

Sustainability policies briefing

Rabobank Group



1. 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 sustainable, 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 sustainable manner. We use policies to set minimum requirements which clients and business partners are expected to meet. These policies are one of the foundations of Rabobank’s overall sustainability approach.

This briefing provides an overview of our sustainability policies. It should be read in conjunction with the separately published sustainability policies which can be found on [Rabobank.com](#).

1.1 Our sustainability policies

Rabobank’s sustainability policies distinguish between impacts in our direct control and those that are indirectly created through our relationships with clients¹ and business partners². 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. They are developed to support our business decision-making and are reviewed and updated as necessary.

¹Excluding private individuals.

²Business partners include suppliers and ‘non-supplying business partners’ such as intermediaries and donation receiving parties.

1.2 Scope

The sustainability policies apply to the Coöperatieve Rabobank U.A. and all its subsidiaries, branches, representative offices and legal entities that are under its control (together referred to as ‘Rabobank or ‘the bank’), unless explicitly stated otherwise.

1.3 Reading guide

Acceptance requirements and performance monitoring are established per ‘theme’ and ‘sector’. In total we have established policies on 4 themes and 10 (sub-)sectors.

Themes and sectors

The themes reflect thematic issues that we consider to be material for our business. They are applicable when the theme is of relevance for a specific client or business partner. Sector policies are related to industries and their value chains which we consider to have the most material (potential) social and environmental adverse impacts. The sector policies are applicable to clients and business partners operating in those specific sectors, industries or value chains.

See table 1 for the overview. The requirements on each topic can be accessed separately [here](#).

Themes	
1. Climate	
2. Human rights	
3. Deforestation and land conversion	
4. Nature	
Sectors	
1. Arable agriculture and forestry	
• Agricultural commodities and forestry	• Agrochemicals
• Agricultural commodity derivatives trading	• Plant gene technology
2. Animal welfare and aquaculture	
• Animal welfare	
• Aquaculture and fisheries	
3. Metals, minerals and mining	
4. Armaments industry	
5. Energy	
6. Ship breaking and recycling	

Table 1. Overview of themes and sectors

Rabobank has also identified activities the bank does not want to finance. These are described in each of the individual topics and are summarized in the Rabobank’s lists of non-accepted clients and non-accepted activities, which can be found at the end of this document.

Acceptance requirements and performance monitoring

As indicated previously, acceptance requirements and performance monitoring are established per ‘theme’ and ‘sector’.

Type	Description	Level of applicability	Explanation
Acceptance requirements	Acceptance requirements are requirements a client or business partner must meet to be able to (continue to) receive finance from or do business with Rabobank. The acceptance requirements are set at client and business partner-level or at ‘activity’ level.	Client and business partner level	The requirement(s) apply to a client or business partner as a whole to assess whether Rabobank can provide financing to the client or do business with the business partner.
		Activity level	The requirement(s) are set to determine whether Rabobank can finance a client or business partner’s particular undertaking.
Performance monitoring	Performance monitoring form guidelines that can be leveraged by Rabobank to engage with accepted clients and business partners. If deemed necessary, Rabobank can request supporting information according to these guidelines.		

Table 2. Interpretation of acceptance and performance in our sustainability policies

2. Implementation and monitoring

2.1 General principles

Responsibility, transparency and accountability

Our clients should avoid causing or contributing to adverse social and environmental impacts. An adverse impact is a negative effect that goes against desired conditions in our policies. They should seek to prevent or mitigate an adverse impact when the impact is directly linked to their operations or products and services, and they should account for how they address their actual and potential adverse impacts. When needed, they need to provide remedy on grievances. In addition, they are responsible for correctly and transparently documenting their steps towards a more sustainable outcome.

