



Rabobank – Insights from a leader in sustainability – Oriented banking

External Voice



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Rabobank, one of Trafigura's top ten lenders, shares its perspective on what soft and hard commodity traders can learn from each other in pursuit of corporate responsibility.

It is without doubt that the world faces a global food crisis. Rabobank, a Dutch multinational banking and financial services company, seeks to play a significant role in ensuring food security for current and future generations.

In order to build a future-proof and equitable food system, support from sectors adjacent to the food and agricultural domain is required. Energy and materials are needed in order to thrive and accomplish the transition to a low carbon, circular economy that delivers the food, energy and materials the world needs, without increased climate change risks.

For Rabobank, this means supporting clients in their transition to a more sustainable businesses model in their supply chains, with a view to creating the stable supply of food, energy and materials needed to grow a better

world together. Rabobank partners with its clients to contribute substantially to one or more of the seventeen United Nations Sustainable Development Goals and deliver impact where it matters most.

Partnering also means that there is opportunity to actively share knowledge gained in one sector with clients in other sectors. Although the different sectors produce and trade totally different commodities, there are corresponding issues for which all sectors must find workable solutions. For example, traders in agricultural sectors, such as palm oil, coffee and cocoa, deal with a large number of small scale farmers, while traders in minerals and metals supply chains deal with artisanal or small scale miners. Both small scale farmers and artisanal miners are often members of disadvantaged local communities who lack the knowledge and financial means to manage their farming and extraction activities sustainably, in both an environmental and a socioeconomic sense. Controversially, traders may also be associated with illegal deforestation or area pollution. Lack of awareness about responsible economic practices can pose a huge risk for the trading companies who source commodities from these farmers and miners. The challenge is understanding how to engage appropriately with small-scale producers to help them understand the benefits of a more sustainable approach.

In recent years, agricultural production and trading companies have become more aware of the strategic importance of sustainable entrepreneurship. An important reason for the increasing awareness is the rising societal and industrial expectations they face to be transparent about their sustainability activities in the supply chain.

Relevant stakeholders - amongst others, NGO's, investors, consumer goods companies and banks, are requesting this transparency from the traders specifically with regard to their relationship with small scale farmers as purchasers of agricultural materials. As a result, traders have put considerable effort into providing small scale farmers with technical assistance and guidance in various areas, such as governance models, financial structuring and management and sustainable agricultural practices programmes.

For Trafigura, it is interesting to consider what energy and metals traders can learn from soft commodity traders.

Agri-commodity traders have developed a number of different approaches to improving supply-chain sustainability, including:

- Supporting small scale farmers in achieving more sustainable livelihoods;
- Organising sourcing of sustainable agricultural products via producer-cooperatives;
- Sustainable production programmes
- Sourcing and information-sharing solutions based on big-data technology

More sustainable livelihoods

Under the 'Plasma Transmigration Program' established by the Indonesian government, inhabitants of rural and remote areas have been offered relocation to oil palm growing areas, where they were given 2 hectares of land to farm oil palm trees, plus land for housing and to grow food for their own needs. Under the program, palm oil sourcing companies offer guidance to the smallholders in managing their oil palm plantations in environmentally and economically sustainable ways. The companies often assist them to arrange bank loans, used to start or run

their farms, and also in repaying these debts. In return, the smallholders sell their produce to the company at a price set by the government. In this way, palm oil companies help small scale farmers by raising productivity of their plantations sustainably. More yield means a higher income and a better livelihood.

Sourcing sustainable produced products via cooperatives

Traders in, for example, coffee and cocoa have established close ties with farmers' cooperatives in Southeast Asia, Latin America and Africa to secure the sourcing of these products. By participating in a cooperative or services centre, the farmers receive support in organising their agricultural practices sustainably, accessing a strong sales organisation and benefitting from a sound financial structure in order to support the supply of sustainable, high quality farm produce. The traders, for their part, provide knowledge about good agricultural practices and how to comply with sustainability standards. In many cases, they work together with Rabobank Foundation, which provides working capital and finance for inputs and assets.

Sustainable production programmes

An international sugar trader, in collaboration with a sustainability consultant, has developed a sustainable sugar programme to provide a flexible trajectory towards increased sustainability, tailored to suit each participant's pace and ability based on the concept of continuous improvement. After the entrance or foundational level, participants can attain two levels of sustainability performance: claim level and excellence level. The programme combines the trader's commercial expertise within the sugar industry with the consultant's experience in operating sustainable agricultural programmes. The trader has been successfully benchmarked against several other schemes, such as Coca Cola's Sustainable Agriculture Guiding Principles and Supplier Guiding Principles, all of Bonsucro's Core Principles (Bonsucro being an internationally-recognised organisation established to promote sustainable sugar cane) and the standard of the Sustainable Agricultural Initiative (SAI), a coalition of food processing companies.

Big-data technology solutions

Due to ever-more scrutiny from consumers, an increasing number of soft commodity trading companies are establishing digital solutions allowing improved tracking and tracing of products from field to fork. These systems are based on big data and block chain technologies. Until now, the collection and collation of data relating the performance of farmers in terms of their yield, agricultural practices and income has been an onerous task. Digital systems – often based on smart phone devices – facilitate the collection and analysis of this data on a scale not otherwise possible. New technological means are being developed, many of them based on fast-rising block chain technology, to track and trace the provenance of sustainably-produced agricultural commodities and to measure the environmental footprint of farmers.

Rabobank fully supports the initiatives of commodity trading companies to enable its clients throughout the supply chain to prosper on the three fundamental criteria: people, planet and profit.

The task now is to see how these approaches could be adapted to work for traders in other commodity supply chains in order to help develop a future-proof livelihood for the whole supply chain. In its ambition to realize a food-secured low-carbon economy, Rabobank wants to share its knowledge and network with companies that share this ambition.

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2020 Responsibility Report



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