

NIBC Food, Agribusiness, Food Retail and Food Services

1. INTRODUCTION

NIBC provides a range of financial services, including financing and advice, to the food, agribusiness, food retail and food services industries. We are committed to be a long term financial services provider to clients in this sector, whilst at the same time ensuring that such services are provided in a responsible manner.

We understand that the food, agribusiness, food retail and food retail services industry is under increasing pressure as the growing population in developing countries is creating a rising demand for food while the amount of arable land in these developing countries is decreasing due to climate change, scarcity of water, soil erosion and the growing competition between urban development and nature conservation.

We appreciate the challenge of the food, agribusiness and food retail services industry to increase efficiency and productivity to meet the growing demand for food whilst achieving this in a way that is respectful of the environment and the society. Our view is that, the industry has a key role to play in maintaining food safety and security through the supply of products that are affordable, that use natural resources in a sustainable manner and that promote social welfare and a healthy working environment for those working in the various supply chains.

Additionally, we believe that sustainable agriculture and food supply chains will continue to outperform conventional agriculture due to resource and cost efficiencies. Further, regulation on climate change and increasing market demand for organic, fair trade and sustainable products are factors that contribute to increasing the long term performance of sustainable agriculture practices.

We also recognise that the potentially material Environmental and Social (E&S) impacts of this industry make it a particularly sensitive sector if these impacts are not managed appropriately.

We are therefore committed to taking E&S criteria into account in every aspect of our decision-making. We will work with clients who meet or aim to meet our sustainability standards and will review our commitment to any client or transaction where such standards are not or no longer met.

This Policy should be read in addition to the general NIBC Sustainability Policy.

2. SECTOR SPECIFIC RISKS AND STANDARDS

2. A. General risks associated with the Food, Agribusiness, Food Retail and Food Services sector

The food and agribusiness sector relies on a finite set of resources being used ever more intensively in order to respond to the needs of a fast growing, urbanising and industrialising global population. The sector is therefore exposed to and responsible for potentially material E&S issues.

Key E&S concerns for this sector include but are not limited to:

- Extensive and intensive agriculture leading to deforestation and conversion of wild habitat, with implications such as loss of biodiversity and ecosystem services, soil erosion, land degradation, natural stock depletion;
- Overuse and pollution of land, surface and groundwater due to the use of pesticides, fertilizers and fuels, lubricants and other chemicals and to Liquid and solid waste – such as farm slurry, manure, chemical waste, by-products, other wastewater ;
- Local community and their access to land and resources – limited access to land, water, fuel wood, potentially leading to poverty, social disruption, disputes over land tenure and land use (land grabbing), migration, involuntary resettlement, and lower local food security;
- Violation of the rights of indigenous people and local communities;
- Impact on endangered or threatened species (e.g. fish) through over exploitation;
- Introduction of invasive species (Genetically Modified Organisms), in both agri- and aqua -culture;
- Air emissions (pollutants such as carbon oxides CO_x, nitrogen oxides NO_x, sulphur oxides SO_x, volatile organic compounds VOC, other particulate matter, other greenhouse gases - GHG, dust), resulting from harvest, agricultural burning, pesticide spraying, emissions from fertilizers, methane from livestock;
- Occupational health and safety issue in connection with use of machines, vehicles, equipment, exposure to dust and harmful substances;
- Human rights abuses, including forced and child labour, unsafe working conditions, non-living wages, excessive working hours, forced relocation, discrimination of employees, denial of freedom of expression and freedom of association, violence, and other abuses, use of immigrant and migrant labour with minimal or no benefits and protection under labour regulation;
- Food safety and risks to human health resulting from diseases (Mad Cow Disease' or the Avian Flu), the use of GMOs, pesticides, hormones or antibiotics. Other human health issues related to obesity, malnutrition, anaemia, and diabetes;
- Animal welfare, especially due to the increased scale of farming;
- Fair and equitable prices to guarantee appropriate remuneration, ensure the continuity of small farming businesses and rural communities and the fair treatment of small holder suppliers in comparison with larger plantations;
- Supply chain and uncertain chain of custody: product traceability and labelling to counter illegally produced products, or with poor labour standards and practices;
- Transparency in the value chain to demonstrate equitable distribution of costs and benefits;
- Abusive bargaining power of retailers which might impose unfair conditions to their suppliers (e.g. fruits and vegetable growers);
- Advertisement to minors and protection from the marketing of products that can harm their health (alcohol, fatty and sugary food);
- Food speculation and speculation on food prices by commodity traders resulting in inflation of food prices.
- Growing competition and tension between use of resources for food, feed (for animals) or bio fuels.

