

RABOBANK GREEN AND SUSTAINABILITY BOND FRAMEWORK

FRAMEWORK OVERVIEW AND SECOND OPINION BY
SUSTAINALYTICS

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1. PREFACE

Rabobank¹ has developed a Green and Sustainability Bond Framework to (re-)finance renewable energy projects and to (re-)finance small and medium-sized enterprises (SMEs) with selected sustainability certifications. Rabobank has engaged Sustainalytics to review and provide an opinion on the Green and Sustainability Bond Framework. Potential Rabobank Green and Sustainability Bonds issued under the Green and Sustainability Bond Framework will be separate issuances and these will be labelled as such when issued. As part of this engagement, Sustainalytics reviewed relevant public and internal documents of Rabobank and led conversations with relevant internal stakeholders to understand the use of proceeds, management of proceeds and reporting aspects of Rabobank's Green and Sustainability Bonds framework. This report contains two sections: Framework Overview – summary of Rabobank's Green and Sustainability Bond framework; and Sustainalytics' Opinion – an opinion on the framework.

2. INTRODUCTION

Rabobank is an international cooperative bank focused on providing financial services in the Netherlands and is involved in retail and wholesale banking, and food and agriculture financing internationally. On its website, Rabobank discloses that the bank is an international financial services provider operating on the basis of cooperative principles.² According to the bank, its mission is to contribute to global food safety and security as well as to being a leading customer-centric cooperative bank in the Netherlands and a leading food and agricultural bank in the world.

According to the company's code of conduct, sustainability is one of the four core values of Rabobank Group³. Its 2020 Sustainability Strategy 'Sustainably Successful Together' summarizes the sustainability ambitions of the group, including accelerating the sustainability of agriculture and the food supply and contributing to the sustainable development of society in the financial, social and ecological sense. The Bank has enacted sustainability policies with respect to its credit and loan business, is subscribed to the Equator Principles and is a member of the executive board of the Green Bond Principles.⁴

Since 1995, Rabobank has operated a green financing and funding programme under the Green Funds Scheme⁵ of the Dutch government⁶ and has issued more than 6 billion euro under this retail green bonds and green deposits programme in the Netherlands. The Dutch Green Funds Scheme stimulates green innovation and has clear eligibility criteria and reporting requirements established by the government, and participating in the programme is fiscally attractive for retail investors. This Green Funds Scheme is not related to the Green and Sustainability Bond framework, which is currently under review. However, it indicates that Rabobank has a long history and shows market leadership in green financing.

¹ Statutory name: Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

² Corporate website, <https://www.rabobank.com/en/about-rabobank/profile/who-we-are/index.html>

³ Code of Conduct Rabobank Group, <https://www.rabobank.com/en/images/code-of-conduct-rabobank-en.pdf>

⁴ Rabobank Group, Sustainability Policy Framework, <https://www.rabobank.com/en/images/sustainability-policy-framework.pdf>

⁵ The Green Funds Scheme, https://www.rvo.nl/sites/default/files/bijlagen/SEN040%20DOW%20A4%20Greenfunds_tcm24-119449.pdf and for the criteria per category <http://www.rvo.nl/subsidies-regelingen/regeling-groenprojecten>

⁶ https://www.rvo.nl/sites/default/files/bijlagen/SEN040%20DOW%20A4%20Greenfunds_tcm24-119449.pdf

Rabobank plays a significant role in the contribution to the growth of wind energy and renewable energy projects globally being a major financier of onshore and offshore wind turbines. Rabobank has 3.2 billion euros in outstanding loans for renewable energy generation worldwide, which account for 91 percent of Rabobank's total energy generation portfolio.⁷ Furthermore, the total amount of sustainable loans provided by Rabobank amounted to EUR 22 billion at the end of 2015.⁸

3. FRAMEWORK OVERVIEW

Rabobank has developed a framework under which it plans to (re-)finance eligible assets and issue two types of bonds:

1. **Rabobank Green Bonds** – funds allocated to financing of renewable energy projects; and
2. **Rabobank Sustainability Bonds** – funds allocated to loans provided to SMEs with selected sustainability certifications on products, processes or buildings.

Rabobank plans to issue separate bonds under the combined Green and Sustainable Bond Framework and will label the bonds as 'Green' or 'Sustainability' accordingly.

The framework was developed with an aim to provide transparency, disclosure and clarity on the structure which follows the four key pillars of the Green Bond Principles ("GBP"):

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

⁷ <https://www.rabobank.com/en/about-rabobank/background-stories/sustainability/investing-in-energy-savings-and-wind-energy.html>

⁸ Appendices to the Corporate Social Responsibility Report 2015

4. RABOBANK GREEN AND SUSTAINABILITY BOND FRAMEWORK

Rabobank, through its Sustainable Lending Programme, aims to finance large-scale wind and solar energy projects. In 2015, a total of 15 wind and solar projects were financed and the total financed, to date under this programme amounted to EUR 3.2 billion (2014: EUR 2.4 billion). The total amount of sustainable loans provided by Rabobank amounted to EUR 22 billion at the end of 2015.

