



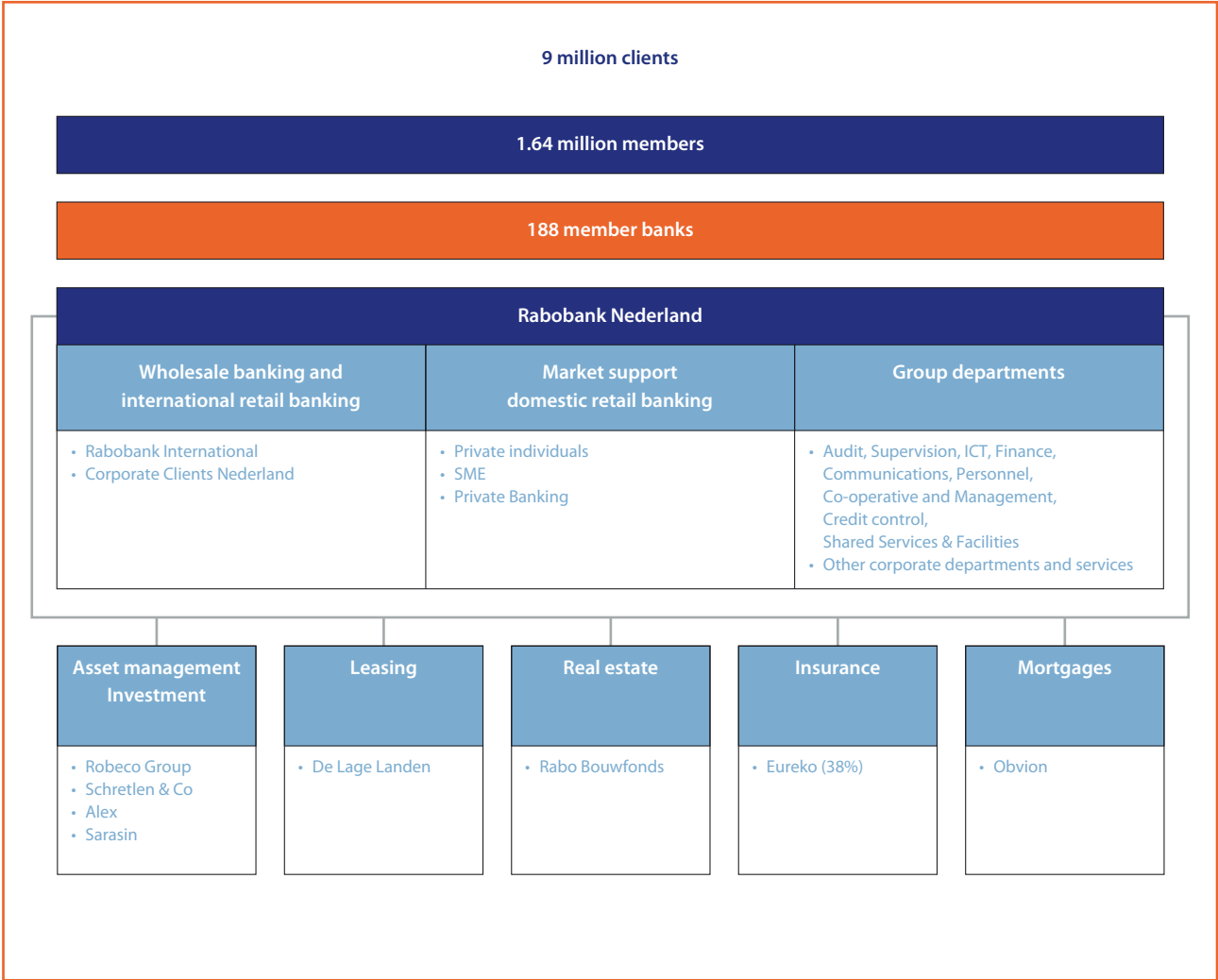
Rabobank Group

Annual Sustainability Report 2006

Contents

Rabobank Group structure	3	Introduction
Profile Rabobank Group	4	
Key figures	6	
Reporting principles	8	
Preface	11	
1 Our CSR policy	13	Report of the Executive Board
Main results for 2006 and objectives for 2007 and subsequent years	19	
2007- 2008 Objectives	21	
2010 Objectives	22	
2 A dialogue with our stakeholders	23	
3 The integration of CSR into our business operations	34	
4 Our economic performance	44	
5 CSR in our corporate lending processes	49	
6 Creating value for our clients	57	
7 Banking in developing countries	71	
8 At the heart of society	76	Other information
9 Our employees	79	
Employee data	89	
10 CSR integration into our internal operations	94	
Assurance report	100	
Executive Board and Supervisory Board of Rabobank Nederland	102	
Rabobank Group all over the world	103	
Profiles Rabobank Group	104	
List of GRI indicators for Rabobank Group	107	
Application of GRI indicators	114	
Colophon	115	

Rabobank Group structure



Profile Rabobank Group

Rabobank Group is a financial services provider operating on the basis of co-operative principles. It offers a wide range of financial services and products. Its origins are in the local loan co-operatives that were founded in the Netherlands more than a century ago by enterprising people who had virtually no access to external financing. The local Rabobanks that evolved from this have a long tradition, particularly in the agricultural sector and in small and medium-sized enterprises.

Rabobank Group

Rabobank Group comprises 188 independent local co-operative Rabobanks with over 1,200 branches in the Netherlands plus their central organisation Rabobank Nederland, established in Utrecht, and its (international) subsidiaries. Rabobank serves more than 9 million private individuals and corporate clients in the Netherlands and a growing number abroad. It employs 56,000 staff and is represented in 42 countries.

Rabobank Group has the highest credit rating (Triple A), awarded by the well-known international rating agencies Standard & Poor's, Moody's and Dominion Bond Rating Service. In terms of Tier I capital, the organisation is among the world's twenty largest financial institutions.

Local Rabobanks and Rabobank Nederland

The local Rabobanks and their clients make up Rabobank Group's co-operative core business. Clients can become members of their co-operative local Rabobank. In turn, the local Rabobanks are members and shareholders of Rabobank Nederland, the supralocal co-operative organisation that advises the banks and supports their local services. Rabobank Nederland also supervises, on behalf of the Dutch central bank, the solvency, liquidity and administrative organisation of the local Rabobanks.

Rabobank Nederland further acts as an (international) wholesale bank and as a bankers' bank to the Group and is the holding company of a large number of specialised subsidiaries.

Rabobank Group combines the best of two worlds: the local involvement and personal touch of the local Rabobanks with the expertise and economies of scale of Rabobank Nederland and its subsidiaries.

Mission and ambition

Rabobank puts the common interests of people and communities first. Based on its commitment to those interests, Rabobank aims to be a driver and an innovator that contributes to the sustainable development of prosperity and well-being. Its goal is to help people and communities achieve their present and future ambitions. Strengthening mutual collaboration and supplying the best possible financial solutions are the means to achieve that end.

Based on this mission, Rabobank Group's ambition is to be the largest, best and most customer-driven and innovative financial institution in the Netherlands. With their co-operative structure and a current membership of more than 1.5 million, the local Rabobanks are firmly rooted in society. In the Netherlands, Rabobank may justifiably call itself committed, near-you and a leader. Through its commitment to its clients and their world, Rabobank plays an active, leading role near by them. Innovating, inspiring, competent and visionary are core concepts in this context. In addition, Rabobank is a personal bank - a bank with a human face. Rabobank gets to business starting from the human aspect: human 'orange' first, and then to business 'blue', the two core colours of Rabobank's corporate logo.

In the international environment, Rabobank Group aspires to be the best food & agri bank, with a strong presence in the world's major food & agriculture countries. For this purpose, the Group uses the experience it has accumulated in the Netherlands over many years.

In addition, the Group aims at global excellence in sustainable entrepreneurship and banking, as would befit its identity and position in society. Rabobank Group will further integrate corporate social responsibility in its core activities.

Our values

In the Netherlands, Rabobank Group offers all the financial services needed by clients as they participate in an economy-driven modern society. The Group strives to ensure that its services are continually adjusted and updated so that they always meet the needs of private individuals and businesses alike.

Rabobank believes that sustainable growth in prosperity and well-being requires careful nurturing of natural resources and the living environment and it aims to contribute to this development with its activities. Rabobank respects the culture and traditions of the countries where it operates without losing sight of its own objectives and values.

In all its actions, Rabobank puts its clients' best interests first. The bank creates customer value by:

- providing those financial services considered best and most appropriate by our clients;
- ensuring continuity in the services provided with a view to the long-term interests of the client;
- showing commitment to our clients and their environment, so that we can contribute to achieving their ambitions.

Key figures¹

	page 100	2006	2005	2004	2004	2003	2002
Services (in EUR millions)							
Balance sheet total	●	556,455	506,573	483,574	475,089	403,305	374,720
Lending to the private sector	●	324,110	278,095	248,958	252,996	235,425	212,323
Due to customers	●	215,899	186,427	177,482	192,123	172,571	171,632
Assets under management	●	286,400	224,200	223,400	195,000	184,000	168,000
Results (in EUR millions)							
Total income	●	10,049	9,363	9,222	10,055	9,018	8,518
Operating expenses	●	6,887	6,242	6,177	6,732	6,243	5,839
Net profit	●	2,345	2,083	1,793	1,536	1,370	1,222
Market shares							
Mortgage loans	●	26%	23%	25%	25%	26%	26%
Savings	●	39%	39%	39%	39%	38%	40%
SMEs (total)	●	38%	38%	40%	40%	39%	39%
Agricultural sector	●	84%	83%	84%	84%	85%	83%
Client data							
Number of members (in thousands)	●	1,641	1,551	1,456	1,456	1,360	1,108
Client satisfaction private individuals ²		7.5	7.4	7.3	7.3	7.7	7.4
Physical presence							
Local Rabobanks	●	188	248	288	288	328	349
Branches							
- offices	●	1,214	1,249	1,299	1,299	1,378	1,516
- points of contact	●	3,091	3,031	2,965	2,965	2,800	2,697
Foreign establishments	●	330	267	244	244	222	169

General: the figures for group entities do not always add up to the total Rabobank Group figure owing to the effects of consolidation. Changes expressed as a percentage can show variances because of rounding.

1. The first three columns headed 2006, 2005 and 2004 are based on IFRS. The other columns for the years 2002 to 2004 are based on Dutch GAAP.

