Make sustainable palm oil the norm.

Our vision on a commodity chain

Sustainably Successful Together

Rabobank
Our vision on a commodity chain
Our vision

Make sustainable palm oil the norm

We see a broad market transformation towards sustainable palm oil necessary and achievable. Rabobank’s ambition is to support the transformation of the sector to make sustainable palm oil the norm and all palm oil produced sustainable. This means the palm oil is produced on a plantation that was established on land that did not contain significant biodiversity, wildlife habitat or other environmental values, is free of social conflicts and meets the environmental, social and economic standards as set out by the RSPO.
Palm oil value chain

Value chain

Oil palm is a highly productive crop, a lot of small farmers switch to palm oil production.

40% of world production is produced by smallholders

70% of refining capacity controlled by 7 companies

6% land use

36% production

other: sunflower, rapeseed and soy oil

4% of total palm oil is certified

Highly productive vegetable oil (2014)

Products

Palm oil in 50% of all supermarket products

Plantations are in tropical areas, of the world production is in Malaysia and Indonesia

Producers & traders

We bank the top producers, refiners and traders. They account for more than 75% of the world production.

Oil yield (tonnes/HA)

Soybean: 0.4
Sunflower: 0.6
Rapeseed: 0.8
Oil palm: 3.9

Palm oil tree: productive for 25 years after the first 3-4 years

Productivity depends of

> genetics
> soil management (weeding)
> application of fertilizers

70% of refining capacity controlled by 7 companies

Market uptake relatively low due to logistical challenges in the value chain

End products: margarine, cereals, crisps, sweets, baked goods, soaps, washing powders, cosmetics, animal feed, bio fuel, cooking oil.

Big F&A companies like for example:

> Unilever
> Carrefour
> PepsiCo
> P&G
> Coca-Cola
> Ahold
> Mondelez
> Nestle
> Walmart

are committed to 100% sustainable sourcing and traceability

Other:

40% of world production is produced by smallholders

25% supply
25% sales
42% market uptake

16% of total oil is certified

2008 2009 2010 2011 2012 2013

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Other:
Palm oil footprint

Palm oil use and its footprint

Palm oil is currently the most widely-used vegetable oil in the world. The demand for palm oil will continue to rise (2014: 60Mt -> 2020: 70-75 Mt). It is the most efficient oil crop in terms of land use (highest oil-yield/ha) and it has been an important driver for better incomes and livelihoods for many smallholders.

The huge increase in production however has contributed to major sustainability issues. Oil palms are grown in tropical areas, rich of primary forest, biodiversity and with often weak land governance systems. The uncontrolled expansion did result in clearing forest land, many conflicts over land use, large scale green house gas emissions (forest fires and peat development) and loss of biodiversity. Replacing palm oil for other edible oils to feed the world is however not a favorable sustainability solution given the proven potential low environmental footprint of palm oil compared to other edible oils. Palm oil is not the problem– it is where and how it is grown.

Issues

- **Deforestation**: 6.02 million hectares
- **Climate change**: Primary forests between 2000-2012
- **Land right issues**: Indonesia is seen as the biggest contributor, after the US and China
- **Low productivity smallholders**: In Indonesia alone: 5,000 land and human rights conflicts

Due to lack of finance, technology and knowledge

Our solutions

- Engage and connect clients in the value chain
- Comply to principle 7 of RSPO: responsible development of new plantings
- Comply to principle 7 of the RSPO and report on carbon emissions
- Comply to principle 6 of RSPO: responsible consideration of communities
- Use access to finance models to better include smallholders

Source infographics: Rabobank 2014
Rabobank involvement in palm oil

Rabobank is active throughout the palm oil supply chain, providing financial services to producers, processors, traders, manufacturers and retailers. Palm oil will continue to be an important commodity to feed the world, and thus also important in the Rabobank portfolio as a bank focusing on F&A. We see it as part of our responsibility to use our position to influence the sector to make a positive contribution and help to make sustainable palm oil the norm as soon as possible.

Sustainable palm oil, RSPO and RSPO NEXT

The sustainability debate in the palm sector is approximately 20 years old. To define what is sustainable and what is expected from the different players in the sector the Round Table for Sustainable Palm Oil (RSPO) was set up in 2004. Rabobank joined the RSPO from the beginning, became member of the board of governors in 2008 and has defined a commitment to the RSPO as a minimum criteria in its palm oil policy in 2008 when financing clients. The broad market transformation needed to make sustainable palm oil the norm is best realized through a multi stakeholder process like RSPO in which differences of opinions are shared and a shared approach is formulated.