Additionally, Rabobank provides loans to SMEs with sustainable certifications within the Food and Agriculture, and Industry and Services sectors.⁹ Certifications are business or product-based and selected to capture the commitment of SMEs to sustainable products, production processes and buildings as well as their involvement in key sector initiatives. Most certifications focus on environmental improvements. The sustainability certifications are considered to promote best practices for the relevant sector or activity. The total amount of loans to SMEs with sustainability certifications provided by Rabobank amounted to EUR 8.9 billion at the end of 2015.¹⁰

Based on the expertise of external parties, including “Milieuceentraal”, a governmental agency in the Netherlands, and on Rabobank’s own analysis, a total of 47 certifications were selected by Rabobank in 2016 (see Appendix A).¹¹ SMEs are considered sustainability leaders if they have at least one of the selected sustainability certifications.

It is worth noting that such structure of funding sustainable SMEs that have third-party sustainability certifications, is also used for other funding instruments at Rabobank. An example of this is the “Rabo Impact Loan” – a dedicated product that is funded by the European Investment Bank (EIB) to finance, SMEs with sustainability certifications.

A dedicated committee (the Impact Lending Eligibility Committee) is involved in determining the applicable certifications for SMEs. The chairman is the director Sustainability at Rabobank, and members are Head portfolio management SME, Team Manager Sustainable Business Development, Head Sustainability Financial Markets, Head Food & Agri Research, Head Quality and Business Management SME, Rabo Groenbank and a Funding Manager from Treasury Rabobank Group.

The required criteria for certifications include thresholds on the applicable certification level as well as the scope of operations covered by the certification.¹² The committee looks at best practices and performance in the relevant sector as well as the scope of the certification. Furthermore, the committee is engaged in dialogue with certifying bodies on eligibility. The list of selected certifications is updated regularly and is disclosed on Rabobank’s website.

⁹ Rabobank Group, Sustainable Lending Report 2014 and Draft Sustainable Lending Report 2015

¹⁰ Internal document Rabobank Group Sustainable Lending Amounts 2015

¹¹ Rabobank Group, <https://www.rabobank.nl/impactlending>, Overview certifications, https://www.rabobank.nl/images/overzicht-duurzaamheidskeurmerken_29800042.pdf on

¹² An example of a threshold is the BREEAM, a sustainability assessment method for masterplanning projects, infrastructure and buildings where an “Excellent” and “Outstanding” rating is required.

Rabobank applies the following criteria to select the relevant certifications SMEs need to possess to be eligible under the Green and Sustainability Bond Framework:

- The certification sets stricter requirements than the legal minimum requirements in the Netherlands unless the certificate has a legal basis such as for organic food certification;
- The certification can be seen as adequate representation in a sector in terms of market share in order to create impact. In case of certifications being too specific the impact in the sector may be lessened;
- A certification covers a substantial portion of the processes or product of companies.
- The certification has an independent control mechanism in place which includes an audit process of certified SMEs.

4.1 Use of Proceeds

4.1.1. Use of Proceeds: Green Bonds

The net proceeds of any bonds issued under the Green Bond label will be allocated to a portfolio of new and ongoing renewable energy projects (wind and solar). Proceeds will be allocated to eligible projects funded under Sustainable Lending Programme disbursed after an issuance under this framework or disbursed within a period of maximum 18 months prior to the issuance of the Bond.

Eligibility Criteria

Any renewable energy project (wind and solar), including the new and ongoing developments of such projects, are eligible to be funded in whole or in part by an allocation of the bond proceeds.

Exclusionary Criteria

For all projects Rabobank uses a restricted activities list that is applied to all eligible projects (see Annex B for details).¹³

4.1.2. Use of Proceeds: Sustainability Bonds

The net proceeds of any issuance under the Sustainability Bond label will be used exclusively to finance or re-finance existing and/or future loans that fund small and medium-sized enterprises (SMEs) with selected sustainability certifications on products, processes or buildings.

Eligibility Criteria

SMEs should have at least one of the selected sustainability certifications in order to be allocated with the proceeds of the bonds issued under the Sustainability Bond Framework.

Exclusionary Criteria

For all projects Rabobank uses a restricted activities list which is applied to all eligible SMEs (see Annex B for details).

¹³ Rabobank Group, Sustainability Policy Framework

4.2 Process for Project Evaluation and Selection

4.2.1. Process for Project Evaluation and Selection: Green Bonds

Rabobank has a dedicated project finance department for wind and solar projects and is responsible for the funding of renewable energy projects (wind and solar).

