank's portfolio.



Implementation

Rabobank embeds these acceptance requirements and performance monitoring in its business operations taking into account the applicable and relevant finance practices, thresholds per client and business partner type, different impacts per sector and region, and risks and controls that are applicable in the specific business operations and subsidiaries. As a result, requirements may be implemented differently across business operations and subsidiaries. In light of ongoing regulatory and societal changes, our sustainability policies are regularly reviewed and updated as necessary. This means that implementation is a continuous process, and there may be instances where parts of our policies are not fully implemented at a given time.

Rabobank supports its clients and business partners on their journey to become more sustainable and acknowledges that they might need time to fully meet the requirements mentioned in this policy. A limited number of exceptions can be made, in line with internal governance.

Our commitments

Rabobank is involved in sector initiatives and has joined commitments that relate to deforestation and land conversion:

- Finance for Biodiversity Pledge
- Taskforce on Nature-related Financial Disclosures (TNFD)
- Partnership for Biodiversity Accounting Financials (PBAF)
- UN Sustainable Development Goals (Target 15.2)
- OECD Guidelines

Endnotes

- ¹ This requirement includes illegal fires that have been used for land clearing purposes. The concept of illegality in cases of deforestation and land conversion is determined by compliance with local laws. For upstream clients, in cases of illegal deforestation and/or land conversion under investigation by competent authorities (but where no final conviction has been established), Rabobank will engage with the client to assess and monitor the case, aiming to take appropriate measures. These measures may include not onboarding the potential client, offboarding existing client, if the client’s mitigating actions are deemed insufficient, taking into account the dependency and possibility under applicable and local laws.
- ² This requirement applies to soy traders & crushing facilities; meat packers & processing facilities (slaughterhouses); and animal feed processors sourcing unprocessed raw materials. This requirement is not applicable for: i) micro, small and medium clients; ii) soft commodities cooperatives; iii) other midstream clients. These clients will be granted an extended transition period. However, Rabobank engages with them to encourage the adoption of better practices and to establish commitments.
- ³ A strategy could include e.g. targets, actions, defined timelines (ideally) aligned with relevant international science-based frameworks and/or thematic initiatives, and sector-specific initiatives, monitoring, stakeholder engagement, etc. To be assessed via public documents such as commitments, reports, policies, and/or via engagement with our clients.



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