2. Based on a telephone survey held since 2004. The figures are not directly comparable with those of prior years.

	page 100	2006	2005	2004	2004	2003	2002
Personnel data							
Employees:							
Numbers		56,209	50,988	56,324	56,324	57,055	58,096
FTEs		50,573	45,580	50,216	50,216	50,849	51,867
Females employed ³		55.6%	56.3%	55.6%	55.6%	55.5%	56.2%
Females in senior positions (> grade 7) ³		19.9%	19%	17.8%	17.8%	16.7%	15.6%
Absenteeism due to illness ⁴		3.6%	3.7%	3.8%	3.8%	4.1%	4.7%
Employee satisfaction ⁵		87.0%	81.0%	85.0%	85.0%	86.0%	84.3%
WIA influx ⁴		0.18	n.a.	-	-	-	-
Training investments (in EUR millions)		76.9	68.7	69.0	76.7	79.9	78.8
Training investments (in EUR) / FTE		1,518	1,509	1,374	1,527	1,571	1,521
Products and services specifically geared to sustainability (in EUR millions)							
Rabo Green Bonds (cumulative)		3,130	2,644	1,984	1,984	1,786	1,141
Robeco CDO Green Bonds		30	30	30	30	n.a.	n.a.
Green financing (cumulative)		2,398	2,200	1,814	1,814	1,425	1100
Green lease (EIA/VAMIL/MIA) number of new contracts		92	36	25	25	10	15
Rabo Innovative Capital Fund (assets invested)		10	4.3	3.4	3.4	1.5	1.5
Robeco Sustainable Equity Fund		105	88	81	81	98	107
Robeco Sustainable Private Equity Fund-of-funds		191	122	5.3	5.3	n.a.	n.a.
Non-commercial sustainable activities							
Rabobank Foundation, loans / donations (in EUR millions)		15.9	10.1	7.4	7.4	5.0	5.1
Project Fund, donations (In EUR millions)		1.3	1.2	1.6	1.6	2.8	1.8
Operations							
Electricity usage (kWh per FTE) ⁶		4,580	4,276	3,352	3,352	3,744	3,139
Share of green electricity ⁶		86%	96%	25%	25%	25%	31%
Gas usage ⁶ (in m ³ per m ² of gross floor surface)		8.1	8.7	8.1	8.1	10.6	11.4
Paper (kg per FTE) ⁷		48.7	50.6	46.5	46.5	48.0	53.0
Rating							
Standard & Poor's		AAA	AAA	AAA	AAA	AAA	AAA
Moody's Investor Service		Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Dominion Bond Rating Service		AAA	AAA	AAA	AAA	AAA	AAA
SAM-rating (corporate social responsibility)			80%			74%	

3. These figures relate to Rabobank Group in the Netherlands, exclusive Robeco, FGH Bank, Athlon and Bouwfonds.

4. These figures relate to Rabobank Group in the Netherlands, exclusive Robeco, FGH Bank, Athlon and Bouwfonds; the figures of 2006 including Robeco and FGH Bank.

5. These figures relate to Rabobank Nederland and the local Rabobanks.

6. The comparison with previous years is hampered by adding the figures of Rabobank International in 2006; for a precise comparison see chapter 10 'The integration of CSR into our internal operations'.

7. These data (based on FTE's) relate to 99% of Rabobank Nederland, the local Rabobanks and group entities in the Netherlands for the portion that is purchased centrally.

Reporting principles

Offering tailor-made information

This is the full version of the Annual Sustainability Report 2006 published on the Internet. This Internet version enables the reader to choose the amount of text on offer. It can be the full report, one section or a specific passage. This 'dynamic' report incorporates a keyword search facility, enabling the reader quickly to find the passages relevant to him or her. A novelty is the option to navigate from the Annual Sustainability Report to specific sections of the Rabobank Group website (www.rabobank.com/csr), where more information is available. This makes for a more dynamic reading experience and interaction between the contents of the report and the information on the website.

Accessibility: reporting on three levels

Each year, information on our CSR activities increases and reporting and communication requirements become more stringent. In order to maintain access to our information at a high standard, we have added two complementary means of communication (see figure 1) to our 2006 Annual Sustainability Report 2006. The report describes all the relevant developments in sustainability reporting based on the new G3 guidelines established by the Global Reporting Initiative (GRI) in October 2006. The information is mostly intended for rating agency analysts specialised in assessing sustainability, investors, scientists and NGOs.

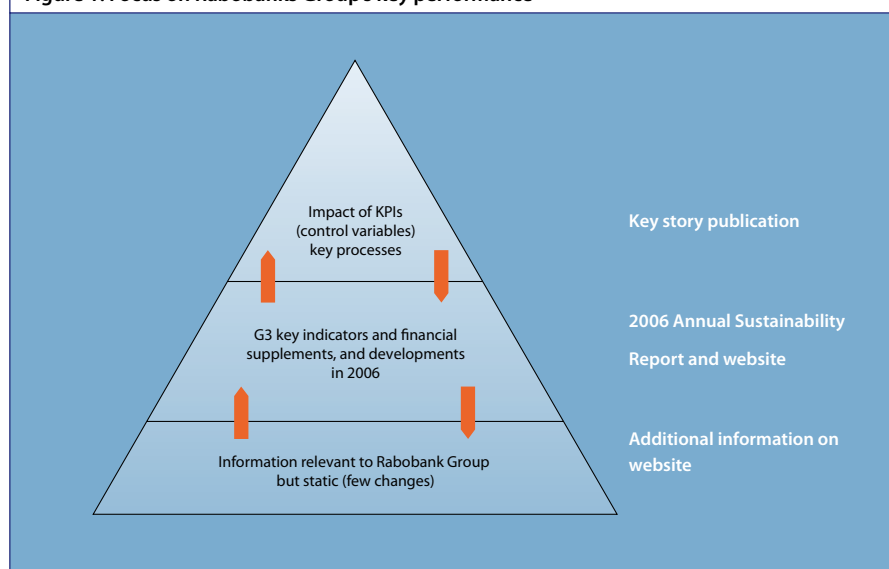
We also publish a hard-copy report entitled 'The Impact of CSR'. This publication is an abridged version of the annual sustainability report, containing the most important information. To the extent possible, this information is based on the first generation key performance indicators we established in 2006 (see page 18). This abridged version also features six case studies of socially relevant issues, as well as some ethical issues our Ethics Committee dealt with in practice. The target group are people with a broad interest in corporate social responsibility.

Over the years, we have found that for an all-inclusive view of Rabobank Group's sustainability performance, some information content, such as codes of conduct and guidelines, was relevant but changed little. In order to keep the report accessible and manageable, we have now opted for the first time to keep this 'static information' out of the report itself and place it on a separate page at the end. This information is available by clicking on the links and is easily identifiable as information related to the sustainability report.

Focus of the Annual Sustainability Report

The focal points of our 2006 Annual Sustainability Report are our financial key processes (sections 5 and 6) and the relationship between non-financial and financial data for our economic performance (section 4). In the financial

Figure 1: Focus on Rabobank Group's key performance



key processes we are concerned with information on lending, savings, funds transfers, product innovation, investing, leasing and real estate. We endeavoured to align the information about these processes to the key performance indicators in the area of financial service policy.

In accordance with GRI guidelines

This table of indicators (page 107) is based on the Global Reporting Initiative (GRI) sustainability reporting guidelines. In this annual sustainability report we adhere to the new guidelines and indicators formally adopted by the GRI in October 2006, referred to as the G3 Guidelines. The GRI adopts in the G3 guidelines several 'application levels'. Rabobank Group is of the opinion that the A+ level of the G3 guidelines of the Global Reporting Initiative (GRI) applies to its 2006 Annual Sustainability Report.

In our opinion, the report gives a fair and balanced view of our organisation's economic, ecological and social performance. We hope it will contribute to the transparency and comparability our stakeholders are asking for. This report was prepared for anyone who feels involved or has an interest in our activities.

With the readability and dynamics of the report in mind, we did not follow the layout of the GRI guidelines. For the reader's convenience, this report includes a table of GRI indicators, which is also posted on www.rabobank.com/csr. The table directs the reader to the website or the place in the report where the information may be found. The report also includes clear references to sections, pages and – as indicated earlier – hyperlinks to information not found in this report but on our website.

AA1000 Assurance Standard

Rabobank Group considers the AA1000 Assurance Standard (AA1000 AS) a key tool for aligning our non-financial disclosures with our stakeholders' expectations, requirements and wishes concerning our organisation. This tool enables us to gauge more rapidly and efficiently whether our sustainability report meets our stakeholders' transparency and credibility criteria. The paragraphs below set out Rabobank Group's compliance with the AA1000 Assurance Standard based on its three principles of materiality, completeness and responsiveness.

Principle 1: Materiality

Requirement: The annual report must include the information on the reporting organisation's sustainability performance its stakeholders require for making informed judgments and decisions and taking informed actions.

Explanation: Rabobank Group selects its stakeholders, to define the information in the report, based on the issues playing a significant role in our financial services to clients. In selecting stakeholders for Rabobank Group's consultation about issues of material significance for the report, we also looked at their expertise concerning these issues and their national or international status and reputation.

The contents of the annual sustainability report are based on triennial stakeholder consultation, as part of which we held in-depth interviews with 17 stakeholders covering our 2005 Annual Sustainability Report 2005 and our CSR policy, among other things. The contents of the report were further based on the annual survey of readers of the report, separate talks with stakeholders about social issues, a survey about CSR awareness among our staff, and desk research into social issues and reporting of importance to a financial institution.

Principle 2: Responsiveness

Requirement: The manner in which the reporting organisation has responded to stakeholder concerns, policies and relevant standards, and adequately communicated these responses in its report.

Explanation: In a separate section we included the information about our contacts with various stakeholders on social issues, stakeholder consultations, surveys we hold among stakeholders and specific literature research.

The whole of section 2 is devoted to our dialogue with stakeholders. It addresses our view of the issues and trends reported by the stakeholders, and also refers to other sections of the report that respond to questions and expectations we garnered from stakeholder dialogues (see principle 1). We also provide details on matters on which stakeholders called us to account, and what the state of affairs is (stakeholder mapping). Our issue management and multi-stakeholder dialogue policies are set out as well. In addition, we discuss consultation forums in which Rabobank Group takes part. To us, stakeholder dialogue is the most important source of information on what society expects from Rabobank Group. We accordingly invite the readers of our annual reports each year to let us have their feedback on the contents.

Principle 3: Completeness

Requirement: The extent to which the reporting organisation can identify and understand material aspects of its sustainability performance.

Explanation: Rabobank ensures that issues selected on the basis of stakeholder dialogues are dealt with and managed as broadly as possible in the parts of the organisation where they play a significant role. The report gives a comprehensive view of how identified social issues (see principle 1) are translated into policy, policy tools and their implementation in practice. The relevant information was garnered systematically using the CSR monitoring system, and by appointing managers responsible for the quality, accuracy and completeness of sections of the report.

Rabobank endeavours to include information in the report covering the entire organisation in all its facets. As far as scope is concerned, the 2006 Annual Sustainability Report 2006 was aligned as much as possible with the report for 2005. Together with Rabobank Group's general report for 2006, it presents financial and non-financial information in accordance with the wishes of our stakeholders. In some cases, the scope of the

annual sustainability report differs from that of the general annual report. Information in the two reports may then be at variance. All Rabobank Group entities supplied information for this annual report. In principle, the information in the report therefore originates from all group entities.

Where the scope of the report is not as wide, and is confined to only one or two group entities in or outside the Netherlands, this has been explicitly disclosed. The same applies when it is not possible to give a full account of a subject. The topics discussed in the sections on employees and business operations relate only to the situation in the Netherlands.

An important change in the size of the organisation and ownership in the period under review resulted from the takeover of parts of Bouwfonds and Athlon. Since the addition of Bouwfonds and Athlon to Rabobank Group only took place late in 2006, these figures (except for the number of staff and FTEs, and Bouwfonds Fondsenbeheer) have not been included. These new entities will be reported on in full in the year following their acquisition. We cease reporting on entities disposed of as from the year of disposal.