Rabobank uses an internal procedure to assess compliance with the Equator Principles (EP) for financing of renewable energy projects. The credit applications require an expert opinion by the sustainability department. An external party reviews the internal processes and roles to ensure a proper assessment. The Equator Principles reporting is audited by the external auditor and published in the Rabobank annual report and a list of projects funded is also available on the Equator Principles'¹⁴ website.

4.2.2. Process for Project Evaluation and Selection: Sustainability Bonds

SMEs with sustainability certifications are tagged in the client relationship management system and management information tool. In 2014 Rabobank introduced a so-called 'impact' field in this system. It indicates at client level which sustainability certifications are applicable to a specific client. This allows Rabobank to accurately identify and select the loans in order to allocate Sustainability Bond proceeds appropriately. The loans and bond proceeds allocated to them are recorded and monitored in the management information system that is used for tracking and reporting purposes.

As a part of the annual report verification, the quality of the selection process of the loans and the data provided is verified by external auditors.

4.3 Management of Proceeds

4.3.1 Management of Proceeds: Green Bonds

All outstanding proceeds from bonds issued under the Green Bond and Sustainability Framework will be balanced and matched with eligible renewable energy projects on a portfolio basis. The treasury department will match the funding of renewable energy projects with the proceeds of the Green Bond. The treasury department manages the allocation of the Green Bond proceeds on a portfolio basis. Rabobank aims maintains a substantial buffer of renewable energy projects (of at least 130% of bond amount), which will ensure compliance with the use of proceeds requirements even when loans are impacted unexpectedly or in case of maturity mismatches.

Rabobank aims to ensure that the systems and processes as specified above meet the stated requirements during the entire lifetime of a bond.

Pending the full allocation of the net proceeds of any bond issued under the Green Bond label, Rabobank will hold and/or invest, at its own discretion, in its liquidity portfolio, the balance of net proceeds not yet allocated to eligible renewable energy projects.

¹⁴ <http://www.equator-principles.com/index.php/members/rabobank>

4.3.2 Management of Proceeds: Sustainability Bonds

All outstanding Sustainability Bonds will be balanced and matched on a portfolio basis to the eligible loans to sustainable SMEs. Rabobank has a group wide financial management information system to track the proceeds allocated to eligible SME clients. As long as the Sustainability Bonds are outstanding, the proceeds will be balanced by a matching amount of eligible SME loans. Rabobank maintains a substantial buffer (of at least 130%) of SME loans. This will ensure compliance even when loans are impacted unexpectedly or in case of maturity mismatches. Rabobank will ensure that the systems and processes as specified above meet their requirements during the entire lifetime of any bond issued under the Green and Sustainability Bond Framework.

Rabobank earmarks the loans in the client relationship management system on an annual basis. Clients' credentials are earmarked by an annual centralized process which is valid until the next earmarking cycle. The Group's Treasury Department manages the funding of eligible SMEs on a portfolio basis.

Pending the full allocation of the net proceeds of the Sustainability Bond to the eligible SME loans, Rabobank will hold and/or invest, at its own discretion, in its liquidity portfolio, the balance of net proceeds not yet allocated to eligible SME loans.

4.4 Reporting

4.4.1 Reporting: Green Bonds

Allocation Reporting

Rabobank commits to publishing an annual report detailing the aggregate allocation of the proceeds. The bank will specifically report on the applicable category of the projects under the framework for renewable energy projects (wind and solar). Allocation reporting will be available to investors within one year from the date of a Green Bond issuance and annually thereafter, until the proceeds have been fully allocated to eligible projects. The report will provide insights into the total amount and number of loans for renewable energy projects (wind and solar) provided under the Green Bond Framework.

Rabobank will disclose a list of renewable energy projects as far as client confidentiality allows this.

Impact Reporting

Rabobank will report on the estimated installed capacity in gigawatt (GW) for the size of the bond as well as standard Equator Principles reporting for all projects.

4.4.2 Reporting: Sustainability Bonds

Allocation Reporting

Rabobank commits to publishing an annual report detailing the aggregate allocation of the proceeds. Rabobank will specifically report on the applicable category of the SMEs under the framework. Allocation reporting will be available to investors within one year from the date of the Sustainability Bond issuance and annually thereafter until the proceeds have been fully allocated to eligible SMEs.

Rabobank will annually report on the allocation and amounts financed under its Green and Sustainability Bond Framework. The reporting will produce insights into the total amount and number of loans provided. This reporting aligns with the ambition of Rabobank to double the amount earmarked to sustainable lending by 2020.

Due to confidentiality reasons, Rabobank will not be able to provide information on individual SME loans. Rabobank plans to reports the allocation without referring to client names.

Impact Reporting

For the SME funding, a breakdown of the amounts per selected sustainability certification scheme, and sectors will be provided. In addition, the reporting strives to provide details on the objectives of the certifications and performance indicators provided by the certifying bodies (such as carbon emissions avoided for example). Some case studies of projects will illustrate the positive impact of clients as far as client confidentiality allows this.