2. B. Industry Standards in the Food, Agribusiness and Food Retail Services sector

The vast majority of the activities we finance in the food, agribusiness, food retail or food services occur in high income OECD countries. We rely on the regulatory frameworks in place to govern the E&S issues resulting from the local operations of our clients. NIBC recognises that the food, agribusiness and food retail services sector has developed approaches to assess and address the E&S impacts resulting from its activities and that of their suppliers, such as E&S risk management and reporting systems, certifications and/ or standards. To assess the client's approach to manage its direct E&S impacts and its supply chain, NIBC will be guided by the conventions and protocols mentioned in NIBC's Sustainability Policy as well as those listed in Appendix 1.

For the subsectors in which NIBC is active Appendix 1 also provides an overview of additional industry specific initiatives and best practices to operate in a sustainable manner. NIBC believes that adoption or adherence to any of these standards would be an indication that a company is committed to manage the E&S impacts resulting from its activities and that of its supply chain.

3. SCOPE

This Policy applies to all new financial services provided by NIBC and complements the NIBC Sustainability Policy. In addition, clients are assessed against these policies as part of the periodic review process or as they become due for renewal.

NIBC provides financial services to the food, agribusiness and food retail services sector in the following ways:

- Lending for general corporate purposes
- Advisory services
- Equity investments

Our clients are based in high income OECD countries and are essentially involved in the processing of agricultural products, not primary production or (cattle) farming. NIBC supports clients in the following subsectors:

- Bakery, bread and pastry
- Ingredients, spices and commodities
- Potatoes, vegetable and fruits
- Protein (meat, poultry, fish –both wild catch and aquaculture)
- Agri-commodities
- Beverages (sugar, coffee, sodas)
- Confectionary such as sugar and chocolate
- Seed and refinement
- Breweries, wine and spirits
- Food retail and services

NIBC shall exercise discretion in deciding whether to apply this Policy to the provision of financial services to a company that has only marginal involvement in food, agribusiness and food retail sector. NIBC will make such decisions on a case-by-case basis after assessing the materiality of the risk that NIBC is supporting unsustainable activities.

4. NIBC POLICY APPROACH

Our assessment of E&S risks is based on the understanding of the E&S impacts associated with a client's activities and its commitment and capacity to manage such E&S impacts. We also look at a client's track record to ensure that the client is operating in line with the commitments it has set for itself.

The type of assessment of E&S risks will depend on the type of products or financial services that NIBC offers and the resulting exposure to E&S risks. NIBC will only provide financial services to clients that have both the commitment and capacity to manage the E&S impacts of their activities and that of their supply chain.

APPENDIX 1: INDUSTRY SPECIFIC INITIATIVES AND BEST PRACTICES

Sustainable Agriculture Initiatives

Food and Agriculture Organization of the United Nations (FAO)

The Food and Agriculture Organization of the United Nations leads international efforts to defeat hunger. FAO acts as a neutral forum where all nations meet to negotiate agreements and debate policy. FAO is also a source of knowledge and information and supports developing countries and countries in transition modernize and improve agriculture, forestry and fisheries practices and ensure good nutrition for all.

<http://www.fao.org/>

Global Good Agricultural Practice (GAP)

GLOBALG.A.P is a private sector body that sets voluntary standards for the certification of production processes of agricultural (including aquaculture) products around the globe.

<http://www.globalgap.org>

Sustainable Agriculture Initiative Platform (SAI)

SAI Platform is an organisation created by the food industry to communicate and to actively support the development of sustainable agriculture involving stakeholders of the food chain.

<http://www.saipatform.org/>

Sustainable Food Laboratory (SFL) and the Responsible Commodities Initiatives

The Sustainable Food Lab is a consortium of business, non profit and public organizations working together to accelerate the shift toward sustainability. SFL facilitates market-based solutions to the key issues—including climate, soil, poverty, and water—that are necessary for a healthy and sustainable food system to feed a growing world.