Data measurement techniques

CSR data collection process

Corporate Social Responsibility (CSR) data collection at Rabobank Group entities is identical, but the data collection process differs for local Rabobanks. The CSR Department is responsible for data content, while Rabobank Group Control takes care of the actual collection of the information.

We obtain the CSR information of group entities by means of qualitative and quantitative questionnaires. These are drawn up based on G3 indicators and our own perceptions. The CSR co-ordinator of the group entity concerned is responsible for collecting the necessary information.

RGC and the CSR Department (CSRD) then check the information for plausibility. Audit Rabobank Group (ARG) verifies the data to be included in the annual sustainability report. We supplement the completed questionnaires with data from the central systems.

The information from the local Rabobanks comes mainly from a separate CSR data collection and monitoring process, and from central systems. The data supplied is linked as much as possible to the number of FTEs. If data cannot be supplied in full, we make extrapolations in conjunction with the independent auditor. Where data is extrapolated, this is disclosed.

Computation of data for corporate in-house environmental management

Data concerning Rabobank Group's corporate in-house environmental management are based for the most part on invoices, or on records and management data that we keep ourselves or ask our suppliers to provide. For data conversion we use factors from reliable sources and established protocols. We express our electricity and gas consumption in TJ and CO₂, for instance, using SenterNovem conversion factors. Gas consumption in the Netherlands is adjusted for weather patterns using EnergieNed heating and cooling degree days statistics, while the GHG protocol tool⁸ is used to convert company car kilometres into CO₂ emission.

Comparability with previous reports

This report begins with the presentation of the principal figures for Rabobank Group's sustainability performance in the economic, social and ecological spheres. These are brought together in a table ('Key Figures') and they can be compared with the figures as from 2002 onwards.

The main results actually achieved compared to the 2006 CSR objectives as disclosed in the annual sustainability report are conveniently shown in the summary '2006 Results and 2007-2010 Objectives'. This summary therefore includes the main objectives for 2007-2010 as well.

8. GHG protocol tool: CO₂ emissions from business travel, version 2.0, June 2006, developed by WRI.

Preface

Rabobank Group notices that clients are becoming increasingly convinced that corporate sustainability principles can add value for their own businesses, their customers, the sector, and for society as a whole. In any event, we have much confidence in these principles.

An example of value added is the investment in clean and sustainable technologies that combat climate change and ease the burden on the earth's environment. Our periodic talks with various stakeholders also address such issues as climate change and making production chains more sustainable.

In 2006, we accordingly shifted the emphasis of our CSR policies somewhat from value retention through risk management, to value creation through product development and product renewal. Our new products in 2006, Robeco Clean Tech Fund, Robeco Clean Tech Certificate, the climate mortgage and the credit card with climate compensation in 2007 testify to this. The acquisition of the SAM Group, which specialises in sustainable assets management of listed companies, also fits into our CSR strategy to add more sustainability value to our financial services.

For Rabobank Group, the year 2006 will also be the year in which the principles of sustainability actually made their mark on the core activities and core processes of the organisation. Of the local Rabobanks, for instance, 78% have set CSR objectives, as against 56% in 2005. This is in line with the philosophy of our 2005-2010 Strategic Framework, in which we identified sustainability as one of the pillars on which our growth strategy for the coming years is to be based.

Far-reaching preparations were completed last year to enable corporate services to be tested against CSR criteria. Notably in our lending processes we have refined the CSR review systems. Similar developments can be seen in leasing, real estate and investments.

Not only are we implementing clear criteria that identify improper activities of clients, including potential clients, and that deny acceptance of such businesses as corporate clients, but most of all we wish to engage in talks with clients and draw their attention to possible social and environmental risks and opportunities in their sector. They can then take protective measures against these possible risks by organising their operations in



a more sustainable manner. Both individual clients and an entire production chain are considered in this regard. Some topics, such as climate change and human rights, even cross sectors.

Fostering the awareness of staff of the significance of acting in accordance with CSR criteria continues to be a tough issue. The incorporation of CSR criteria into processes and policy documents is not enough to reach our goal; successful integration of CSR depends on the cooperation of our staff. Many of them are engaged in commercial activities on a day-to-day basis. For them, CSR can only be a success if it is a natural part of our financial service to clients and if it yields enough benefits. Awareness of what CSR can do will make them think about it more keenly. We devoted much attention to this in 2006, and we will continue to do so in 2007.

In 2007 and following years, the addition of value using state-of-the-art services to the business operations of clients, production chains and sectors has our priority. More than that, it is a must if we are to fulfil our ambition and grow into one of the leading banks in the field of sustainability. Furthermore, we want the promotion of sustainable practices in standard agricultural and horticultural activities to be our spearhead. Judging by the signals we receive from society and the political arena, we expect that the aim of achieving sustainable development in the agricultural sectors, not only in the Netherlands but also in the rest of Europe, will gain momentum in the years to come. Bio-diversity is set to claim a significant role in this.

To help us fulfil our ambition to remain among the top sustainability-oriented international banks, we have prepared this annual sustainability report in accordance with the new G3 Global Reporting Initiative Guidelines. Our report also meets the AA1000 Assurance Standard. The links to additional information on our website are a new feature in this report.

As in past years, a hard copy publication supplements this report.

This publication entitled 'The impact of CSR' includes six case studies on social topics Rabobank found relevant. It also includes an [abridged version](#) of the annual sustainability report.

As in past years, we cordially invite you to let us know what you think of our annual sustainability report. Please send your response to:

jaarverslagen@rn.rabobank.nl.



Hans ten Cate
Rabobank Group
Member, Executive Board
Holder of the CSR Portfolio



Bert Heemskerk
Rabobank Group
Chairman, Executive Board

1 Our CSR policy

By its very nature, Corporate Social Responsibility (CSR) is complementary to Rabobank Group's cooperative philosophy. Our engagement with clients and environs is what enables us to give substance to CSR. To do this as effectively as possible, we have set priorities in our CSR objectives: in 2006 we made a start on establishing key performance indicators, with the emphasis on our financial and other core activities. We also shaped and formalised issue management so as to be able sooner to recognise and identify new social issues and trends.

Rabobank Group wants to identify trends and issues in good time to decide on how to deal with them in our CSR policy. An issue management system in which the dialogue with stakeholders is a core element would be the means to do this (see section 2).

For Rabobank Group to be able to anticipate CSR trends and issues adequately, its focus on corporate social responsibility will have to be group-wide. CSR accordingly occupies a prominent place in the 2005 -2010 Strategic Framework. Its emphasis is on a corporate strategy that enables organic growth and aims at the same time at bringing about a living environment of the highest possible quality.

From an international perspective, Rabobank uses a number of benchmarks. These include the OECD guidelines for multinational enterprises, the declaration of the UNEP Financial Initiative, the Global Reporting Initiative (GRI) guidelines and derived UN Global Compact guidelines. Especially the last-named form a useful aid for communicating on CSR matters. The ten principles express the core of CSR and link up clearly with such issues as human rights, workers' rights, environmental protection, and the fight against corruption (see section 2). The six areas of our CSR policies refer back to these basic principles of the Global Compact and the objectives from our strategic framework (see pages 14 and 16).

In this chapter

Stakeholders see two crucial social trends for Rabobank to address

- Trend analysis
- Strategic view: more emphasis on financial services



Our CSR policy

- CSR key performance indicators, and long-term and other objectives



The UN Global Compact principles

Human rights

1. Business should support and respect the protection of internationally proclaimed human rights.
2. Business should ensure their own corporations are non complicit in human rights abuses.

Workers' rights

3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Business should support the elimination of all forms of forced and compulsory labour.
5. Business should support the effective abolition of child labour
6. Business should support the elimination of discrimination in respect of employment and occupation.

Environment

7. Business should support a precautionary approach to environmental challenges.
8. Business should undertake initiatives to promote greater environmental responsibility.
9. Business should encourage the development and diffusion of environmentally friendly technologies.

Corruption

10. Business should work against corruption in all its forms, including extortion and bribery.

Stakeholders see two crucial social trends for Rabobank to address

Per region, per country, per sector and over time, different issues and trends always play a crucial role within these general principles. Nowadays, a business cannot afford any longer to disregard its environs. Developments in society succeed one another at an ever faster pace. Businesses that fail to notice and appreciate this can miss out on opportunities, are at risk, and consequently expose themselves and their environs to unnecessary risks. Using the information stakeholders receive from businesses, they can take informed decisions and take account of their impact on society.

Trend analysis

From our interaction with stakeholders, various important CSR issues and trends come to the fore that are of significance both for the further development of our financial products and services, and the promotion of improvements in the CSR performance of our clients. Currently, two global trends clearly stand out that may have considerable consequences for Rabobank Group:

1. the growing need to deal more carefully with our scarce natural resources, especially in relation to fossil and other fuels and climate change, and
2. the growing need for drastic improvement in the sustainability of global production chains.

Both trends are directly related to the causes and the solutions of important sustainability issues.

CSR objectives in 2005-2010 Strategic Framework

Executive Board:

- maintain the position among the top five of sustainability-oriented European banks;
- assume an active role in their capacity as Supervisory Board members at subsidiaries.

Local Rabobanks:

- more emphatic application of Rabobank Group's Code of Conduct;
- transparency of social / commercial projects to be enhanced.

Rabobank Nederland:

- unless shown otherwise, lending is based on sustainability;
- apply CSR criteria to our own business processes;
- apply sustainability criteria to pension fund.

Rabobank International:

- flesh out CSR criteria in mainstream food and agriculture;
- apply CSR criteria to lending operations.

Subsidiaries:

- integrate CSR criteria, among other things in financing (De Lage Landen), out-tasking (FGH Bank) and investment policy (Robeco);
- transparency in terms of delivery (Robeco, Schretlen & Co).

The use of scarce natural resources and climate change

While the world's natural resources are limited, its growing population makes ever greater demands on them. We need a second planet like the earth just to accommodate the growth of China and India alone until 2030. But there is no second earth. Apart from this 'unbalance' in supply (reserves) and demand, the emission of hothouse gasses associated with the use of fossil energy, such as carbon dioxide (CO₂) and methane (CH₄), contributes substantially to climate change as well. Climate change is a major threat to our planet. It leads to significant, irreversible environmental damage and, consequently, to social destabilisation and considerable economic productivity losses.

At this time, this is one of the most important corporate social responsibility issues for Rabobank. The more so because in a number of cases, current forms of exploration and mining do not score highly on the CSR benchmark either. And also because the social costs of climate change are expected to be high due to agricultural land losses, declining food production, reduced availability of drink water, and flood and storm damage. For Rabobank, which has a significant worldwide credit portfolio in food and agricultural production chains, any climate change that is in danger of becoming unmanageable would mean a substantial direct credit risk. Accordingly, Rabobank is therefore very much aware that its own lending operations, too, must be geared increasingly to future-oriented, prosperity-enhancing investments and long-term value creation. This may well help in making scarcity, and climate and weather changes manageable.