5. SUSTAINALYTICS' OPINION

Sustainability Performance of Rabobank

Based on Sustainalytics' ESG research, Rabobank is assessed as an outperformer among its banking peers. The bank is a leader in environmental, social management and an outperformer on its governance management. Rabobank ranks in the top 5% of the 396 banks covered in the Sustainalytics universe. The bank has a very strong environmental policy and environmental management system. Although it continues to face significant business ethics issues, Rabobank demonstrates adequate performance on the key issues of responsible finance and financial product governance. Responsible finance refers to practices and strategies employed by banks to integrate sustainability criteria into financial lending and investment decisions. Rabobank has strong credit and loan standards and excludes certain industries from financing for sustainability reasons. Equally, Rabobank outperforms its peers with regards to financial product governance: the company has implemented strong programmes to integrate customer feedback and market its products and services responsibly. Rabobank is also a member of the executive committee of the ICMA Green Bond Principles.

While Rabobank received public complaints over Rabobank's breach of its own policies, it stands out for its strong credit guidelines that commits the bank to refraining from business relationships with parties that are unable to demonstrate human rights or environmental protection. These policies provide evidence that Rabobank is, in Sustainalytics' opinion, well positioned to issue bonds under this Green and Sustainability Bond Framework. For a full snapshot of Rabobank's environmental, social and governance performance, please see Appendix C.

Impact of the Use of Proceeds:

Green Bond: Renewable energy projects

By (re-)financing renewable energy projects under its Green and Sustainability Bond Framework, Rabobank leverages its position as a bank targeting sustainable growth and engaging in investing in strong performers on sustainability. The proceeds of Rabobank's issuances under its Green Bond label will be matched with a project portfolio that facilitate climate change mitigation by financing renewable energy projects. Rabobank has formulated guidelines with respect to its credit and loan business and all renewable energy projects to be funded are assessed in accordance with the Equator Principles. This process entails assigning each project a category status which could either be category A (potential substantial adverse impacts on society and the environment), category B (potential limited adverse impacts on society and the environment) or category C (minimal or no adverse impacts on society and the environment).¹⁵ Rabobank provided data to Sustainalytics that revealed that in 2015 loans were granted to 15 projects. Of these 15 projects, 13 projects qualified under category B of the principles and 2 under category C.

Project financing also has the potential to be associated with negative environmental and social impacts. Sustainalytics was not able to review all existing eligible solar and wind projects but Rabobank transparently discloses a list of projects on the website of the Equator Principles Association Secretariat. Sustainalytics was able to review the assigned ratings for a sub-set of the projects financed in 2015 which

¹⁵http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability+and+disclosure/environmental+and+social+categorization

confirmed Rabobank's approach to assign ratings to projects. Rabobank indicated that when an eligible project borrower fails to meet the requirements set out by the eligibility criteria, it will seek for such breaches to be promptly addressed and/or remedied in a manner satisfactory to Rabobank.

Rabobank confirmed to Sustainalytics that the amounts financed by Green Bond issuances will be externally audited. Rabobank reports on the eligible renewable energy projects on the website of the Equator Principles Association. Rabobank will report on an aggregated portfolio basis the amounts and percentage of solar and wind project categories. Furthermore, Rabobank will provide impact reporting on the aggregated level by disclosing the estimated installed capacity in gigawatt (GW).

Sustainability Bond: Financing SMEs with Selected Sustainability Certifications

By issuing a Sustainability Bond, Rabobank continues to leverage its position as a bank targeting sustainable growth and engaging in investing in strong performers on sustainability. Companies meeting Rabobank's eligibility criteria are required to hold selected sustainability certifications on products and processes are considered to stand out in their efforts to develop a new level of best practices due to the strict selection criteria. Rabobank aims to increase lending to SMEs that commit to sustainability certification and thereby, strives to encourage clients to be innovative in order to improve the sustainability of their products and production processes. Rabobank makes use of a dedicated committee involved in the selection of credible certifications eligible SMEs need to possess. In Sustainalytics opinion this demonstrates that Rabobank has developed a strong process which is informed by internal expertise in the identification, evaluation and assessment of eligible SMEs. The aforementioned project selection processes and commitments are in our view in line with market expectations for Sustainability Bonds.

Rabobank requires that the eligible SMEs possess certifications that are based on strict criteria, have an independent control mechanism and go beyond minimum legal standards. Rabobank also allow exceptions where eligible SMEs possess certification(s) that do not meet all stated criteria in case a certain certificate is the only certificate in a sector or when a label is seen as important by the sector. Sustainalytics was not able to review all selected certificates and their eligibility with the criteria stated in Rabobank's Sustainability Bond Framework but Rabobank demonstrates transparency by disclosing the selected list of certifications which is updated on an annual basis (see Appendix A).