Certification

> Rabobank is member of the board of governors of the RSPO since 2008 and active in several working groups

> 43 growers out of 180 are certified

> 18% of total palm oil supply is certified

> Roundtable for Sustainable Palm Oil

1,641 members

38% processors/traders

36% consumer goods manufacturers

15% growers

4% financial institutions

1% NGOs

> RSPO
Since 2008 new standards emerged like ISPO, MSPO and RSPO NEXT. It is important to innovate and allow different speeds as part of the most efficient race to the top as long as a credible minimum set of criteria is part of that process. RSPO NEXT was developed as a voluntary standard within the RSPO in 2015 to allow producers to produce sustainable palm oil using additional, stricter criteria which a growing number of regional markets including European demand. We will stimulate and support the adoption of RSPO NEXT amongst clients and use our influence in the RSPO to the further development of the underlying systems and procedures. We call upon the industry that these additional RSPO-NEXT criteria on no deforestation, no development on peat and no social exploitation to be further integrated in the regular Principles and Criteria at the 2018 review of the standard.
Our contribution towards a sustainable palm oil sector

Rabobank is one of the few financial institutions active in the RSPO. We want to continue this frontrunner role by maintaining strict minimum criteria for client acceptance and work with other relevant stakeholders to strengthen the criteria step by step and improve underlying systems and procedures as soon as reasonably possible without losing critical market share in order to maximize our impact. We support the development towards a sustainable palm oil sector in the following way:

1. We expect clients with plantations (upstream players) to comply with the following minimum criteria and support them in that direction:
   - Member of the RSPO on a holding level, committed to adhere to the RSPO Principles and criteria
   - Progress reported in Annual Communication On Progress (ACOP)
   - A time bound plan for certification of all plantations under direct control by the end of 2020 or to be certified within 4 years after acquiring or developing new operations.
   - We engage clients in case of issues, incidents and/or if we consider the minimum requirements have been breached.

2. Downstream companies (e.g. traders, transporters, processors, manufacturers, wholesalers, retailers) play an important role in the sustainable palm oil supply chain. The extent to which downstream companies can exercise influence on sustainability issues depends among other things on their role and impact in the supply chain. Rabobank requires that downstream players with a material influence in palm oil have a purchasing policy in place that specifically pays attention to the sustainability issues for palm oil production and progressively increase the volume of RSPO certified palm oil as a proportion of the total volume of palm oil entering its supply chain.
We support our clients in realising their sustainability ambitions in the chain and give priority to sustainability leaders i.e. using RSPO NEXT in financing. Therefore we:

- Develop and provide financial solutions to support a successful transition towards sustainable production and trade including:
  - Access to finance solutions for smallholders in the clients supply base using the strong track record in this field from Rabobank Foundation, Rabobank International Advisory Services (RIAS) and Rural Fund
  - Access to capital at attractive conditions through impact loans, development funds, green loans and green bonds
  - Sustainable shipment Letters of Credit
  - Project finance for sustainable innovations such as waste water digesters and other renewable energy generation

- Integrate analysis of sustainability knowledge, trends and business opportunities in our Food & Agribusiness Research and make this available to our clients

- Use our networks to link clients and partners and make our expertise available

- Use and develop partnerships like our strategic partnership with WWF to increase the adoption of sustainable practices throughout the palm oil supply chain globally
4 We work together with other stakeholders in the chain to improve the existing initiatives and stimulate innovations:

- We take a leadership role in initiatives such as RSPO, active in the Board of Governors and working groups, to drive innovation, maximize its effectiveness and strengthen processes and the credibility of the RSPO. We focus on strengthening the processes and procedures on which we rely:
  - Quality and effectiveness of the complaints procedures
  - Transparency in reporting by improving the Annual Communication On Progress
  - Quality of audits
  - Quality and capabilities of the RSPO secretariat
  - Enforcement of the rules
  - Increasing market share
- We actively support the development of additional principles and criteria, allowing different speeds such as RSPO Next, focusing on a broad transition to make sustainable palm oil the norm
- We represent the financial sector in the RSPO and at events and stimulate local banks to adopt sustainability criteria in their decision making processes. We work with other banks in the Banking Environment Initiative to set minimum standards for financing palm oil clients.
- We actively promote the uptake in relevant regions by participating in regional initiatives.
How to feed the world -sustainably- in 2050?

Vegetable oil production around the world totals over 164 million tonnes per year, of which over 59 million tonnes is palm oil. Oil palm is the most productive vegetable crop, requiring ten times less land than other oil-producing crops. Palm oil is used in about 50% of all supermarket products and demand is expecting to increase due to the growing world population. Growth can only be realised in a sustainable way.

9,000,000,000
people in 2050 2014: 7,3 billion

www.rabobank.com/sustainability