While it is true that the earth is finite, luckily, it would seem that human inventiveness is not. Humanity will have to resort to this creativity to avoid the planet from becoming physically and climatologically unmanageable before it is too late. We can accomplish this by investing more in the development of renewable sources of energy, the more efficient use of

energy, and in the sustainable management and use of other natural resources and reserves (see also the case study:

Bio-energy: opportunity or risk?). Thanks to existing and recently developed new technologies, there are plenty of opportunities worldwide to achieve considerable reductions in CO₂ emissions. Rabobank accordingly believes that the key to a more sustainable future is in the hands of businesses that can make a contribution to the application and further development of the new generation of clean technologies. The task of national and supranational public authorities (such as the EU and the UN) is to substantially speed up the removal of existing impediments to the application of sustainable technologies, and introduce coherent packages of economic rules of play geared to sustainable business operations. 'Clean, clever and competitive' could be the motto. Rabobank wants to make an active contribution to this, among other things by stimulating the development and implementation of cleaner technologies in its own financial services by means of especially designed financing products and services (see pages 58-64).

Improving the sustainability of global production chains

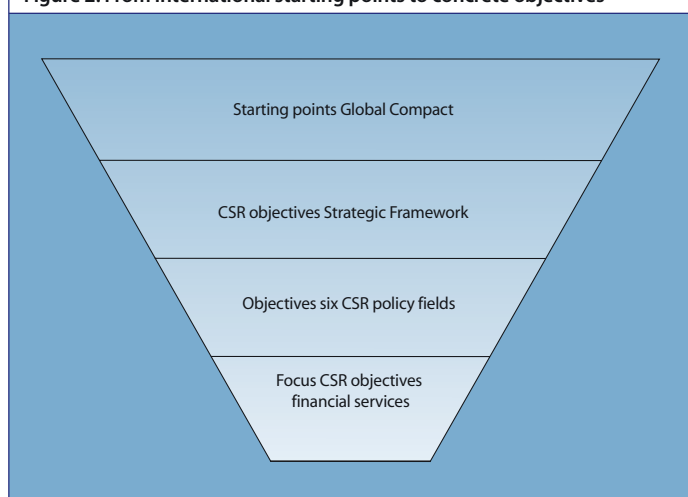
The production processes of an increasing number of commodities and semi-finished goods have grown to become worldwide, long production chains. A country such as China, for instance, has slowly grown into the 'workshop of the world', and Brazil into the agricultural plantation of the world'. However, this ongoing expansion of activities and zones in newly industrialised countries such as China and India are not keeping pace with the introduction of acceptable, internationally recognised labour practices and environmental requirements. The expansion of mega agricultural plantations in Brazil, Argentina and Indonesia, often takes place at the expense of valuable natural areas. Often, the rights and living environment of the indigenous population of these areas are not treated with the respect they deserve.



Marion Swoboda, SAM Group financial sector analyst:

"In the years to come Rabobank Group should take a lead in showing other financial institutions the way to make progress in climate change issues. Within its corporate sustainability, Rabobank Group should put a focus on how financial institutions can address climate change in their different types of financial products and services. Further, Rabobank Group should support capacity building to tackle climate change issues in the financial industry."

Source: 2006 stakeholder consultation

Figure 2: From international starting points to concrete objectives

On the one hand these problems are attributable to either the lack or the inefficient introduction and enforcement of legislation in these countries, in conjunction with the wasteful use of arable land and raw materials. On the other hand, they occur as a result of increasing demand for inexpensive commodities and semi-finished goods in the highly industrialised countries of North America, Western Europe and Oceania (Australia and New Zealand). This demand creates economic opportunities in the newly industrialised countries (many of which are low-wage countries), but also in growing pressure to expand production capacity quickly. As is widely acknowledged at present, the resulting social and ecological problems are not attributable so much to a single country. They are a consequence of the different roles that parties play in a production chain. The solution to this issue is accordingly sought in the parties in the chain - from producer to consumer - assuming their own responsibility. If a party in the chain fails to assume an adequate share of its own responsibility, it would expose the other parties in that production chain to risk, and adjustments would result.

A financial service provider such as Rabobank Group also assumes its responsibility. We develop CSR policies in the sectors we are concerned with (such as soy and palm oil) and bearing in mind the entire production chain. We will give priority to this in the coming years. As soon policies have been formulated, we will implement them in the financial key processes at group level (see also section 5 and the case studies [Sustainable soybean chain: A tribute to the king of beans](#) and [Bio-energy: opportunity or risk?](#))

Strategic view: more emphasis on financial services

The above trends were also a topic in our talks with stakeholders in 2006 (see section 2). With several stakeholders these topics included the positive and negative impact of our financial services on sector production chains and on climate change. Virtually all our stakeholders held the view that in the field of CSR, too, improving the sustainability of financial services

was the most important. The reason is that with the considerable influence our services enable us to exert, we are in a position to steer the social, economic and ecological processes within many sectors.

In the coming years we will above all be emphasising the integration of sustainable development into our financial services. Our aim in this respect is to channel capital expenditure as much as possible in the direction of long-term value creation, and where possible to speed up this movement. We will do this, among other things, by offering our clients state-of-the-art products and services that will enable them to apply sustainable innovations and technologies sooner and on a larger scale (value creation).

In addition, we will continue to encourage our clients' CSR performances by drawing their attention to possible social and environmental risks in their sector and business operations. To this end we use risk management criteria that form part of the processes underlying our regular financial services.

For the years ahead, this strategic choice will put the focus on the following two objectives within the policy area of 'Financial services sustainability development':

- Objective 1: launch new products and services (business development) to foster clean technologies and sustainable investments.
- Objective 2: further implementation of CSR in the core processes of Rabobank Group with the emphasis on lending, leasing, investing and real estate. For details of this objective in the framework of a long-term plan, see page 50.

These objectives are related to key performance indicators number 5, 6, 7 and 9 in figure 3.

Our CSR policy

In addition to the CSR policy area 'Financial services sustainability development' on which our strategy focuses, Rabobank Group has a further five policy areas within its CSR policy that stakeholders consider of greater or lesser relevance. This total of six policy fields corresponds with the sections in the annual sustainability report 2006.

1. Identity and reputation management in relation to CSR (sections 2 and 3).
2. Financial services sustainability development (sections 4, 5 and 6).
3. Expansion of our banking activities in developing countries, in part under the Rabobank Development Programme label (section 7).
4. Social engagement: initiate or support activities that are of benefit to Rabobank members and society in general (section 8)
5. Modern personnel policy geared to selecting and further developing talented people (section 9).
6. Developing the sustainability of business operations (section 10).

With the data we collect from our dialogue with relevant stakeholders, we continuously test whether the policy we are pursuing needs adjustment.

CSR key performance indicators and (long-term) other objectives

All Rabobank Group entities have formulated objectives in one or more of these six policy fields. The main ones are included in '2006 Results and 2007-2010 objectives' (page 19). In addition, we have set a total of 22 key performance indicators (KPIs) (see figure 3). The objectives are linked to KPIs as much as possible. We endeavoured to do this especially in the field of financial services, since our strategic focus is on that field.

The process of setting effective key performance indicators consists of four phases: (1) designate the KPIs, (2) set objectives per KPI, (3) measure the KPIs and (4) manage the objectives. In 2006, we all but completed phase 1, and made a start on phase 2. In 2007 we will further refine the indicators and in 2008 we hope to have completed all four phases.

The KPIs give an indication of our CSR performance in the six CSR policy areas referred to. A KPI is like a thermometer that periodically measures the state of affairs in the organisation. These KPIs enable us to review developments periodically and where necessary make policy adjustments or set and monitor stricter objectives.

What is our take on corporate social responsibility?

CSR fits into a cooperative. One of the characteristic features of cooperatives is that decision-making should take place in consultation with their members. Partly because Rabobank's members are from all walks of life, it is at the heart of society. As a result, our ambition and business strategy include a strong social component geared to the creation of value in the long term. We supply excellent products and services to our clients. Our [code of conduct](#) and our desire to account in a social debate for our policy and its impact make CSR a natural activity for Rabobank.

We want to retain our leading position among the top international CSR banks (according to the research firm SiRi) and show and convey intellectual market leadership in this field. Follow this link [vision and mission](#) for more information.



Ernst van Weperen, association of investors in sustainable development

"An important concern is the unbridled growth that seems to be taking place in the setting of and reporting on CSR objectives within Rabobank Group. These objectives would appear to have no relationship with the CSR key performance indicators (KPI). Trained readers and analysts though we may be, but even we are losing the plot. By all means, let business units formulate their own objectives, but they should be closely related to the objectives and KPIs set by Rabobank Group as a whole".

Source: 2006 stakeholder consultation.

Figure 3: Six policy areas with one or more key performance indicators (first generation)

Key performance indicators for the identity and reputation management policy area:

- (1) Rabobank Group's rating by firms such as SiRi, its position in the Transparency Benchmark of the Ministry of Economic Affairs and in the biennial UNEP/ Sustainability/ Standard and Poor's global surveys of the top 100 sustainability reports;
- (2) the number of policy documents drawn up with the involvement of stakeholders;
- (3) the percentage of employees that is familiar with the Rabobank's code of conduct and the percentage of employees who can indicate examples of its application (in their own working environment).

Key performance indicators concerning the development of sustainability in financial services:

- (4) the extent to which the CSR sector-policy documents, the CSR issues lists and the CSR lending, leasing, investing and real estate criteria are being applied by the group entities concerned;
- (5) the number (at least one) of new CSR products or services launched per year;
- (6) the number of new products and services developed that were tested and adjusted in the design phase in respect of CSR criteria and transparency conditions;
- (7) the degree of client satisfaction about the manner in which Rabobank Group deals with complaints;
- (8) business volumes in sustainable products.

Key performance indicators in the 'Banking in developing countries' policy area:

- (9) the number of banks in developing countries in which Rabobank has a stake;
- (10) the number of savings and credit cooperatives in developing countries supported by the Rabobank Foundation;
- (11) the volume of financial products and services (e.g. micro loans) that Rabobank Group invests via these banks in the economy of developing countries.

Key performance indicators in the personnel policy area:

- (12) the degree of employee satisfaction;
- (13) the total number of employees (women in executive staff positions, people of immigrant or non-Dutch background and handicapped people) coming within the scope of the diversity policy;
- (14) the number of employees who have at least one specific personal objective in their performance management;
- (15) the position of Rabobank in the category 'Most popular employer' according to the business magazine 'Incompany', for instance.

Key performance indicators for the 'Social engagement' policy area:

- (16) the amount of sponsorships and donations disbursed on local and other social activities and research;
- (17) the value clients attach to the social activities according to the Rabobank Communicatiemonitor survey;
- (18) the value employees attach to Rabobank's social activities according to the employee satisfaction survey.

Key performance indicators for the 'Business operations sustainability development' policy area:

- (19) the percentage savings in energy, paper and waste;
- (20) the percentage of company cars with an A, B or C energy label relative to the company car fleet as a whole;
- (21) by comparison, the development of CO₂ emissions in tonnes per FTE;
- (22) the volume (in EUR) of sustainable product purchases relative to the total volume (in EUR) of product purchases.