Sustainalytics was not able to review all selected beneficiaries. For confidentiality reasons, these cannot be disclosed by Rabobank. However, Rabobank confirmed to Sustainalytics that it ensures that the beneficiaries been subject to environmental and social risk assessments. Rabobank also provided Sustainalytics with additional details for some of the beneficiaries in order to permit Sustainalytics to conduct a review of any negative environmental or social impacts related to the SMEs financed. Sustainalytics did not find any significant controversies connected to the SMEs involved.

Rabobank aims to provide aggregated reporting of the number of SMEs financed but for practical reasons, will not be able provide information regarding the impact of individual loans. However, Rabobank will report in generic terms on an aggregated portfolio basis by disclosing the percentage allocated to project categories. Sustainalytics is of the opinion that Rabobank's reporting on its Green and Sustainability Bond Framework offers credible reporting on the aggregated allocation of the portfolio of assets. However, Sustainalytics notes that Rabobank is not able to commit to transparently report on each of the eligible

SMEs funded under its Sustainability Bond Framework due to confidentially reasons. Moreover, Rabobank's impact reporting does not contain specific key performance indicators on environmental or sustainability impact for each of the SME eligible to be funded. This is a common challenge faced by issuers when reporting about impact of their lending to SMEs.

Alignment with Green Bond Principles 2016:

Sustainalytics has determined that Rabobank's Green and Sustainability Bond Framework follows the structure of the four pillars of the Green Bond Principles 2016. It is to be noted that proceeds of the Sustainability Bond will not be used to fund projects but rather SMEs with higher sustainability performance. Nonetheless, Sustainalytics is of the opinion that Rabobank comprehensively reports on the sectors and selected certifications of SMEs to be funded on an aggregated portfolio basis. For detailed information please refer to Appendix E: Green and Sustainability Bond Framework External Review Form.

Conclusion

Rabobank has developed a combined Green and Sustainability Bond Framework – for future bond issuances aiming to finance renewable projects that contribute to climate change mitigation as well as SME lending for sustainability leaders. Most of Rabobank's eligibility criteria target projects with a positive environmental and/or social impact. Rabobank also has detailed exclusionary criteria in its investment process that go beyond legal compliance. Using its internal standards, the bank assesses environmental, health and safety risks related to potential projects to be financed and decides on the eligibility of each client.

By defining strong eligibility criteria, demonstrating a structured and transparent project selection process, management of proceeds, and reporting on an aggregate level, Rabobank is acting in accordance with its environmental commitments. Rabobank has also committed to provide an analysis of the renewable energy project portfolio and discloses standard Equator Principles reporting for all projects funded to ensure that the projects selected for the bond are in compliance with the Framework's eligibility criteria.

In summary, Rabobank's Green and Sustainability Bond Framework follows the structure of the four key pillars of the Green Bond Principles. By (re-)financing renewable energy projects Rabobank's Green Bond Framework enables Rabobank to leverage its significant role in the contribution to the growth of wind energy and renewable energy projects.

For the use of proceeds of its Sustainability Bond, Rabobank will not be selecting projects but will allocate proceeds to companies. Nonetheless, Sustainalytics considers the eligibility criteria for the use of proceeds for the Sustainability Bond to be credible and will generate positive impact by channelling funds to SMEs that are leaders in their approach to sustainability. Sustainalytics is confident that Rabobank's methodology adequately assesses companies on key sustainability issues and is effective in identifying SMEs that possess credible sustainability certifications.

Based on the above considerations, Sustainalytics is of the opinion that Rabobank's Green and Sustainability Bond framework is robust and credible.

APPENDICES

Appendix A: Sectors and Selected Sustainability Certifications as per 9-9-2016¹⁶

Sector	Selected Certifications
Flowers and plants	Barometer Duurzame Bloemist, MPS Sustainable Quality, Fair Flowers Fair Plants, Groen Label Kas, Groenkeur (tree nurseries)
Fishery	ASC, MSC, Maatlat Duurzame Aquacultuur
Manufacturing	EU Ecolabel, Cradle to Cradle, Metaalunie MVO monitor
Meat industry	Keten Duurzaam Rundvlees (beef), Keten Duurzaam Varkensvlees (pork), Beter Leven, Maatlat Duurzame Veehouderij
Leisure, tourism and hospitality	Blue flag, Green Key, Green Seat, Travel Certified, Barometer Duurzame Evenementen, Golf Environmental Organization (GEO)
Organic Food production	Demeter, EKO, EKO Holland
Other Food	Fairtrade Max Havelaar, Rainforest Alliance, UTZ Certified,
Automotive	Duurzaam repareren, Erkend duurzaam
Transportation	Green Award, Lean & Green
Health Care	Milieuthermometer Zorg
Clothing and fabrics	Fair Wear, Made-By, Care & Fair
Building and construction	MeerMetMinder, Breeam-NL, Barometer Duurzaam Terreinbeheer, FSC (suppliers)
Multi sector	Milieukeur, MVO Koploper, MVO Prestatieladder, MVO Groeikeurmerk, MVO-Wijzer, CO2 Prestatieladder, B-corporation, Business Social Compliance Initiative (BSCI)

