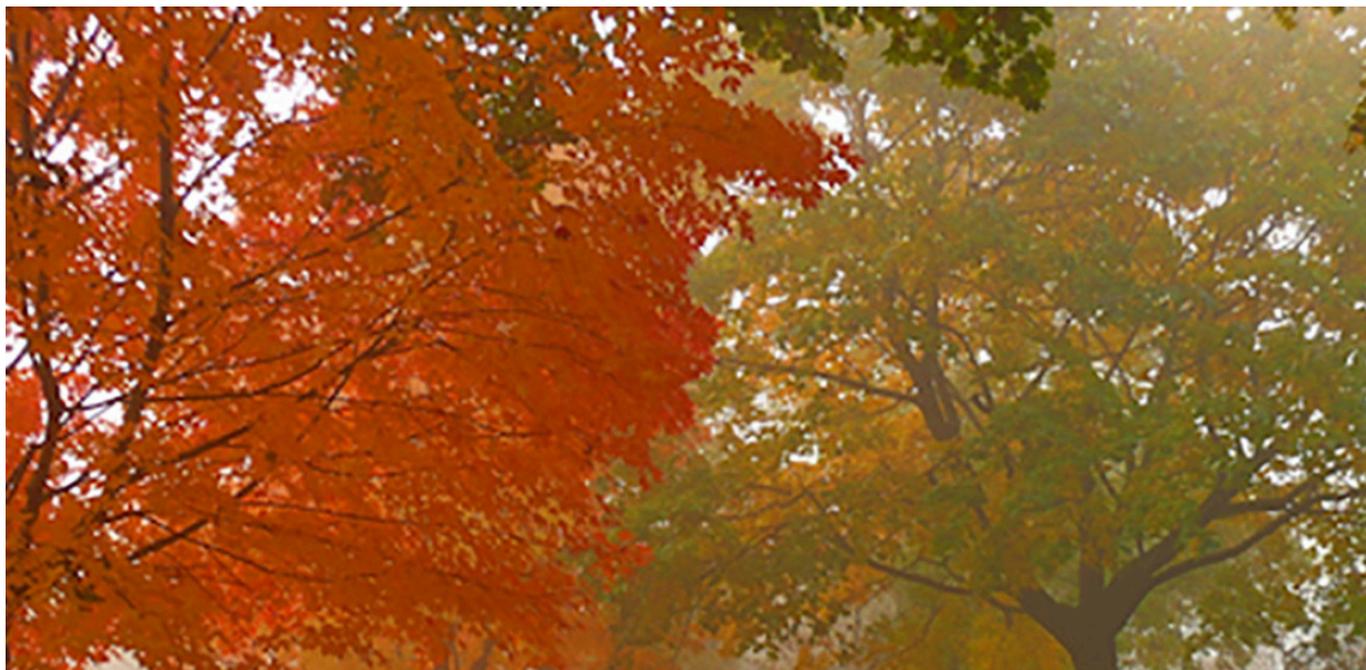


How a global farmers' bank works to preserve biodiversity

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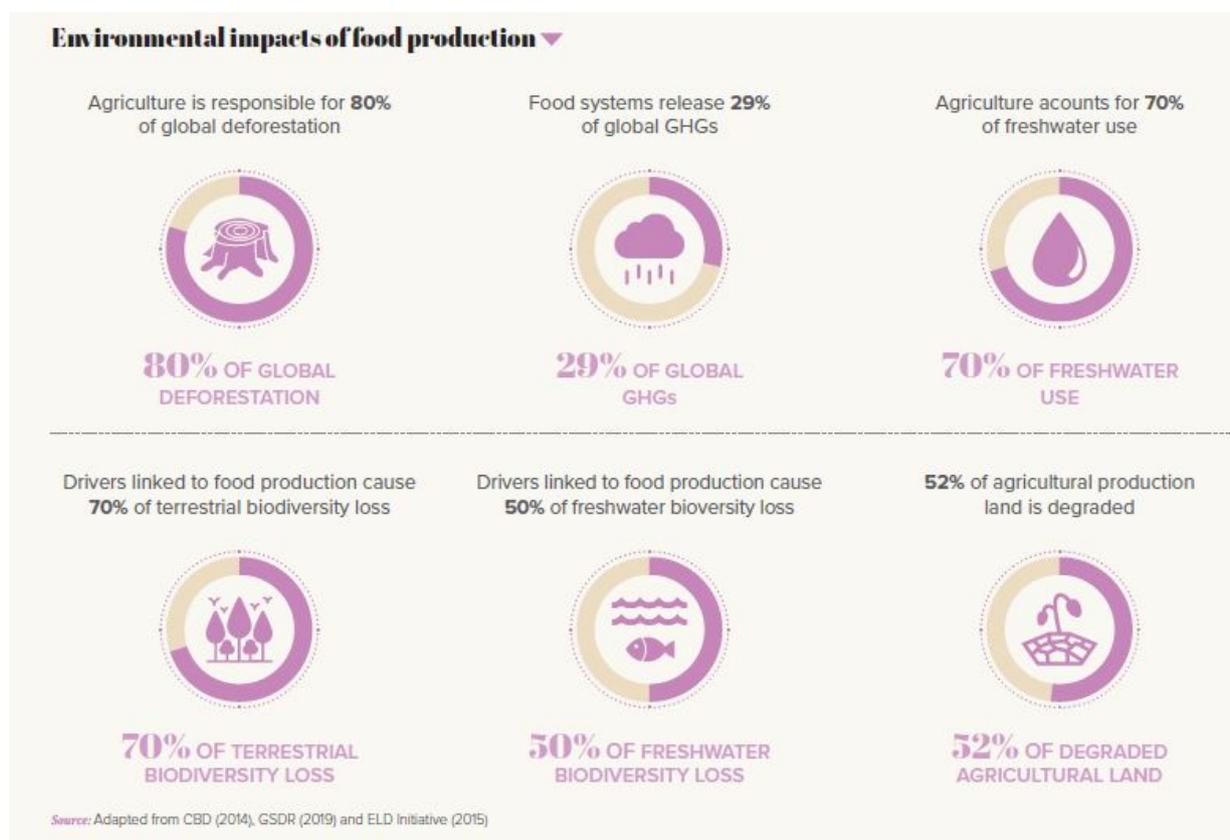
How can farmers produce food for 10 billion people, while preserving biodiversity - the foundation that food systems rely on? This is a key question guiding the work of Rabobank, one of the world's biggest banks focused on food and agribusiness. The answers to this question are Rabobank's sustainability policy, direct engagement with farmers, partnership with nature conservation organization WWF, and innovative programs.

Biodiversity means diversity of life. And it all starts with soil. Every farmer knows soils are alive. Thousands of insects and earthworms, millions of bacteria and fungi are hard at work on farmlands. They keep the soil aerated, hydrated, fertile, and capturing carbon. Healthy soil can sustain small farmers and their families and can turn large-scale farmers into global market players. The soils are a form of natural capital, really, beneath the surface.

When soils are farmed too intensively, the biological system can break down. This can lead to the farmer using more aggressive inputs, aiming for short-term benefit, while depleting the soil and polluting waterways, losing natural capital in the long term.

When farmers expand to find more healthy soils, this can lead to conversion of forests. The dietary choices of our growing global population¹ result in unintended scaling of such deforestation. According to the Living Planet Report 2020 by WWF², habitat loss remains the biggest threat to wild species.