Main results for 2006 and objectives for 2007 – 2010

2006 Objectives	2006 Results
Policy	
● 80% participation in CSR monitoring by local banks.	80% has accomplished.
● 75% of local banks set CSR targets.	78% local Rabobanks.
⓪ Tidy up and bring up to date CSR codes and guidelines.	Ongoing activity to make content of codes and guidelines accessible to core business.
● Board of Management: to devote more attention to CSR at subsidiaries.	100% via policy talks with entities in 2006 and role of Executive Board members as supervisory directors.
⓪ Local Rabobanks: include CSR in their banking policy.	69% on the basis of 80% participation of CSR monitoring, partly accomplished.
● Audit Rabobank Group: audit of accounting system and controls, 2006 CSR monitoring for review of 2007 Annual Sustainability Report.	100% accomplished as a part of the verification of Annual Sustainability Report 2005.
⓪ CSR Department: professionalism of CSR co-ordinators and directors of local Rabobanks.	Six work conferences held for CSR coordinators and one conference for directors of Local Rabobanks.
● Control Rabobank Group: Integration of CSR monitoring in regular planning & control cycles on a quarterly basis, and management reporting to Board of Management to include CSR reporting.	100% accomplished for group entities and local Rabobanks on a voluntary basis (80%).
● De Lage Landen: Kick off awareness programme Compliance & Ethics.	80% of personnel attended programme; to continue in 2007.
● Legal and Tax Matters Department: management reporting on the extent to which company rules and regulations have been adapted to governance codes.	100% via management reporting to Executive Board.
● In-depth interviews with relevant stakeholders.	Accomplished.
Financial services	
● SME / Agricultural Departments: list of CSR points for relationship managers to focus on in loans to clients with an exposure in excess of EUR 1 million.	Accomplished.
⓪ SME, Private Individuals and Private Banking Departments: integrate CSR in marketing propositions.	Partly accomplished; see pages 58, 59, 68 and 77.
● FGH Bank: financing and appraisal framework for immovable properties of a sustainable nature, such as the financing of urban renewal projects.	Accomplished; implementation in 2007.
⓪ De Lage Landen: formulate and implement vendor CSR acceptance policies.	Policies have been determined; implementation in 2007.
⓪ Robeco: more transparency in products and processes. Clarity in terms, risks and fee rates.	Partly accomplished.
⓪ Rabobank International and Rabobank Nederland Corporate Clients: phased implementation of explicit CSR tests in lending processes. Credit Risk Management: apply CSR test in credit assessment.	Preparations completed; implementation in 2007, see pages 53 and 54.

continued on next page

2006 Objectives		2006 Results
○ Rabo Vastgoed: reduce social costs and create economic and spatial added value.		Integration of such added value in all real estate projects has been prepared; implementation as from 2007.
○ Rabo Green Bank: more diversification in project categories and in funding.		Some diversification in projects; not necessary in funding given the substantial demand for bonds.
● Robeco: Increase the assets under management of sustainable investments.		Accomplished by expanding the technique of engagement; see page 59.
● Growth in volume of New Values in CO ₂ trading.		Accomplished.
Social commitment		
● Knowledge and Economic Research Departments: CSR to be an integrated part of the analyses, conclusions and views where CSR plays a part.		Accomplished.
○ Private Banking Department: an aid for local Rabobanks with a link between the co-operative philosophy and commerce.		Under development.
● Investment in two to three rural banks in developing countries.		Accomplished.
● Local Rabobanks support projects contributing to society.		64% of the local Rabobanks support social commitment via co-operative dividend campaign: see page 77.
● Schretlen & Co: further encouragement of employees to work as volunteers through the 'Binden en Boeien' Programme.		Ongoing.
● Executive Board Members to encourage employees to take up unpaid ancillary jobs in the community.		Accomplished.
Employees		
● Performance management of each of the 200 members of the executive management (excl. local Rabobanks) to include at least one CSR objective in 2007 .		Obligation 1 personal CSR objective accomplished.
○ 20% of trainees to be from an immigrant or non-Dutch background.		Not accomplished, 10% in 2006.
● Optimise the reintegration proces, offering a clear division of responsibilities between manager, employee and Health & Safety Service.		Accomplished with new policy.
Operations		
○ A4 paper usage to come down by 10% compared to 2003 ¹⁰ .		Two-sided printing at local Rabobanks.
● Shared Services & Facilities: implementation of a waste disposal system for all Rabobank Nederland's relevant waste streams.		Accomplished.
○ Shared Services & Facilities: effective 1 April 2006, all procurement contracts to be entered into to be fully compatible with sustainable purchasing requirements.		In progress.
○ Shared Services & Facilities: local Rabobanks to comply with group objectives on sustainable building.		Preparation completed; implementation in 2007.
○ Energy management: branches of Rabobank Nederland follow the energy management guide set up by SenterNovem.		In progress.
● accomplished	○ partly accomplished (in progress)	○ not accomplished

10. These figures relate to Rabobank Nederland and the local Rabobanks.

2007 - 2008 Objectives

Policy

- Update Rabobank Group's Code of Conduct and bring to the attention of all employees in 2007.
- Mapping method for relevant social issues in 2007.
- CSR to be part of bank policy at 90% of the local Rabobanks in 2007.

Financial services

- Integration in 2007 of CSR in propositions and marketing geared to private individuals (Metropolis and Immigrant Integration policies), SMEs (noticeable in 30% of marketing propositions) and Private Banking socio-financial services in the field of good causes, and inflow of 3-6% of total inflow to be 'sustainable').
- De Lage Landen: development of 'CSR-proof' products in 2007.
- Introduction of five sector policy documents at the group level for the palm oil, soy, tree felling, fishery/fish breeding sectors and sectors with high greenhouse gas emissions.
- Charting CO₂ emissions of Dutch large corporate clients in lending (indirect effects).
- Implementation of the CSR check in client acceptance and lending before 1 July 2007.
- 80% of all relevant staff of Rabobank International branches has attended a CSR training course.
- Implement the use of CSR-issues checklists (Issues List) for the most relevant sectors of our large corporations market in the Netherlands.
- Integrated CSR values for project development to be implemented in new Rabo Bouwfonds entity in 2007.
- Robeco: in 2007 (a) 10% inflow to existing and new assets under management to be subject to engagement principle, and (b) 10% inflow to sustainable assets under management.
- Robeco: 100% of product terms checked for transparency in 2007.

Social engagement

- Personnel of all group entities and of more than one half of all local Rabobanks to be engaged in CSR. Formats on CSR engagement are available to this end (including Make-A-Difference-Day, Best Buddies and Readers Days), as well as a large number of best practices as a source of inspiration from Rabobank Group's day-to-day practice.

Employees

- Encourage employees to include a CSR objective in their performance management of their own accord (compulsory for executive managers) by the implementation and use of the competency 'Corporate Social Responsibility in Action'.
- 20% of trainees to come from an immigrant or non-Dutch background, this objective was adjusted to 10% in 2006.
- 30% of trainees to come from a multi-cultural background in 2007.
- 15% of the executive staff to be females¹¹ in 2008; situation in 2006 was 7%. This objective was adjusted to 10% in 2006.
- 55% of local Rabobank employees (and of other group entities) to participate in e-learning and other programmes in 2007.

Operations

- Implementation of CSR in Operational Management Handbook of local Rabobanks in 2008 (preparations have started).
- Decision on the implementation of climate neutral operations in 2007.
- By the end of 2008, 65% of the local Rabobanks to participate in the ABC arrangement (cars with the least impact on the environment). In addition, a total reduction in CO₂ emission of 30%.
- The proportion of branches participating in the energy program must be 80% in 2007 and 95% in 2008.
- The objective of reducing the number of company cars by 15% was abandoned as it appears to be unfeasible, as a result of the pressure due to the economic upturn and the associated tight labour market.

11. These figures relate to Rabobank Nederland, the local Rabobanks, De Lage Landen and Schretlen & Co.

2010 Objectives

Policy

- Integrate CSR fully into policy and operations (globally in the top three of CSR ratings).
- Next round of in-depth interviews with stakeholders (stakeholder consultation) in 2009.

Financial services

- CSR is fully integrated into the lending, leasing and investment processes and products.
- Policy documents for the ten most CSR-issue sensitive sectors are in use for lending and – if applicable – for leasing.
- CSR financial services criteria (implemented in 2007) to be tested for feasibility in 2008, and if necessary refined on the basis of new insight in 2009-2010.
- For all sectors in the large corporations market, CSR-issues lists are available and have been taken into service.
- Charting CO₂ emissions of all corporate clients in lending (indirect effects).
- In the 2007-2010 period, Rabobank Group will launch five new or renewed products with clear CSR-based values.
- 2007-2009: grow towards 250 soil decontamination operations financed each year.

Social engagement

- Rabobank Nederland will encourage local Rabobanks to set up a programme by the end of 2010 in which their members and/or members of their personnel become actively engaged (volunteer work) in the local community.

Operations

- In 2010, a percentage (to be determined in 2007) of the then completed new and large scale building alteration projects meet the Senter Novem sustainable real estate standards.
- Further reduction of environmental impact of our operational activities by 10% when compared to 2006, by taking measures in the field of energy, paper savings, and reduction in waste and CO₂ emissions attributable to business air and car traffic.
- CSR suppliers' assessment is part of the purchasing process. At RCI, all suppliers have also been assessed on this basis.

2 A dialogue with our stakeholders

A variety of social groupings and enterprises come together more and more often to hold joint discussions on socially controversial issues. Needless to say, this happens mostly where business is considered to play a significant role, either positive or negative. Rabobank Group, too, has recognised this trend and realised that in a number of cases it will perform better by making good use of the information that emanates from such dialogues. We drew strength from these insights, and in 2006 we shaped a new component of our CSR policy, in which issue management and stakeholder dialogue have been placed more at the centre.

In this chapter

Our management approach to social issues and stakeholder dialogue

- The contours of our issue management policy
- Our stakeholder dialogue approach and principles



Our multi-stakeholder dialogue

- Our stakeholder consultation
- Taking part in national and international consultations
- Bilateral consultation on issues in 2006
- Measuring expectations



Our management approach to social issues and stakeholder dialogue (management disclosure)

Stakeholders draw attention to Rabobank Group to social issues that may involve threats or opportunities. They are continually providing us with new perspectives, knowledge and insights. With our policy, and by recognising these issues in good time, we are able to anticipate future developments and new demands society makes on us. This puts us in a position to improve on our CSR-driven financial core activities and business operations and where possible turn sustainable developments into commercial advantage. Furthermore, we can recognise the adverse effects of unintended and unforeseen aspects of our financial services sooner, and sometimes even avoid or compensate these altogether. For the most part, our approach to issues is based on a sector perspective and is described in detail below.

European Sustainability Reporting Award 2005

On 3 April 2006, Rabobank Group received the European Sustainability Reporting Award 2005 (ESRA 2005) for its 2005 Annual Sustainability Report. This report, as winner of the Dutch equivalent of the prize (ACC Award), was nominated in November 2005 for this European prize. The report was praised by the Jury for its handiness, convenient layout and completeness. According to the jury, the report's other strong points included the description of how CSR principles had been embedded in the organisation, and the reporting on Rabobank's activities in developing countries.

The contours of our issue management policy

The emphasis in the issue management policy that Rabobank Group developed in 2006 is on the timely reporting of social developments and issues in the sectors in which Rabobank has significant operations as a financial service provider. After all, changes in these sectors can have a far-reaching impact on our activities as a financial service provider and on the results of Rabobank Group. In order to increase transparency in the selection of social issues, we are currently developing and testing a method that will enable us to prioritise issues. We base an issue's priority on an assessment of the risk and the impact of this risk on Rabobank

Group. For the latter, the talks with stakeholders who are active in the field of CSR are an important source of information. An example can be seen in figure 4.