¹⁶ <https://www.rabobank.nl/impactlening>

Appendix B: Exclusionary Criteria

Restricted Activities List Rabobank

1. Involved in the development, production, trade, marketing, sales, distribution, transport and maintenance of controversial weapons and munitions: cluster munitions, anti-personnel mines, biological, chemical weapons, nuclear weapons
2. Purchase of logging equipment for use in primary tropical moist forest
3. Trade in wildlife or wildlife products regulated under CITES or species on the IUCN Red List of threatened species
4. Production or trade in or use of unbounded asbestos fibres
5. Production or trade in products containing PCBs or other Persistent
6. Organic Pollutants (POPs) subject to international bans or phase outs
7. Production or trade in pharmaceuticals subject to international phase outs or bans
8. Production or trade in pesticides/herbicides subject to international phase outs or bans
9. Production or trade in ozone depleting substances (ODS) subject to international phase outs or bans
10. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
11. Traditional goose liver (foie gras) production and trade
12. The exploration and production of shale gas or other non-conventional minerals (oil from tar sands and oil shale, fuel from liquefied coal and shale gas) and the supply of services and means that are specifically designed and dedicated to the exploration

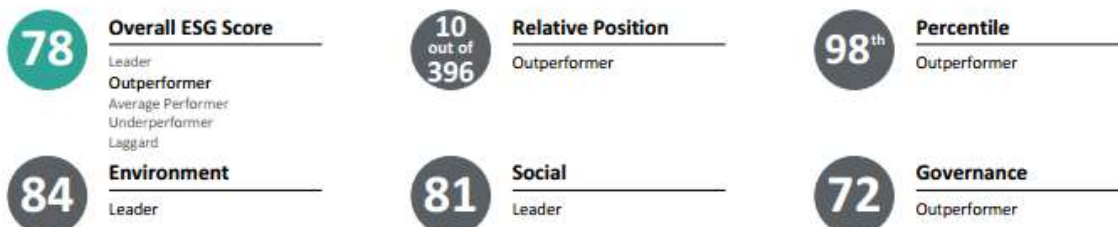
Loan and Credit Standards

Rabobank Group has formulated guidelines with respect to its credit and loan business. In its human rights position paper, the group addresses employee discrimination, forced labour, child labour, poor working conditions and violation of the rights of indigenous peoples. Companies should uphold these human rights and are encouraged to initiate programs that focus on these rights. Rabobank has policies on animal welfare, armaments and genetic modification, in which it specifies exclusionary clauses with respect to financing companies that are involved in these industries. Additionally, Rabobank has published several sector statements that serve as a guide for its credit policy, these include: aquaculture, biofuels, cocoa, coffee, cotton, forestry, mining, oil & gas, palm oil, soy, sugarcane and wild catch. Finally, the company expects clients operating in sensitive countries and industries such as soy, palm oil, sugarcane, forestry and beef to demonstrate by 2020 their commitment to conducting business in line with internationally accepted sustainability standards.

Appendix C: Rabobank's Sustainability Profile

ESG Summary

Overall Performance



Environment



Appendix D: Documents Reviewed

Sustainalytics reviewed the following documents for the purposes of writing this report:

Number	Document Name
1	Rabobank Group, Sustainability Policy Framework
2	Rabobank Group, Sustainable Lending Report 2014
3	Rabobank Group, Geselecteerde Duurzaamheidskeurmerken en – initiatieven
4	Rabobank Group, Equator Principles Implementation
5	Rabobank Group, Overview Sustainable Lending Amounts 2015
6	Rabobank Group, Annual Report 2015
7	Rabobank Group Code of Conduct
8	Presentation 2016 Impact Lending Examples
9	Internal Study on Certifications (Excel)
10	Rabobank Group, Draft Sustainable Lending Report 2015

Appendix E: External Review Form Green and Sustainability Bond Framework

Green Bond and Sustainability Bond Framework

External Review Form

Section 1. Basic Information

Issuer name: Rabobank

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: Rabobank Green and Sustainability Bond Framework

Review provider's name: Sustainalytics

Completion date of this form: 15 September 2016

Publication date of review publication: 15 September 2016

Section 2. Review overview

SCOPE OF REVIEW

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other : | |

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW

Please see Green and Sustainability Bond Framework and Second Opinion Document above.

Section 3. Detailed review

1. USE OF PROCEEDS

Overall comment on section:

After reviewing the information provided by Rabobank, Sustainalytics is of the opinion that Rabobank's uses strong eligibility criteria to direct proceeds to projects related to renewable energy projects (wind or solar projects). Sustainalytics reviewed the use of proceeds and the criteria applied by Rabobank to its Green and Sustainability Bond Framework to finance or re-finance existing and/or future eligible loans for renewable energy projects. Sustainalytics believes that these projects are likely to have a positive environmental impact in accordance with Rabobank's environmental commitments. Rabobank uses detailed exclusionary criteria in its investment process that go beyond legal compliance. Rabobank also reviews and benchmarks all projects to be funded on the Equator Principles a robust framework used to determine and conduct environmental and social due diligence assessments of projects and project financing.