Materiality and proportionality

The relevance of our policies is based on the principle of materiality and our exposure to risk, which means we limit client and business partner assessments to the potential adverse impacts that we consider to be material. We determine materiality based on the impact of issues, relevance over time and on whether a client has the ability to create a direct or indirect impact on society, climate and/or the environment. We also take our clients’ or business partners’ size, complexity, track record, geographic location, sector(s) they are active in and/or activity type(s) they engage in, into account. Therefore, the acceptance requirements and performance monitoring can be applied differently across clients and business partners.

Application to new and existing clients and business partners

We acknowledge that legacy issues may arise from loans provided or from business partner relationships entered into before implementation of the requirements set out in the sustainability policies. Existing contractual commitments will be honored, but we take into account these requirements when renewing or expanding these engagements on a case-by-case basis. The sustainability acceptance requirements

apply to new clients and business partners as of the effective date of these sustainability policies.

Client engagement

We are aware that the process of implementing sustainable management standards and practices is challenging and takes time. We accept that some clients or business partners are more advanced than others in their ability to show significant progress of implementing environmentally and socially responsible management practices, and of responsible purchasing practices. We aim to constructively share our knowledge and our networks with our clients to motivate them to responsibly manage their sustainability impacts³.

2.2 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 more time to meet the requirements mentioned in the policies. A limited number of exceptions can be made, in line with internal governance.

2.3 Monitoring

Monitoring of compliance with these sustainability policies occurs through monitoring effectiveness of control measures and residuals risk levels included in the Risk and Control Framework. In addition to relying on checks performed by the second line (i.e. the Risk domain), Group Sustainability can occasionally check on quality, completeness and plausibility of these activities, both when implementing changes and during usual business activities.

3. Legality, sustainability issues and non-compliance

Legality

The Rabobank sustainability policies include acceptance requirements that clients and business partners, in principle, are expected to meet. Contractual clauses regarding compliance with our sustainability policies may be inserted into the relevant contracts or letters for prospects. Should serious issues that breach our policies and/or international norms and standards not be rectified through engagement, Rabobank may decide to terminate the client relationship.

Sustainability issues

Rabobank has processes in place to follow up signals on material adverse sustainability impact. If we have reason to believe the client does not comply with the conditions described in our sustainability policies, or that the client shows insufficient progress integrating sustainability measures in its daily operations, we will engage with the client.

Non-compliance

Compliance is monitored for clients via the sustainability assessment, which is applicable to clients with an exposure above EUR 1 million. Rabobank accepts a certain degree of risk as a result of clients that are not (yet) compliant with Rabobank's sustainability policies. The risk appetite for non-compliance with our policies is integrated into Rabobank's Risk Appetite Statement.

³Sustainability impact can be both positive and negative (adverse). It refers to the impact of business activities on the environment, society and governance (ESG).

4. List of non-accepted clients and activities

For ease of reference, the acceptance requirements set at both client and business partner-level and activity level are summarized below.

Non-accepted clients and business partners

Rabobank does not want to (continue to) provide finance to clients or do business with business partners that:

General

- are active in tobacco manufacturing⁴.

Agricultural commodities and forestry

- For clients and business partners in the upstream value chain, that are active in the palm oil sector, we do not accept those that:
 - are not members of the Roundtable on Sustainable Palm Oil (RSPO).
- For clients or business partners in the forestry value chain, we do not accept those that:
 - cause or contribute to illegal trade and to harvest and trade in endangered timber species that are protected under CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) without the necessary permits;
 - are active in logging or purchasing of logging equipment for use in primary tropical moist forest;

Agrochemicals

- have been proven to not meet local laws and regulations with respect to market access, production, distribution and use of agrochemicals;
- do not have a transition plan to replace Highly Hazardous Pesticides (HHP), as defined by World

⁴As defined in industry code 312230: "This industry comprises establishments primarily engaged in stemming and redrying tobacco and/or manufacturing cigarettes or other tobacco products." One of Rabobank's commitments is the care for society and its communities. In this light we see and acknowledge the importance of keeping track of human wellbeing throughout the Value Chain of any sector wherein we operate. This exclusion includes e-cigarettes in accordance with the Dutch Tobacco Act.