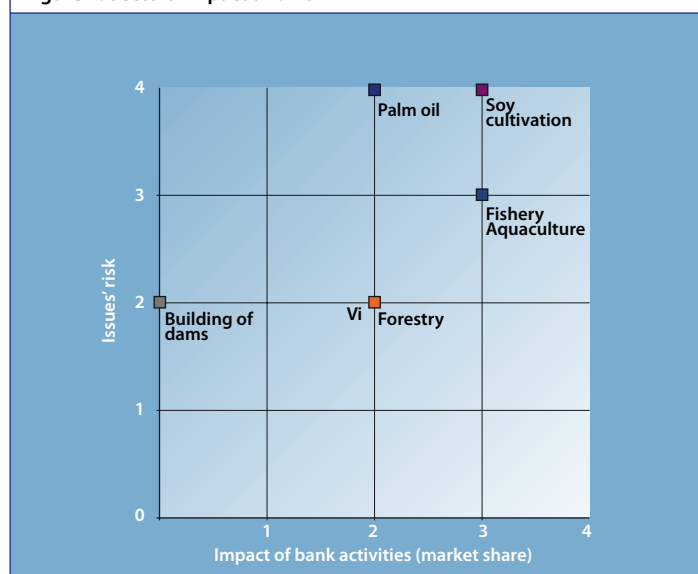
To then be in a position to guarantee a careful and adequate treatment of the selected issues in our financial core processes, we develop specific policy in what we call sector policy documents. Bearing in mind the nature of the issue, this policy can be formulated in a sector-specific manner (for example as regards the social consequences of palm oil, soy, or aquaculture production) or in a cross-sector manner (as with climate change or the violation of human rights). A selection based on stakeholder relevance, too, is appropriate so that we as a business can act more effectively (see page 26). To be able to manage this whole process of identifying stakeholders and new issues, and developing, co-ordinating and implementing new policies, we appointed an issues manager with effect from December 2005.

Selecting relevant issues and sectors

An important aspect of issue management, as it is being shaped within Rabobank Group, is the timely identification and reporting of issues that can grow from potential into actual risks and opportunities. As noted above, the selection of relevant topics from countless developments and issues in society is the first, strategically significant task. The level of relevance depends on the impact the issue has and the size of our market share in a certain sector. We must therefore be able to detect and recognise these key issues quickly. We can do this by combining various activities, such as:

- Performing our own research. Through desk research, we gather examples of controversial issues in countries and sectors in which Rabobank operates as a financial service provider. This is done via the Internet, in newspapers and journals, and in reports and scientific articles. We also carry out field surveys in the form of interviews or the exchange of emails with stakeholders who have specific knowledge about a certain issue. Examples in 2006 included (1) a discussion with the National India Working Group about issues in the Indian tea, sugar, agrochemical and pharmaceutical sectors and (2) the exchange of information by email with the Marine Stewardship Council on issues in the Chinese fishery sector.
- Outsourcing research. Rabobank regularly instructs specialised agencies to carry out a survey of issues within sectors and in certain countries. In 2006, this was done for Indonesia, India and China.
- Conducting a dialogue with stakeholders. In 2006, Rabobank Group did this both bilaterally on upcoming controversial topics, as well as during its tri-annual stakeholder consultations, during which in-depth discussions were held with a limited number of stakeholders.

Figure 4: Sectors' impact and risk



Selecting stakeholders

Rabobank Group consults with a variety of stakeholders in the various sectors and policy fields in which Rabobank Group operates. The Dutch central bank, and the Netherlands Authority for Financial Markets (AFM) for instance, are among Rabobank Group's most significant stakeholders in the financial field, whereas other stakeholders are more relevant as far as corporate social responsibility is concerned. When selecting and prioritising last-named groups of stakeholders (nationally and internationally), we use the following criteria.

- The stakeholder is an non-commercial and non-profit organisation, or a rating firm that focuses on social and environmentally-related issues.
- The stakeholder is influential and authoritative in society and politics.
- The stakeholder has a considerable following.
- The stakeholder has a powerful national or international network.
- The stakeholder has a good reputation.
- The stakeholder has a clear-cut opinion on the activities of Rabobank Group.

A stakeholder has to meet at least the first and last-named criteria, as well as one of the other four criteria in order to qualify as relevant for the purposes of our CSR policy. In exceptional cases, a stakeholder meets all the criteria. This is the case with the World Wildlife Fund for instance. For us this was an important reason to enter into a three-year partnership with the WWF in 2006.

Our stakeholder dialogue approach and principles

In our approach to stakeholders in relation to CSR, we distinguish between several groups of stakeholders, such as: members, clients and client organisations, NGOs, suppliers, rating firms, investors in Rabobank bonds, the government and, last but not least, our employees, whether or not organised through the participation council. For more about [stakeholders](#)

follow this link. To be able to establish a joint platform for resolving an issue, ideas or standpoints are exchanged in dialogue with these stakeholders.

Pivotal in the policy that Rabobank Group decided on in 2006 for conducting a dialogue with these stakeholders is the identification and listing of the differences and similarities in attitudes to selected issues. To help us put across our own ideas and standpoints effectively, we make use of position papers and case studies. A position paper is a document in which Rabobank Group's vision, objectives, policy and standpoints concerning an issue are described. Examples include position papers on our [climate policy](#) and our [diversity policy](#). Case studies are news reports dealing with an issue or dilemma Rabobank Group is faced with in practice. A [case study](#) points the way to solutions and includes stakeholders' comments on the issue and Rabobank Group's approach.

Stakeholder dialogue principles

We have drawn up a number of principles to serve as a basis for stakeholder dialogues. These are:

- The topic of discussion must be plainly delineated and mutual expectations must be clear;
- The point of departure of a dialogue is made up of one or more high priority issues for which new policy is in course of development, or which give rise to questions in relation to existing policy;
- There is no dialogue unless the parties in question jointly point the way to solutions;
- In exceptional circumstances in which parties agree to disagree, this outcome can be satisfactory provided it is the best attainable;
- Stakeholder complaints are dealt with via a single desk, in accordance with a clear procedure and within a deadline agreed with the person filing the complaint.



Kees Kodde, campaigns director, and Donald Pols, Climate and Energy campaign leader, Friends of the Earth Netherlands "A business with dilemmas in which economic, environmental and social aspects conflict with one another must handle these carefully. At the request of internal parties, these ethical dilemmas are reviewed in-house by Rabobank Group's Ethics Committee, which advises on them. Friends of the Earth Netherlands sees such an Ethics Committee as an instrument that can be of interest to external parties as well. We call on the bank to do its best to make the Ethics Committee known as a 'complaints desk' to outside parties as well."

Source: 2006 stakeholder consultation

Dealing with queries and complaints

The desk dealing with questions concerning issues is manned by the issues manager. He consults with second line specialists on the answer to be given. To this end he uses a 'knowledge card', which lists the bank's specialists in the subject concerned. An adequate answer can therefore be provided swiftly.

In addition to this desk, there is another which deals with complaints concerning the alleged involvement of Rabobank in a concrete, socially sensitive topic in practice. This desk is manned by the secretariat of the [Ethics Committee](#) (see also page 38). An example of a case study submitted by a third party is the sponsorship by local Rabobanks of circuses with exotic animals. This complaint was filed by the Stichting Aap sanctuary for exotic animals (see page 32).

Our multi-stakeholder dialogue

These building blocks underpinning Rabobank's CSR policy geared to stakeholders were used to develop an approach in 2006. We call it our 'multi-stakeholder dialogue'. In it, we bring together activities geared to different relevant stakeholders. With this method we bring together relevant stakeholders who are involved in one or more CSR issues that have a bearing on a sector or production chain. The main object of this approach is to build up mutual trust to be able to arrive at better and more sustainable solutions for an issue together. Different working methods are used simultaneously:

1. stakeholder consultation for which the stakeholders to be interviewed have been selected, covering social, environmental, research and commercial focus areas (see figure 5);

2. active participation in sector-wide meetings, among others as a member of national or international round table conferences (see page 27);
3. where necessary, hold bi-lateral discussions with the principal stakeholders in one sector on a specific CSR issue. This may be done at our request or at the request of a stakeholder. An example is the bi-lateral talks Rabobank Group held with the NGO 'Campaign Against Weapons Trade' on the financing of corvettes to be built for the Indonesian navy. In addition, we held talks with experts in the field of international relations, weaponry and shipbuilding (see page 32).

Our stakeholder consultation

Once every three years, Rabobank holds a stakeholder consultation. It consists in comprehensive interviews held with a number of stakeholders. The object of the consultation is to map the expectations, opinions and wishes of stakeholders through these interviews, namely:

- their expectation regarding developments in society and social issues;
- their opinion on Rabobank Group's CSR policy (its strengths and weaknesses);
- their wishes regarding our Annual Sustainability Report for the year concerned.

Furthermore, we instruct an independent research agency to hold a survey among readers of the Annual Sustainability Report (see page 33).

Based on the selection criteria referred to earlier, seventeen out of a larger group of relevant stakeholders were invited for an interview. To this end, we took care to retain a balance in the distribution across the different CSR aspects. This resulted in the selection of the organisations included in figure 5, all of which have since been interviewed. In principle, the World

Figure 5: [Stakeholders interviewed](#) as part of the 2006 stakeholder consultation

Amnesty International	Association of Investors for Sustainable Development (VBDO)
Bank Track	Ministry of Agriculture, Nature and Food Quality
Centre for Agriculture and the Environment (CLM)	Ministry for Spatial Planning and the Environment
Consumer Union	Inter-denominational organisation for development cooperation (ICCO)
NIBUD	Senior Citizens Union (KBO)
Rabobank Netherlands Works Council	Sustainable Asset Management (SAM) Research
Nature and Environment Foundation	CSR Netherlands
Triodos Bank and Dutch Sustainability Research (DSR)	Global Reporting Initiative
Friends of the Earth Netherlands	

Wildlife Fund, too, belongs to this group of relevant stakeholders, but because of our current close collaboration with this organisation, no separate interview was held. Politicians, the Ministry of Economic Affairs, the trade union FNV, NCDO and the United Nations Environment Programme Financial Initiative also form part of our selection, but for divergent reasons they will not be interviewed until 2007.

Testing stakeholders' expectations and views against CSR policy

Following the important first step, i.e. the interviews with stakeholders, comes the second step. It consists in testing Rabobank Group's CSR policy against the interviewed stakeholders' expectations and views. Where possible and appropriate, we will adapt the policy on a number of points. To this end we first look at the expectations the stakeholders voiced regarding the growing significance of a number of named – sometimes new – issues and developments (figure 6). Next, we look at the views relating to our CSR policy with regard to our core activities and processes (figure 7).

The issues described in figure 6 can impact to a greater or lesser extent on Rabobank Group. In a number of cases, policies have already been formulated and Rabobank has a good track record. In other cases, our current performance will be examined and possibly adjusted.

Virtually without exception, the views of stakeholders shown in figure 7 on the CSR policy pursued by Rabobank Group concern requests for the further tightening of certain parts of this CSR policy. We are in agreement with many, but not all of these views. In those cases, we explain why.