Rabobank will direct proceeds of issuances under its Sustainability Bond label to finance or re-finance existing and/or future loans that fund small and medium-sized enterprises (SMEs) with selected sustainability certifications on products, processes or buildings. Rabobank aims to increase lending to SMEs that commit to sustainability certification and thereby strives to encourage clients to be innovative in order to improve the sustainability of their products and production processes. Rabobank will not be selecting specific projects to be funded by the SMEs, and the eligibility criterion for the use of proceeds is based on the sustainability performance of the borrowing entity rather than on the nature of the projects to be funded. Nonetheless, after reviewing the information provided by Rabobank on its approach to fund eligible SMEs, Sustainalytics is of the opinion that the bond will generate positive impact by providing funding to the targeted SMEs in possession of credible certifications.

Use of proceeds categories as per GBP (Green Bonds)

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Sustainable management of living natural resources |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient products, production technologies and processes | <input type="checkbox"/> Other: The use of proceeds is based on the sustainability performance of eligible SMEs. |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | |

Use of proceeds categories as per GBP (Sustainability Bonds)

- Renewable energy
- Pollution prevention and control
- Terrestrial and aquatic biodiversity conservation
- Sustainable water management
- Eco-efficient products, production technologies and processes
- Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs
- Energy efficiency
- Sustainable management of living natural resources
- Clean transportation
- Climate change adaptation
- Other: SMEs with sustainability certifications on products, process or buildings. These certifications cover various UoP Categories above.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section:
The selection of the eligible renewable energy projects takes place on project level. Rabobank established a clear process to manage the correct allocation of the green bond proceeds on portfolio basis. To that end, Rabobank’s treasury department manages the correct allocation of the green bond proceeds on portfolio basis. Furthermore, a dedicated project finance department is responsible for the disbursements of Green Bond proceeds to the wind and solar projects. Rabobank has an internal procedure to confirm that projects are assessed under the framework of the Equator Principles. These practices will enable Rabobank to allocate proceeds to green projects that have a positive impact on society at large in a credible manner.

The selection process to identify companies meeting Rabobank’s eligibility criteria is robust due to the strict selection criteria to include SMEs in possession of credible sustainability certifications on products and processes. Rabobank also ensures that the beneficiaries been subject to environmental and social risk assessments. Rabobank also provided Sustainalytics with additional details for some of the beneficiaries in order to permit Sustainalytics to conduct a review of any negative environmental or social impacts related to the SMEs financed. Sustainalytics did not find any significant controversies connected to the SMEs involved. Sustainalytics asserts that Rabobank has strong processes in place to effectively target its sustainability bond proceeds to fund SMEs that have a demonstrable sustainability impact.

Evaluation and selection (Green Bonds)

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other : |

Information on Responsibilities and Accountability (Green Bonds)

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other : | |

Evaluation and selection (Sustainable Bonds)

- | | |
|--|--|
| <input type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other : |

Information on Responsibilities and Accountability (Sustainable Bonds)

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section:

Rabobank ensures that all Green Bonds proceeds will be balanced and matched with eligible renewable energy projects on a portfolio basis.

Until full allocation of the net proceeds, Rabobank will hold and/or invest the balance of net proceeds not yet allocated to eligible renewable energy projects, at its own discretion, in its liquidity portfolio.

The proceeds will be balanced by a matching amount of eligible projects. Rabobank ensures that even when loans are impacted unexpectedly or in case of maturity mismatches its systems and processes as specified above meet their requirements during the lifetime of the bond.

Rabobank ensures that all outstanding Sustainability Bonds proceeds will be balanced and matched on a portfolio basis to the eligible loans to SMEs.

Until full allocation of the net proceeds, Rabobank will hold and/or invest the balance of net proceeds not yet allocated to eligible SMEs, at its own discretion, in its liquidity portfolio.

The proceeds will be balanced by a matching amount of eligible SMEs. Rabobank ensures that even when loans are impacted unexpectedly or in case of maturity mismatches its systems and processes as specified above meet their requirements during the entire lifetime of the bond.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in a systematic manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other: Potential issuances under Rabobank’s Green and Sustainable Bond Framework will take place through separate issuances.

Additional disclosure:

- | | |
|---|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other: |

4. REPORTING

Overall comment on section:
In the case of a Green Bond issuance, Rabobank commits to publish an annual report detailing the aggregate allocation of the proceeds. Rabobank will specifically report on the applicable category of the projects under the framework which includes a description of each project along with the information regarding location and amounts allocated. Allocation reporting will be available to investors within one year from the date of the Green Bond issuance and will be updated annually thereafter until the proceeds have been fully allocated to eligible projects.