Health Organization (WHO)/ Food and Agriculture Organization of the United Nations (FAO), with other effective active ingredients and formulations from either biological or chemical origin, or with technology-based solutions or alternative farming practices, such as integrated pest management;

Animal welfare

- do not comply with laws and regulations on animal welfare of the jurisdiction in which the client operates;
- are not willing to enter into a dialogue about improving animal welfare practices;
- For upstream clients or business partners in livestock farming:
 - do not provide continuous access to drinking water appropriate for age classes of animals and climatic conditions;
 - do not provide all age classes of animals with access to sufficient quantities of feed needed for maintenance, production, reproduction, condition gain, activity, and/or growth.
 - regarding husbandry practices performed on cows (i.e. dairy and beef herds), engage in routine tail docking;
 - for dairy and beef herds, and in case the animals are fully housed indoors, routinely use tie stalls⁵;
 - for dairy herds in the Netherlands, in case the animals are primarily housed indoors, do not have the possibility to provide a type of grazing opportunity by 2026. This applies only to new clients;
 - for horses, use tie stalls⁶;
 - regarding housing of poultry in the Netherlands, we do not accept new clients nor new financing requests of existing clients for expansion or renovation of cages.
- For up and midstream clients or business partners in livestock farming:
 - do not handle animals in a reasonable manner or intentionally cause the animals unnecessary pain, distress or other harm. Examples include inflicting any blow or kick to any animal, or strike or apply pressure to particularly sensitive parts of the body (e.g. eyes, nose, ears, tails).
 - When transporting livestock,
 - use modes of transport that are not fit for purpose;
 - transport animals that are not fit for travel.
- For midstream clients in livestock farming:
 - Regarding slaughter:
 - Use non-accepted stunning techniques⁷;
 - Suspend or hoist animals whilst they are still conscious⁸.

⁵This relates to new clients and new financing requests of existing clients for expansion or renovation of such environments and excludes re-financing requests of existing facilities.

⁶This does not apply to livestock producers that use horses, for example, to travel across their property.

⁷Acceptable methods of stunning include captive bolt and electrical stunning.

⁸This does not apply to poultry.

- Regarding stunning and slaughter equipment: do not have an operating plan that covers maintenance and cleaning procedures of equipment as well as having suitable back-up equipment that is easily accessible at all time for use in an emergency.
- For clients or business partners using animals for testing of products to be used on humans:
 - use endangered species or non-human primates for any testing or experimental purposes; non-human primates being apes (gorillas and chimpanzees) and monkeys;
 - do not have a 'Three Rs policy' in place⁹.

Aquaculture and fisheries

- are involved in illegal, unrecorded and unregulated (IUU) fishing, fishing related activities and processing;
- are involved in hunting of marine mammals and shark finning;
- are involved in the use of dynamite and poison in fishery practices;
- are involved in drift net fishing in marine environments using nets in excess of 2.5 km in length;

Armaments industry

- are involved in the production, research, development, services, management, system integration, testing, distribution and maintenance of or selling of:
 - a product that is considered a controversial armament;
 - key-components/services and dedicated components/services for a controversial armament;
 - non-controversial Armaments and munitions that can be used for controversial purposes, unless Rabobank has been assured this will not be the case;
- supply non-controversial armaments or armaments-related products to government agencies in controversial regimes;
- are government agencies of controversial regimes, including their central banks;

Climate

- do not submit their climate-related performance to Rabobank if they are required to report according to the Corporate Sustainability Reporting Directive (CSRD), from the first year CSRD applies to them onward;
- are not willing to enter in a dialogue with Rabobank regarding staying, or getting aligned with a 1.5°C pathway;
- are not willing to enter in a dialogue with Rabobank regarding their possibilities of measuring actual GHG emissions data or alternative information about their progress to become 1.5°C aligned;

⁹The Three Rs principle entails the following: 1) replace the use of animals with alternative techniques, or avoid the use of animals altogether; 2) reduce the number of animals used, and 3) refine the way experiments are carried out, to minimize animal suffering.