Taking part in national and international consultations

A second activity of Rabobank Group's multi-stakeholder policy is to take part in international consultations. We regard the international consultative meetings as a platform for the exchange of views, standpoints or ideas on sustainability issues. Such meetings are also suitable for launching bilateral initiatives. We are members of organisations serving the general interest of sustainable development, such as the Global Reporting Initiative and UNEP FI. Moreover, we attach much value especially to meetings aiming to solve sustainability issues in the production chains of sectors in which we have an unmistakable presence as financier. This is why we take part in the Round Table on Sustainable Palm Oil (RSPO), the Round Table on Responsible Soy (RTRS) and the round table discussions and work groups of Amnesty International.

Round Table on Sustainable Palm Oil (RSPO)

Rabobank has been a member of the RSPO from the start in 2003. The fourth RSPO was held in Singapore in November 2006. At the 2006 RSPO, the emphasis was on (1) the progress of pilot projects during which the principles and criteria set by the 2005 RSPO were tested, (2) the

development of suitable verification and certification procedures and (3) three detailed models designed for a sustainable palm oil production chain. The RSPO has not yet taken any decisions on these. A decision on the verification protocol has been postponed until mid-2007.

For the evaluation of clients with palm oil plantations, Rabobank Group applies the [RSPO principles and criteria](#) agreed upon in 2005, together with its own palm oil code. In addition, it is developing a 'Rabobank Palm Oil Supply Chain Policy'. This is our updated sector policy geared to developing the palm oil sector's sustainability, in which we endeavour to link the RSPO guidelines to our palm oil code.

We have invited Oxfam Novib, Friends of the Earth Netherlands and WWF to comment on a draft version of the policy and the accompanying issues list, which converges on the palm oil issues of this policy (see page 31). In February 2007, a meeting was held with Oxfam Novib and Friends of the Earth Netherlands, at which they gave their opinion on our palm oil policy. In the first half of 2007, our branches abroad will also be consulted. After that, the palm oil policy will be definitively submitted for approval to the Executive Board of Rabobank Group (see also page 31 and the case study [Bio-energy: opportunity or risk?](#)).

Round Table on Responsible Soy (RTRS)

In late August 2006, the second meeting of the Round Table on Responsible Soy attended by producers, merchants and retailers, banks and NGOs, was held in the Paraguayan capital Asunción. The RTRS participants agreed to apply a set of [nine principles](#). These include topics such as investments in infrastructure, compliance with labour and environmental laws, protection of valuable forests and biodiversity, and the responsible use of pesticides. The formal founding of the RTRS took place in October. Rabobank is to become a member in 2007. We have also announced that we will be joining the working group which will be fleshing out the principles in 2007 and 2008 for use as sustainability criteria. See also the case study [Sustainable soybean chain: A tribute to the king of beans](#).

Membership of the stakeholders' council of Marine Stewardship Council (MSC)

In June 2006, the MSC approached Rabobank for a meeting. The MSC wished to collaborate with us because we had comprehensive knowledge of international agriculture and fishing. The upshot of the meeting was that the MSC will very likely invite Rabobank to be the first financial institution to join its stakeholders' council in the field of financial institutions. This council's membership also includes scientists with a maritime background, NGOs, producers, the intermediary trade and retailers. The council also advises the MSC's management on the certification of fishing sectors. We were invited as member in part owing to our knowledge of and financial involvement in aquaculture. This will be a new area for the MSC to focus on.

Figure 6: Issues and developments named by stakeholders that could be of significance to Rabobank Group

General CSR issues: significance and assumptions

- For businesses and production chains, the significance of corporate social responsibility (CSR) will continue to grow, and significantly affect Rabobank Group's performance as a financial service provider, because for business, sustainable development and CSR will become crucial and strategic issues.
- The debate on the question as to whether legal regulations or self-imposed codes of conduct in the field of corporate social responsibility (human rights, degradation of environmental quality, etc.) are necessary will intensify considerably.
- Passing on the social and environmental consequences of economic activity (erosion, spatial claims, diminishing bio-diversity, deforestation, acceptance of poor working conditions, etc.) to other parts of the world, along with the assumption of sequential liability, will claim the centre of attention.
- Exercising care when dealing with the rights of indigenous peoples in connection with the exploitation of natural resources such as oil and gas, will gain in importance in the coming years.
- In assuming their CSR commitments, businesses are judged more on whether they actively aspire to pay producers fair remuneration.
- In the outsourcing of work (including ICT), the greatest possible care is devoted to the application of CSR criteria.
- CSR criteria are applied in the procurement of labour, products and services.
- More is done to retain older employees in service for longer and to keep them working actively through education and training.

General CSR issues in the financial sector

- More attention is demanded of the financial sector to increasing the transparency of financial products and services and the evaluation processes applied to them.
- More attention is demanded of the financial sector to actively approaching vulnerable groups to increase their understanding of financial matters, especially with regard to indebtedness.
- A contribution is demanded of the financial sector to new financial issues, such as more convenient access to financial services and the financing of new housing concepts.

CSR issues in the commodity and raw material production chains

- Severe tension between CSR policies and the financing of activities in the raw material and commodity production chains is set to put them at the centre of attention.
- Human rights in relation to commodity production and processing are a CSR issue that is growing in importance.
- The production and use of sustainable timber are promoted, and sequential responsibility is assumed for them.
- Sustainable agriculture is very much promoted, allowing for the effects of the agriculture and the use of rural land on bio-diversity and further curtailment of the bio-industry.
- The trend towards producing healthy food is stimulated.
- There is growing interest for policy in the area of animal welfare and animal experiments.

CSR issues in the energy sector

- Formulate more stringent policies to avoid further climate change and to make climate changes and its consequences manageable. Play a pioneering role where possible.
- Pursue more active policies relating to the prevention of greenhouse gases such as CO₂ from burning fossil fuels.
- Contribute more forcefully to renewable energy supplies.
- Develop a vision and policy on the rivalling interests between energy production crops and food crops and the existence of nature areas.
- Formulate policies on the financing of risky technologies, such as nuclear energy, and the active participation in the social debate on this issue.

Two specific issues

- Tighten and maintain policies concerning weapon technology.
- Develop and implement policies that contribute to better soil clean-up financing solutions.

Figure 7: Some stakeholders' views on Rabobank Group's CSR policy affecting core activities further to the 2005 Annual Sustainability Report

Rabobank Group's answer

<p>Increase exposure of CSR policy to outside criticism</p> <ul style="list-style-type: none"> • Open up the Ethics Committee to external parties that report problems in Rabobank's core activities and CSR performance. • Make the Ethics Committee known to the outside world as a complaints desk. 	<p>Page 26</p> <p>Page 26</p>
<p>Propagate CSR policy more consistently at the management level</p> <ul style="list-style-type: none"> • There is still too little evidence of a positive attitude of managers at different levels to enthuse their people to undertake CSR tasks. Highlight the significance of CSR. • Take away the discrepancies between CSR preaching and CSR practice at all levels of the organisation (risk of image loss). • Inclusion of CSR criteria in performance management is a key condition for a successful CSR policy. Ensure that this is done properly and at all levels in the organisation. • Provide more information on the remuneration structure (including the emoluments of the Executive Board and the Supervisory Board). 	<p>Pages 36, 37 and 82</p> <p>Pages 36-38 and 82</p> <p>Page 82</p> <p>Page 82</p>
<p>CSR in core processes</p> <ul style="list-style-type: none"> • Processes, products and services must be credibly and consistently redesigned across the board with a CSR perspective. • For innovative CSR products, form alliances more frequently with leaders in the CSR field. Perspective should focus more on the CSR issues that clients find important. • CSR is still too detached from business operations as a whole. There is too little pace in important subjects. Expedite tangible progress with CSR in lending and corporate finance. • Ensure the systematic screening of CSR topics in corporate and individual client relationships entered into in the sphere of lending. • Devise a system that informs employees more rapidly about what is happening in a country as regards violations in the field of CSR and human rights and who are involved in this. Then take proactive action. • There is too little attention for the role of CSR in investing shareholders' funds. • Prevent the sustainable investment of funds from decreasing further. • Via an active engagement policy, Robeco strives to achieve a higher CSR level in the businesses being invested in, but in practice, Robeco's questions are mostly about corporate governance and less about the other CSR aspects. • CSR criteria will have to be incorporated in and applied to the policy on investment. • Disclose the CSR lending guidelines, so that clients can compare them.. 	<p>Pages 49-65</p> <p>Page 58</p> <p>Pages 49-56</p> <p>Pages 49-56</p> <p>Page 52</p> <p>Pages 59-60</p> <p>Page 60</p> <p>Page 59</p> <p>Page 59</p> <p>Pages 49-56</p>
<p>CSR policy in the agricultural sector</p> <ul style="list-style-type: none"> • As the market leader in the agricultural sector, Rabobank should assume a more directing role, notably in the stimulation of sustainable agriculture and sustainable agricultural operations. This is insufficiently the case at present. 	<p>Case study 'Role of Rabobank in encouraging sustainable agriculture: follow suit or take the lead?'</p>

continued on next page

Figure 7: Some stakeholders' views on Rabobank Group's CSR policy affecting core activities further to the 2005 Annual Sustainability Report

Rabobank Group's answer

<ul style="list-style-type: none"> • In 2007, Rabobank should formulate clear criteria for assessing the CSR performance of businesses in the agricultural sector. • The bank should make a start on the ranking of agricultural businesses in relation to its lending operations and fee rates. 	<p>Page 55</p> <p>Page 53 (Brazil)</p>
<p>CSR policy in the energy sector</p> <ul style="list-style-type: none"> • Rabobank should market itself as the financier of choice in renewable energy. • Rabobank should invest in the switch to energy savings and clean energy. • Rabobank should show that there is no need to build unsustainable nuclear power stations. 	<p>Pages 58-62</p> <p>Pages 58-62</p> <p>Pages 58-62</p> <p>position paper climate policy</p>
<p>CSR policy concerning vulnerable groups</p> <ul style="list-style-type: none"> • When supplying financial products and services to the young, people on minimum incomes, senior citizens and immigrants, assume responsibility for basic skills enhancement to ensure financial independence. Play an active role in debt prevention and debt rescheduling. • Be more ambitious in your client canvassing and talent recruitment policies when it comes to people from an immigrant or non-Dutch background. 	<p>Pages 68-70 see case study</p> <p>Increasing financial understanding among vulnerable groups</p> <p>Page 68</p>
<p>Comments on our CSR policy in a few specific situations</p> <ul style="list-style-type: none"> • Rabobank Group should strengthen CSR support at larger and small businesses and inspire these businesses. • Avoid unbridled growth in CSR objectives within Rabobank Group and in its reporting. • Do not hide CSR policy and its key indicators under a mountain of non-relevant information. Publish data on the Internet with advanced search facilities and provide brief publications with a focus on dilemmas. • Ensure that there is a link between the objectives Rabobank Group as a whole has set itself and the CSR key performance indicators it applies. 	<p>Pages 50 and 59 (engagement)</p> <p>Pages 19-22</p> <p>Page 18</p> <p>Dilemmas see case studies</p> <p>Pages 18-22</p>

In dialogue about human rights

Rabobank greatly values the respect for human rights by business. Together with other business, we have been taking part for some years in Amnesty International initiatives aimed at coming to terms with this thorny subject. Since 1996, we have been taking part in Amnesty International round table conferences dealing with specific subjects. In 2006, the themes of the two round table conferences were: Doing business in armed conflict areas, and dilemmas when doing business in countries where human rights are of minor concern.