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HOW CAN MORE FOOD BE PRODUCED WHILE PRESERVING BIODIVERSITY?

Food and agribusiness remain a priority for Rabobank: in 2019, 26% of private sector lending was allocated to this sector³. For the bank, a vital question is how to feed 10 billion people in a way that is socially and ecologically sustainable. How Rabobank integrates biodiversity into its work - from policy, to direct engagement, to innovative programs - is as follows.

BIODIVERSITY IN RABOBANK'S POLICIES AND PLEDGES

Rabobank's Sustainability Policy Framework has a section on biodiversity⁴, where it encourages clients to adhere to IFC Performance Standard 6⁵. The policy recognizes legally protected areas such as UNESCO World Heritage sites, and Ramsar wetlands. Expectations of clients include not damaging High Conservation Value (HCV) or High Carbon Stock (HCS) areas⁶. Both HCV and HCS assess the value of a landscape, with indicators for species diversity, ecosystem health, cultural values, and community needs.

Rabobank considers the United Nations' 17 Sustainable Development Goals (SDGs) as a guiding framework. SDG15, 'Life on Land', is explicitly related to biodiversity, yet inextricably linked to other SDGs, such as Climate Action (SDG13) and Zero Hunger (SDG2).

In a recent commitment (September 2020), Rabobank was one of 26 financial institutions (FIs) that signed the Finance for Biodiversity⁷ Pledge, committing to the following five steps by 2024: Collaboration and knowledge sharing; Engaging with companies; Assessing impact; Setting targets; and Reporting publicly.

