



Rabobank

Sustainable Finance Disclosure Regulation (SFDR)

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The SFDR is a European regulation that requires financial market participants in the EU to disclose information related to Environment, Social aspects and Governance (ESG). This Regulation has come into effect as of 10 March 2021 and is part of the European Commission's 2018 Action Plan on Financing Sustainable Growth to reach the climate change mitigation targets under the Paris Agreement. The Regulation aims to provide more transparency on how financial market participants and advisers consider sustainability risks in their investment decisions and advice where applicable

SFDR will bring changes to the current mandatory disclosure requirements for financial institutions providing investment advice. This investment advice includes advice with regard to hedging risks in your portfolio via derivatives transactions (hedging advice). Below you will find the SFDR disclosures in relation to hedging advice as provided by Rabobank Markets.

Sustainability risks in relation to hedging advice provided through Rabobank Markets

Rabobank (Rabobank Wholesale) provides hedging advice to its clients where clients are seeking to hedge risks in their portfolio. This type of advice is recognized as "investment advice" under MiFID II and therefore in scope of SFDR regulations. Instrument types on which hedging advice is provided may address interest rate risk, foreign exchange risk, and/or commodity price risk. Sustainability risks¹ are no risks for which hedging advice is provided. As the investment advice is concerned with hedging the risks in the client's portfolio, these risks and the related hedge are considered leading. As sustainability risks are not part of the

¹ Sustainability risks means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

risks Rabobank offers to hedge, they are not taken into account when providing hedging advice. For hedging services in general (except when sustainability risks would be the specific risk to be hedged) sustainability risks are not relevant. Sustainability risks are related to possible negative impact on return in investment. Return on investment is not the goal of hedging. The goal of hedging is limiting or minimizing certain risk in the portfolio of a company or financial institution.

No consideration of adverse impacts of investment advice on sustainability factors

When providing investment advice, SFDR requires to provide information on how in the investment advice, principle adverse impact on sustainability factors² are considered. Rabobank Markets, however, is solely involved in hedging advice focussed on the risks to be hedged.

As this hedging advice deals with hedging the risks in the portfolio of the client, these risks and the possibilities to hedge these risks are considered and leading.

Considering adverse impact on sustainability factors is better suited for investment advice in relation to investment decisions in financial instruments which will fund an economic activity and for which return on investment is the primary focus. This is because this economic activity will have a sustainability impact.

In case of hedging, the economic activity is already performed/funded and only the risks related to this economic activity have to be mitigated by hedging them with a counterparty.

Therefore adverse impact on sustainable factors are not taking into account in case of advice to hedge the risks of the clients.

Relevance of sustainability risks for the remuneration of persons providing hedging advice

Markets doesn't advice clients with regard to their investments but to the risks in their portfolio they want to hedge (hedging advice). This can be interest rate risks, foreign exchange risks, and commodity risks. Sustainability risks as mentioned in the European Regulation are no risks which are hedged for of the client and Rabobank Markets gives advice on. Therefore sustainability risks are not a specific part of the remuneration policy of advisers which give hedging advice and the responsible management of these advisers.

² Sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.