



Rabobank's Sustainability Ambitions 2020 – 2024

January 2020.



Growing
a better world
together.

Rabobank



Preface



Five years ago, Rabobank introduced Sustainably Successful Together (SST). This programme, the first of its kind, set concrete corporate targets for bringing together our business strategy and our sustainability ambitions. It was successfully executed. This booklet sets out the sustainability ambitions of our corporate strategy up to 2024, and the transition of responsibility for sustainability from a single department to all line management. By 2024, sustainability will be fully integrated with our corporate strategy, and as a direct consequence, with our service to our clients globally. I invite you to join us in Growing A Better World Together!

Berry Martin

Member of the Managing Board

Rapidly changing environment

Climate change is higher than ever on the global agenda. Within a year, plastic waste has become a high-profile issue worldwide. Limits to the sustainable growth of our agricultural production are now apparent both in the Netherlands and several of our rural markets. Public awareness of sustainability is increasing rapidly, and our competitors are rushing to integrate sustainability into their businesses.

Sustainability ambitions

Rabobank intends to stay a frontrunner in responsible banking. This booklet sets out the sustainability ambitions of our corporate strategy up until 2024. We aim to incorporate the goals and activities of the Climate Action Plan and the transition banking agenda of Banking for Food to create synergy. A material change from the old way of working during the last five years is the fact that the ambitions are set by the business itself, using five corporate themes (or sustainability building blocks) as defined by the Managing Board and proposed by the Sustainability department.

Incorporating sustainability

Partly in response to the rapidly changing external environment, we launched Growing A Better World Together as our mission. As a result, our ambition to integrate sustainability into our core business rapidly became more apparent. In addition, the Managing Board expressed the need to speed up this integration while setting significantly higher ambitions. The new, ambitious commitments of the Managing Board are integrated in the medium-term plan (MTP) for 2020 – 2024. In addition, an ambitious Climate Action Plan was introduced this year as a company-wide response to this urgent and important topic.

Transparency

External bodies increasingly demand to be transparent about non-financial issues. In doing so, they act as a sanity check for our own strategy and policy. The three main credit rating agencies have recently published information on how they include environmental, social and corporate governance issues in their assessment methodologies. These developments sharply increase the requirement to professionalise our expanding sustainability efforts and reporting – from civil society, supervisory authorities, and therefore also our external accountant.

Over the past decades, Rabobank has committed to a multitude of initiatives, standards and collaborations that include Environment, Social and Governance (ESG) components. Some of these come with a reporting requirement, which enables us to explain and improve our impacts on a wide range of sustainability issues.



Setting higher ambitions

The following steps were taken to develop the new sustainability ambitions and integrate them in the performance management cycle:



Full integration in Growing a Better World Together

Another difference in our way of working today is the fact that we will not publish a sectoral sustainability-focused ambition statement externally. Instead, it will be merged with the agenda of the other directly related strategic programmes: Banking for Food, Banking for The Netherlands, Cooperative Renewal and the Climate Action Plan.



Sustainability Ambitions for 2024

In preparation for the sustainability ambitions of the next medium-term plan, the Managing Board has approved five themes as focal points for our efforts to integrate sustainability into the core business of the bank. These are described below, along with our corporate ambitions for each of them. For clarity, the division of responsibilities between each business unit and Group Sustainability is stated as well.

1 From trend analysis to vision development

The bank has a reputation for outstanding research, often based on market trends and signals. Although helpful to clients and consumers in the short term, this provides little guidance on desired future developments and rarely includes a long-term sustainability vision for each sector. A vision for each sector is necessary to provide insight and guidance for customers. At the same time, the visions can give an indication of Rabobank's position on the topic, as well as the impact they will have on the Sustainable Development Goals in the public domain. These visions will build a foundation for our sector policy. As such, sustainability will become an integral factor in deciding in which sectors we will reduce, maintain or expand our presence.

food supply in the supply chains in which we play a meaningful role globally. This involves a climate-friendly agricultural practice, and one which protects land and water, including biodiversity. In the Netherlands, that would include positioning on sustainability issues in core markets including housing, commercial real estate and local issues, e.g. gas drilling in Groningen province. Active, continuous corporate communication on these topics will strengthen this positioning.

Within the Banking for Food domain, this means visions based on the transition to sustainable agriculture and

2 From Client Photo to e-rating

The introduction of the Client Photo, a sustainability assessment tool for corporate clients, has been a successful outcome of the Sustainably Successful Together programme. It has allowed us to obtain an indication of the sustainability performance of clients along the full corporate spectrum, from SMEs to Wholesale relations. It has also given us a basic insight into relative sustainability performance and made it possible to benchmark and identify frontrunners in a sector. This has proven to be valuable input for strategic discussions with clients. It is also a robust check on whether clients are compliant with Rabobank policies.