Deforestation and land conversion

For all clients and business partners:

- We do not do business with clients or business partners whose lands have been illegally deforested or converted after January 1st, 2018.
- 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 issues¹⁰.

For selected midstream clients and business partners¹¹ in priority S&R of deforestation and land conversion (except for palm oil):

- We do business with large midstream clients sourcing unprocessed raw materials from priority S&R, if they have a strategy¹² 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.

Energy

- With regard to clients with thermal coal activities:
 - have a relative turnover of > 5% from thermal coal (corrected for price fluctuations); and
 - do not continuously reduce their relative thermal coal turnover from 2020 onwards to 0% by 2030 in developed countries and by 2040 in the rest of the world; and
 - do not publicly commit to the Paris Climate Agreement; and
 - do not report to us on their relative and absolute thermal coal-related turnover (as to assess above).

¹⁰This 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

¹¹This requirement applies to soy traders & crushing facilities; meat packers & processing facilities (slaughterhouses); and animal feed processors sourcing unprocessed raw materials. This requirement does not apply to: 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.

¹²A 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.

- With regard to clients with shale gas or other non-conventional fossil natural resources (notably tar/oil sands, shale oil, shale gas, or coal seam gas):
 - Upstream clients with a relative turnover of > 5% from non-conventionals
 - Mid- and downstream clients with a relative turnover of > 20% from non-conventionals and not continuously reducing their relative non-conventional turnover from 2020 onwards to 5% by 2030 in developed countries and by 2040 in the rest of the world.¹³

Metals, minerals, and mining

- With regards to clients in the upstream value chain that:
 - operate in national or international legally protected or preserved areas including high conservation values, high carbon stocks and peat areas;
 - do not perform due diligence to ensure meeting international standards and regulations and conducting business responsibly (including but not limited to avoidance of armed conflict, corruption, money laundering), in line with OECD Guidelines for Multinational Enterprises on responsible business conduct;
 - when operating in mining activities of conflict minerals, do not have a commitment to conduct Due Diligence in Conflict Minerals, in line with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas;
 - do not have a risk management plan to prevent and mitigate accidents;
 - do not use trained security forces in protection of public and private security in line with the Voluntary Principles on Security and Human Rights.

Nature

- operate in legally protected areas as designated by national regulations and/or internationally designated for protection by the International Union for the Conservation of Nature (IUCN I and II areas), UNESCO World Heritage sites and/or Ramsar wetlands¹⁴;
- cause or intentionally contribute to a reduction in the population of endangered species (on the IUCN Red List of threatened species);

Plant gene technology

- use genetic engineering (techniques) that does not provide environmental or social benefits (e.g. enhance a product's shelf life or enhance disease resistance).

Ship breaking and recycling

- do not comply with international conventions, irrespective the flag state of the vessel, including the EU Ship Recycling Regulation and Hong Kong Convention (complying with all requirements including those related to having and maintaining an inventory of hazardous materials and a sustainability policy that addresses key risks in the ship breaking and recycling industry).

¹³ Trade Commodity Finance (TCF) clients are excluded from this requirement

¹⁴ For energy projects subject to the Equator Principles, an exception is made at activity-level. Please refer to the energy policy.

Non-accepted activities

In addition, Rabobank will not provide its services to directly facilitate activities listed below:

General

- production or trade in pharmaceuticals that are subject to international bans or phase outs;
- cloning humans (and related activities);

Agricultural commodities derivatives trading

- trade in commodity derivatives with corporate clients for speculative purposes. An exception are commodity traders for which we acknowledge that they can have positions which are not only related to hedging.