BIODIVERSITY AND DIRECT ENGAGEMENT WITH FARMERS

FIs increasingly choose engagement to incentivize clients to produce more sustainably. How directly FIs engage with clients on the ground varies. Asset managers often work through intermediaries, or dashboards with summary indicators. Rabobank has the benefit of direct contact with many farmers from around the world.

In Brazil for instance, staff of Rabobank visit farms annually (with the exceptions of farms that score high on key indicators for two years in a row). It requires clients to demonstrate that the bank's finances do not lead to deforestation, thus going beyond legal requirements. Field visits are combined with data analyses. A key partner is Agrottools⁸, which combines satellite imagery with supply chain expertise. The follow-up can be quick: transgressing key indicators (proven deforestation or not complying with a strict improvement plan) can lead to a sustainability manager directly blocking credit lines.

In addition to the Netherlands, Rabobank also works with WWF in other countries, where the partnership was initiated in 2011. WWF NL and Rabobank worked with dairy producer FrieslandCampina to develop the Biodiversity Monitor⁹. Key indicators include proportions of permanent grassland; protein produced in own region; nitrogen surplus; ammonia; CO2 emissions; herb-rich grasslands; and landscape diversity. FrieslandCampina rewards better performance with a better price, and Rabobank grants these farmers a discount on loans.

Also in Chile, Rabobank works with WWF and salmon farmers towards compliance with the standard for sustainable aquaculture, the Aquaculture Stewardship Council (ASC)¹⁰. This improves access to markets, as big buyers such as Albert Heijn and Ikea aim to increase the proportion of certified seafood they procure. One of the ASC principles focuses on biodiversity. It has 5 criteria and 18 indicators, including biodiversity in ocean floor sediment, and water pollution.

Also, with guidance from Pipeline Foods¹¹, Rabo AgriFinance developed the first 'Organic Transition Loan Offering'¹², a framework that gives farmers the option to receive the capital needed for the upfront costs of changing production practices. Farmers can repay when they receive the additional revenue from selling certified organic goods with Pipeline (a major organic trader), ensuring access to markets. Moreover, partners work with third parties that provide technical assistance, making this a 'total solution' combining finance, technical support, and access to markets.

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AGRI3 FUND: AN INNOVATIVE PROGRAM

In January 2020 at the World Economic Forum in Davos, the Dutch Ministry of Foreign Affairs and Rabobank announced¹³ that they would both invest US\$ 40 million in the new AGRI3 Fund. The overall ambition of the AGRI3 Fund¹⁴ is to combine sustainable agriculture (including improved rural livelihoods) with forest protection, reforestation, and a reduction of CO2 emissions. According to Minister Sigrid Kaag, "The AGRI3 Fund provides a unique opportunity to contribute to forest protection and sustainable agriculture at scale, while also helping to transform the financial sector's attitude towards sustainable investments."

The fund acts as a blended finance vehicle, aimed at unlocking US\$ 1 billion in total finance. It provides additional de-risking of financial instruments and grants for technical assistance. The fund will be open to participation from commercial banks aiming at sustainable agriculture and forest conservation. In AGRI3, the bank partners with the UN's Environment Program (UNEP), FMO, and

IDH, the sustainable trade initiative.

The development of AGRI3 is a result of Rabo- bank's interest in continuing to innovate and find new ways to protect forests and support the transition to 'nature-positive' agriculture to sustainably feed the growing world population. There are no easy solutions, but the goals are clear, and the examples above show that progress is being made. "As a cooperative bank, we see it as our role to help our clients accomplish the required shift in agricultural value chains," says Wiebe Draijer, Chairman of the Managing Board of Rabobank.

1. The UN estimates the global population will rise to 9.7 billion by 2050 from the current 8 billion in 2020
2. WWF Living Planet Report 2020, pages 20/21
3. Rabobank Annual Report 2019, page 37
4. Rabobank Sustainability Policy Framework, page 45/46
5. IFC Performance Standard 6, on '*Biodiversity Conservation and Sustainable Management of Living Natural Resources*'
6. See the websites of the HCV network and the HCS approach (with some effort to harmonize underway)
7. Website of the new Finance for Biodiversity pledge, launched on Friday, 25 September 2020
8. Website of Agrottools
9. Details of the Biodiversity Monitor can be found in this 25-page report
10. Website of ASC
11. Website of Pipeline Foods
12. Article on website of Rabobank AgriFinance
13. Article on Rabobank website of AGRI3 launch
14. Brochure of the Agri3 Fund