In parallel, the energy label for homes has been included in the client servicing for our Dutch mortgage clients.

The goal now is to develop the concept of the Client Photo further to include the most important sustainability topics of today in an 'e-rating'. We will also include this sustainability assessment in client-acceptance processes. The profile will include a client score on sustainability and other strategic topics including climate change, and will measure the client's impact on the SDGs.



3 From performance optimisation per client to transition banking

Currently, our commercial divisions focus on optimisation of the sustainability performance of each client. They do so without explicitly taking the sustainable development contribution of a (sub)sector as a whole, or a particular region within a sector, into account. It is our ambition to score the sustainability performance and SDG impact of a client on both its relative position (frontrunner, average performer, underperformer), and on its (sub) sector performance, thereby supporting clients who operate in a promising sustainable (sub)industry or outstanding performing region. This should act as an additional tool for capital allocation, in combination with an assessment of whether or not the client and/or (sub)sector meet the bank's desired return on invested capital (ROIC). The aim of this analysis and scoring methodology is to select, maintain and increase the number of clients who have a positive SDG

impact and financial performance, and persuade and support clients to make the transition to a sustainable way of doing business.

The implementation of transition banking in F&A forms an essential part of our Banking for Food strategy. It requires sector visions as a starting point. Given the early stage of development of F&A sector visions, this theme will be addressed in F&A as they become available starting this year.

4 Distinctive products and services

We aim to develop further our suite of distinctive products that contribute to the Banking for Food and Banking for the Netherlands strategies, as well as helping to reduce our (indirect) CO₂ footprint. The e-rating will provide a basis for diversified interest rates of all corporate clients. Product introductions will allow us to realize our clients' sustainability ambitions within a sector. These may include sustainability bonds, blended finance propositions, impact loans in new sectors and financing based on sustainability ratings or milestones. A Sustainable Finance Framework to set the standard for this sustainable business development will be provided by Group Sustainability in 2020.

Bouwfonds Property Development (BPD) will focus on the energy and material efficiency of housing development. We will furthermore develop a circular financing model enabling the transition to a circular economy and emphasizing our thought leadership in this field. In the retail market, we will focus on the housing sector. Examples include price differentiation based on a home or office's energy label.

5

Integration in performance management

To take the final step in integrating sustainability fully into the business and commercial aspects of our organisation, sustainability needs to become an integrated part of our recruitment, training and performance management practices. Sustainability is ultimately a crucial element of our license to operate. As such it should be visible in our daily activities as well as our steering mechanisms. The recruitment of staff with a proven interest in sustainable and cooperative banking is already underway. When hired, commercial colleagues will be supported to develop themselves professionally in sustainability as an integrated part of our training and professional development tools. On top of this, relevant courses will be developed where necessary. Finally, we will introduce a target for improving e-ratings, GALA assessments or energy labels as part of clients' annual plans and performance management over time.



Sustainability plans 2020 and ambitions 2024

Sustainability building blocks

Our ambition in 2024

Our plans in 2020



From trend analysis to vision development

- All business lines have finalized sector visions and road maps (incl. sustainability) for all most relevant sectors
- These visions are integrated in sector strategies and policies

- Finalize five sector visions
- Intensify sector specific partnerships and round tables



From Client Photo to e-rating

- Improve sustainability performance of clients
- All business lines have an inclusive sustainability assessment tool (e.g. e-rating) integrated in primary processes (e.g. client acceptance, pricing, business development)

- Improve sustainability performance of clients (incl. mortgage portfolio)
- Develop e-rating method & tools (Rural)
- Improve GAIA rating (Wholesale)
- Digitilize Sustainability Matrix (Bedrijven)



From performance optimization per client to transition banking

- All business lines select, maintain and increase clients which have a positive outlook on both SDG impact and financial performance
- Incentivize clients to transition to a more sustainable way of doing business

- Develop and implement sectorspecific sustainability roadmaps (Bedrijven & Wholesale)
- Implement energy transition plan (Wholesale)



Distinctive products and services

- Grow the relative share of sustainable products & services
- Increase the number of sustainable products
- Client events and partnerships around transitions

- Grow the relative share of sustainable products & services
- Increase number of sustainable products
- Reduce CO₂ intensity of equity investment portfolio



Integration in performance management

- Our employees are skilled with regards to sustainability
- Sustainability is translated into performance management and KPIs of all relevant employees

- Implement sustainability leads in regions (Wholesale & Rural)
- Implement sustainability in performance management (KPIs)
- Implement sustainability in training



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together.*

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