Animal welfare

- production, trade and processing of angora wool;
- production, trade and processing of fur;
- traditional foie gras production and trade;
- animal fighting for entertainment;
- cultural events and other uses of animals including marine animals or fish for entertainment purposes;
- cloning of animals for commercial purposes;

Deforestation and land conversion

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.

Energy

- the direct servicing & financing of:
 - All thermal coal activities, except for higher-grade metallurgical coals used for the production of steel and base metals only while the sector transitions to alternative carbon and energy sources.



- All non-conventional fossil activities (e.g. shale gas, tar/oil sands, shale oil, shale gas, or coal seam gas, etc. either by fracking or applying chemicals). Exception is trade finance in case of transport together with conventional fossil fuels and thus not separately traceable.
- Up-, mid- and downstream fossil infrastructure. The direct servicing and financing of up-, mid- and downstream fossil infrastructure is only accepted when clearly and verifiably: compatible with the energy system of the future (thus in line with the goals of the Paris Agreement); or identified as required for energy security and affordability in Europe. Whereby:
 1. “Compatible with the energy system of the future” shall mean that the up-, mid-or downstream fossil infrastructure which is accepted: is included in the EU Taxonomy; or is Infrastructure which is technically anticipating on CCS/renewable hydrogen or upfront committing to do so; or supports renewables within the (energy balancing) region, e.g. related gas-peaker installations;
 2. “Identified as required for energy security and affordability in Europe” shall mean that the up-, mid-or downstream fossil infrastructure which is accepted is either: included in the EU 5th list of projects of common interest (5th PCI list) for energy security and affordability reasons, as amended and/or updated from time to time; or included in the EC/ENTSOG RE PowerEU analysis on required additional Infrastructure needs to enable independence from Russian gas, in each case for energy security and affordability reasons.
 3. Rabobank may, on a case by case basis, only engage in direct servicing and financing of up-, mid- and downstream fossil infrastructure when identified by the Dutch government as required for energy security and affordability in the Netherlands, and when the activity is assessed and approved following these considerations.

- New financing of exploration and extraction activities of fossil fuels (e.g. thermal coal, conventional and non-conventional oil and gas). This includes the actual extraction and exploration activities, as well as the specifically designed supplies (infrastructure, assets, equipment & services).
- All activities in the nuclear value chain. Except for medical purposes.
- New generation nuclear reactors, to be assessed on a case-by-case basis.
- All fossil and renewable activities in Protected Areas (PA) or Critical Habitats (CH). This exclusion is not applicable to projects subject to the Equator Principles (EP), as the EP cover the checks & balances and mitigants on PA and CH.

Metals, minerals, and mining

- production, trade or use of unbounded asbestos fibers¹⁵;
- mining and/or trading in rough diamonds unless Kimberly Process certified;
- mountaintop removal;
- riverine tailings disposal and sub-marine tailings disposal;

Nature

- conversion or deforestation of high conservation value areas (with e.g. valuable species, landscapes, ecosystems, environmental services, basic needs for local communities, cultural values for Indigenous peoples);
- the intentional introduction of alien species into natural landscapes or marine environments that have not been designated as farming areas;
- trade in or unauthorized catching of wildlife or wildlife products from species listed in Appendix I and II of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and/or species on the IUCN Red List of Threatened Species;
- production of, or trade in, products containing PCBs (Polychlorinated biphenyls) or other Persistent Organic Pollutants (POPs) that are subject to international bans or phase outs as listed by the Stockholm Convention;
- production of, or trade in, Ozone Depleting Substances (ODS) that are subject to international bans or phase outs as listed with target reduction and phase out dates by the Montreal Protocol.

Ship breaking and recycling

- recycle ships at a site where the vessel is beached;
- sell vessels at the end of their lifespan to purchasers so that the vessels can be reflagged to avoid having to comply with laws and regulations around ship recycling.

¹⁵ This does not apply to the purchase and use of bounded asbestos cement sheeting where the asbestos content is less than 20%.



Rabobank