With regard to a Sustainability Bond issuance, Rabobank commits to publish an annual report detailing the aggregate allocation of the proceeds. Allocation reporting will be available to investors within one year from the date of the Sustainability Bond issuance and will be updated annually thereafter until the proceeds have been fully allocated to eligible projects. For the SME funding, a breakdown of the amounts per selected sustainability certification scheme, and sectors will be provided. Sustainalytics notes that Rabobank is not able to commit to transparently report on each of the eligible SMEs to be funded under its Sustainability Bond Framework due to confidentially reasons. Moreover, Rabobank’s impact reporting does not contain specific key performance indicators on environmental or sustainability impact for each of the SME that is eligible to be funded.

Use of proceeds reporting (Green Bonds):

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other : |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> GB financed share of total investment |
| <input type="checkbox"/> Other : | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other : | |

Impact reporting (Green Bonds):

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other : |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other : | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Other ESG indicators: Rabobank will publish the installed capacity in Gigawatt as well as standard Equator Principles reporting for all projects. | |

Means of Disclosure (Green Bonds):

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other : |
| <input type="checkbox"/> Reporting reviewed | |

Use of proceeds reporting (Sustainable Bonds):

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other : |

Information reported:

- | | |
|--|--|
| <input type="checkbox"/> Allocated amounts | <input type="checkbox"/> GB financed share of total investment |
| <input checked="" type="checkbox"/> Other: For the SME funding, a breakdown of the amounts per selected sustainability certification scheme, and sectors will be provided. | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other : | |

Impact reporting (Sustainable Bonds):

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other : |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other : | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Other ESG indicators: For the SME funding, a breakdown of the amounts per selected sustainability certification scheme, and sectors will be provided. | |

Means of Disclosure (Sustainable Bonds):

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other : |
| <input type="checkbox"/> Reporting reviewed: | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.rabobank.com/en/about-rabobank/in-society/sustainability/index.html>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other : | |

Review provider(s):

Sustainalytics

Date of publication:

15 September

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP

- (i) Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer’s Green Bond framework. “Second opinions” may fall into this category.
- (ii) Verification: An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- (iii) Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- (iv) Rating: An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer’s ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

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SUSTAINALYTICS

Sustainalytics is the largest independent provider of sustainability research, analysis, and services to investors. We serve over 250 institutional investors which include some of the world's largest asset owners and asset managers. Through over 20 years of experience serving the responsible investment (RI) market, we have gained a reputation for providing high-quality ESG research solutions and excellent client service.

Sustainalytics is headed by seasoned professionals in the field of business, finance, and sustainability, with a wealth of experience in the Responsible Investment area. After more than 20 years of local experience and expertise in the Responsible Investment (RI) market Sustainalytics has developed a comprehensive understanding of trends and best practices and a solid process to assist organisations in integrating ESG considerations into their policies and strategies. We have worked with some of the world's financial institutions including pension plans, investment managers and banks providing customised support to help them achieve their RI objectives. Clients include ABN AMRO, APG, BBVA, BNP Paribas, Deutsche Bank, ING Bank, Lombard Odier, Lloyds Bank, Triodos Bank, UBS and over 250 other financial institutions and organisations.

Sustainalytics now has a staff of 250 employees globally, including over 120 analysts, with operations in Amsterdam, Boston, Bucharest, Frankfurt, New York, Paris, London, Singapore, Sydney, Timisoara, and Toronto, and representation in Brussels and Washington DC.



In 2015, Sustainalytics was named the Best SRI or Green Bond Research Firm by GlobalCapital. In December 2014, for the third year in a row, Sustainalytics was named best sustainable and responsible investment research firm in the Independent Research in Responsible Investment (IRRI) Survey, conducted by Thomson Reuters and SRI-CONNECT.

SUSTAINALYTICS
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Our Coverage

- Company ESG Research
4,500 Issuers
- Corporate Governance Research
4,000 Issuers
- Global Compact Research
20,000+ Issuers
- Product Involvement
40,000 Issuers
- Controversial Weapons Radar
40,000 Issuers
- Sector Research
42 Peer Groups

Our Team

Michael Jantzi, CEO

More than 250 staff members, including over 120 analysts with multidisciplinary and industry expertise

Shareholders: ABN AMRO MeesPierson, Michael Jantzi and senior staff, Mooncrest Holdings Limited, PGGM, Renewal Partners, Silver Box Holdings Limited and Triodos

Board Members:
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Alan Broadbent, CEO, Avana Capital Corporation

Melissa Brown, Partner, Daobridge Capital

Mike Musuraca, Managing Director, Blue Wolf Capital Partners LLC

Glen Saunders, Former board member and current senior adviser, Principles for Responsible Investment (PRI)

Georg Schürmann, Managing Director of Triodos Bank Germany

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