<http://www.sustainablefood.org/about-us>

<http://www.sustainablefood.org/commodities>

Animal Welfare

The Five Freedom Principles

Five principles for animal welfare developed by the UK advisory body Farm Animal Welfare Council (FAWC):

1. Freedom from Hunger and Thirst - by ready access to fresh water and a diet to maintain full health and vigour.
2. Freedom from Discomfort - by providing an appropriate environment including shelter and a comfortable resting area.
3. Freedom from Pain, Injury or Disease - by prevention or rapid diagnosis and treatment.
4. Freedom to Express Normal Behaviour - by providing sufficient space, proper facilities and company of the animal's own kind.
5. Freedom from Fear and Distress - by ensuring conditions and treatment which avoid mental suffering.

<http://www.fawc.org.uk/freedoms.htm>

European Conventions

European Convention for the Protection of Animals kept for Farming Purposes and the European Convention for the Protection of Animals during International Transport:

http://ec.europa.eu/food/animal/index_en.htm

Sustainable Agriculture Certification Programs and Guidelines

General

- Rainforest Alliance Sustainable Agriculture Standard (SAN): <http://rainforest-alliance.org>
- Fairtrade Standards (FLO): <http://www.fairtrade.net>
- European Initiative for Sustainable Development in Agriculture (EISA): <http://www.sustainable-agriculture.org>
- Dutch Sustainable Trade Initiative (IDH): <http://www.dutchsustainabletrade.com/>
- EKO standards (EKO): <http://www.eko-keurmerk.nl/>
- FoodDrinkEurope: <http://www.fooddrinkeurope.eu>
- Federatie Nederlandse Levensmiddelen Industrie: <http://www.fnli.nl>

Crop / Product Specific

- Relevant IFC EHS guidelines: <http://www.ifc.org/ifcext/sustainability.nsf/Content/EHSGuidelines>
- Stewardship Index for Specialty Crops: <http://www.stewardshipindex.org>

Soy, Palmoil

- Basel Criteria for Responsible Soy Production: <http://www.fao.org/>
- Roundtable on Responsible Soy Association (RTRS) <http://www.responsiblesoy.org>
- Roundtable on Sustainable Palm Oil (RSPO) and the Principles and Criteria for Responsible Palm Oil Production: <http://www.rspo.org>

Coffee, Tea, Cocoa, Sugar

- Common Code for the Coffee Community (4C): <http://www.4c-coffeeassociation.org>
- Tropical Commodities Coalition for sustainable Tea, Coffee and Cocoa (TCC): <http://www.teacoffeecocoa.org>
- UTZ Certified: <http://www.utzcertified.org>
- International Cocoa Initiative (ICI): <http://www.cocoainitiative.org>
- Round Table on a Sustainable World Cocoa Economy: <http://www.roundtablecocoa.org>
- World Cocoa Foundation (WCF): <http://www.worldcocoafoundation.org>
- Ethical Tea Partnership (ETP): <http://www.ethicalteapartnership.org>
- Sustainable Tree Crops Programme: <http://www.treecrops.org>
- Better Sugarcane initiative (BSI) Standards: <http://www.bonsucro.com/>

Fishery

- Marine Stewardship Council (MSC): <http://www.msc.org>
- FAO Code of Conduct for Responsible Fisheries and the FAO Guidelines for the ecolabeling of Fish: <http://www.fao.org/fishery/ccrf/en>
- International Principles for Responsible Shrimp Farming: <http://www.fao.org>
- Global Aquaculture Alliance: <http://www.gaalliance.org>

Dairy

- European Dairy Association (EDA): <http://www.eda.euromilk.org>
- Global Dairy Platform (GDP): <http://www.globaldairyplatform.com>
- International Dairy Federation (IDF): <http://www.fil-idf.org>

Organic

- EU Organic Scheme (EU 834/2007): <http://ec.europa.eu/agriculture/organic>
- International Federation of Organic Agriculture Movements (IFOAM): <http://www.ifoam.org>

Food Safety, Pesticides and Genetically Modified Organisms (GMO's)

- BRC Global Standards: <http://www.brcglobalstandards.com>
- International Food Standard (IFS): <http://www.ifs-certification.com>
- QS System: <http://www.fami-qs.org>
- Safe Quality Food (SQF 2000 Code): <http://www.sqfi.com>
- Cartagena Protocol to the Convention on Biological Diversity around the use of GMO: <http://www.cbd.int/>
- International Code of Conduct on the Distribution and Use of Pesticides: <http://www.fao.org/DOCREP/005/Y4544E/Y4544E00.HTM>
- World Health Organisation: <http://www.who.int>, including International Code of Marketing of Breast-Milk Substitutes

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