Rabobank takes part in various working groups forming part of Amnesty International's round table structure. The object of these working groups is to prepare manuals for businesses highlighting human rights themes such as discrimination (2006), forced labour and the freedom of association and collective bargaining. In 2007, Rabobank will take part in the new workgroup on child labour.

Our management approach to human rights

As one of the universal principles, Rabobank Group values safeguarding and respecting human rights very highly. If in our service to clients we are to avoid complicity in human rights violations as much as possible, we need a clear interpretation of what is meant by human rights. To this end we, we drew up a proposal in 2006 which shifts the focus of our 2001 Human Rights lines of conduct more on specific subjects we come across in our national and international financial service operations, and on which a bank could exert some influence:

1. discrimination of employees (including the freedom of association and collective bargaining);
2. poor working conditions;
3. child labour,
4. forced labour and
5. rights violations of indigenous population groups.

The proposal includes lines of conduct for these five themes based on several guidelines endorsed by Rabobank, such as the first fourteen articles of the draft UN standards for business, the Universal Declaration on Human Rights, and the ILO conventions. The differentiation in the 2001 Human Rights line of conduct not only concerns the conduct of Rabobank itself (including the way in which it approaches its own employees), but more in particular the conduct of our current and future business relations: the purchasers of financial products and suppliers. It may be expected of clients that they endorse these or comparable guidelines and act accordingly.

A draft version of the 'differentiated Human Rights line of conduct' of Rabobank Group has been submitted to Amnesty International for comment. Furthermore, the law firm Pels Rijcken & Drooglever Fortuijn, (which acts on behalf of the State of the Netherlands as State Advocate (Landsadvocaat) and has in this capacity therefore acquired a great deal of experience in public sector issues and human rights themes) has been asked to review the merits of the five human rights guidelines. The definitive decision regarding the differentiation of our line of conduct will be made in mid-2007.

The differentiated line of conduct is an integral part of the CSR check in client and credit evaluations. We will implement the line of conduct in 2007 together with the CSR check. See also the case study [Financial services and human rights](#).

Bilateral consultation on issues in 2006

Apart from stakeholder consultation and our participation in national and international consultations such as the round table conferences, our multi-stakeholder policy is concerned with a third activity. Each year, Rabobank Group also holds bilateral discussions on specific issues with various stakeholders. Sometimes we invite one or more stakeholders and sometimes

stakeholders call us to account in connection with our conduct in certain situations. In 2006, these were the Dutch Soy Coalition, Friends of the Earth Netherlands, Campaign Against Weapons Trade, and the Stichting Aap sanctuary for exotic animals.

Rabobank's financing of the soy chain and pressure on the Amazon basin

The subject of human rights is an important item in Rabobank Brazil's social and environmental policy. Some criteria in this policy concern human rights themes such as the freedom of assembly and association, the elimination of child and forced labour, and the abolition of discrimination in the work place. The policy's philosophy is based most of all on supporting clients who are on their way to sustainable business operations.

Considering the contradictory views on how to tackle the rapid pace of deforestation of the Amazon basin, Rabobank Brazil has opted, for the time being, to apply a five-year moratorium on financing farms in the Amazon basin.

Rabobank Brazil comprehensively discussed its social and environmental policies with several Brazilian NGOs, and in 2006 also with the Dutch Soy Coalition, which is an umbrella organisation for twelve NGOs. The last-named consultation with the soy coalition was prompted by a letter from the coalition in which it expressed its concern about the involvement of Rabobank in the soy chain, and the consequences for the Brazilian part of the Amazon basin and the Cerrado (savannah). The coalition suggested that not only the problem of deforestation was at stake here, but also the environmental and labour conditions on the soy plantations, the position of indigenous peoples and the role Rabobank plays as a financier in the entire soy chain.

[Rabobank Brazil's social and environmental policies](#), which are the result of constructive dialogue between Rabobank Brazil and the NGOs, were since approved by the Executive Board of Rabobank International in June 2006. In early 2007, Rabobank Brazil's CSR manager gave a presentation to eight NGOs on the implementation of CSR policy in local banking practice (see page 53).

Consultation with Friends of the Earth Netherlands on palm oil

In 2006, Rabobank had two meetings with Friends of the Earth Netherlands on our financing of oil palm plantations. The topic of discussion related above all to the manner in which Rabobank reviewed a credit application for an oil palm plantation (the process). The opinion of Friends of the Earth also was that Rabobank should apply its own palm oil code to the entire production chain, and clearly indicate which criteria are used for testing purposes. Moreover, Friends of the Earth asked Rabobank to continue monitoring its palm oil clients' practices even after the bank had granted the loan. Also high on Friends of the Earth's wish list was a complaints procedure setting out the manner in which the bank dealt with complaints and queries from NGOs. We devised a system for this in 2006 (see page 26), while the majority of the other wishes now form part of our updated palm oil policy.

Consultation on Rabobank's climate policy

Prompted by the report 'Investing in climate change: the role of Dutch banks', drawn up by Dutch Sustainability Research (DSR) at the instruction of Friends of the Earth Netherlands, we held three meetings with the latter on our climate policy.

Our first meeting with Friends of the Earth in June 2006, which DSR also attended, notably dealt with the outcomes of the report which showed that Rabobank lagged behind other banks. The result of that meeting was to arrange a second meeting on mutual expectations on how to tackle the climate problem and the emission of greenhouse gases.

The outcome of our second meeting with Friends of the Earth, which took place in September, was that Rabobank would clearly set out in a position paper its existing policy objectives and activities in the climate field. It was also agreed that a meeting would be held on the indirect impact Rabobank's lending operations has on each sector.

This indirect impact was a topic of discussion in our third meeting with Friends of the Earth in December 2006, as was the draft version of the climate policy position paper. On the part of Rabobank, specialists in the fields of climate policy and CSR took part in the discussion, as did three executives responsible for large corporate clients in the Netherlands. The outcome of the talks was the view that, while Rabobank already did a great deal, which had now been made plain in the position paper on climate change, much progress could still be made. The emphasis is on making visible the impact of the financial service operations on the greenhouse emissions of clients in the sectors in which we operate. Moreover, Friends of the Earth suggested that in our climate policy we should also formulate our long-term objectives more transparently. We have indicated that both Friends of the Earth's suggestions will be prepared internally in 2007, and that the proposals will be discussed with them in due course.

In dialogue with Campaign Against the Weapons Trade

On Thursday, 27 April 2006, Stichting Campagne tegen Wapenhandel (Foundation for the Campaign Against Weapons Trade) handed over five thousand signatures at Rabobank Netherlands in Utrecht. At various local Rabobanks, activists also campaigned for the second time.

The foundation, which campaigns against the export of Dutch-made weapons, protests against the financing of corvettes to be supplied to the Indonesian navy. Rabobank and ING are financing the supply of four corvettes being built by the Vlissingen-based De Schelde shipbuilding yard. Campaign Against Weapons Trade has been sending letters to banks on this subject since 2004.

The central question in the discussion is: will the ships be used to combat piracy and illegal fishing, or will they be abused by a regime that suppresses population groups? In September, a follow-up discussion took place to delve into the matter more deeply. In these discussions, which were also attended by an independent expert in international relations, the bank responsible for the financing of the transactions spoke at length with foundation's representatives about the bank's considerations leading up to the financing of the corvettes. While both parties continue to disagree, they believed the discussions had been constructive and valuable. Partly as a result of this issue, and discussions in the Ethics Committee treatment about the theme 'granting credit to the weapons industry', our point of departure in this respect is 'No, unless'. This standpoint is based on the research of a Rabobank employee, which he carried out as part of his MBA study. Our line of conduct on this will be included in our 2007 lending procedures.

Rabobank called to account about its sponsorship of circuses with exotic animals

In a letter to Rabobank, Stichting Aap expressed its concern about the local Rabobanks' sponsorship of circuses with shows of exotic animals. According to Stichting Aap these sponsorship activities do not suit our image of sustainability. Since we are concerned here with the well-being of animals, we decided to submit this practice case to our Ethics Committee. In the past, the committee advised on several cases in the field of animal welfare, among other things on the financing of [foie gras](#) and [mink breeding](#). The Ethics Committee dealt with this case in February 2007.

In dialogue with the government - Annual Sustainability Report

As the largest bank in the Netherlands, Rabobank has a considerable impact on the socio-economic and ecological design of society and, by the same token, society has an impact on our bank. It is therefore obvious that we often consult with the government as the regulator and policy maker. Two politically significant subjects in 2006 were Lower House member Fred Crone's [bill](#) on the accessibility and convenience of payment services, and the new [Mortgage Loan Financing Code of Conduct](#) with rules governing information to clients, and the avoidance of discrimination and excessive lending.

Measuring expectations

To ensure ongoing improvement, it is essential to measure our stakeholders' opinions and expectations about our CSR policy. Annually, we test our CSR policy, our Annual Sustainability Report and our sustainability image by means of the survey 'User Evaluation of Annual Sustainability Report' and the 'Rabobank Communication Monitor'. The [survey](#) showed an average satisfaction rating of 7.8 (2005: 7.5) for our Annual Sustainability

Report. The [monitor](#) is the bank's research into its branding position, which includes four CSR statements. Of all the major banks in the Netherlands, Rabobank scored highest on all positions among both private and corporate clients.

Importance of CSR performance to investors in Rabobank corporate bonds

In late 2006, a telephone survey was held among four institutional investors in Rabobank corporate bonds on the impact Rabobank's CSR performance has on their decision to invest in Rabobank securities. They all stated that they did not consider CSR to be a performance indicator. The most important reason they gave for this is that they believe CSR is

not a measurable aspect of the return on investment they get on their Rabobank corporate bonds. Given their Triple A rating and Rabobank's cooperative structure, these securities are virtually risk-free. In addition, the investors do not include CRS in their risk models as yet.

For more information

www.rabobank.com/csr

3 The integration of CSR into our business operations

The success of our CSR policy depends on the extent to which clients, staff and others can derive added value from it. That will be a realistic possibility only if sustainability values play a part in decisions at all levels and in all business processes.

In this chapter

Our management approach to the integration of CSR into Rabobank Group

- CSR objectives set by line management
- High CSR coverage in policy cycle and monitoring
- CSR as part of the regular planning and control cycle
- CSR reviewed by Supervisory Board Committee
- Greater CSR awareness senior management
- Enthusiastic staff
- In-house and external guidelines

>

The CSR organisation (sustainable governance)

- Executive Board
- Supervisory Board
- Works Councils
- Corporate Social Responsibility Department
- CSR co-ordinators
- Ethics committee
- Issue management
- Planning & control and audit

>

The embedding of CSR per group entity: an overview

- Policy framework local Rabobanks
- Rabobank Nederland
- Rabobank International
- Robeco
- De Lage Landen
- Alex
- Schretlen & Co
- Obvion
- FGH Bank
- Rabo Vastgoed

>

In 2006, our 2005 CSR initiatives were given further impetus as we made significant advances in systematically integrating CSR into the core activities and processes of Rabobank Group.

We made distinct progress in various fields: CSR is now fully integrated in our general policy, while CSR awareness at senior management level has risen considerably. CSR increasingly claims a distinctive place in our mainstream financial products and services.

Our management approach to the integration of CSR into Rabobank Group

The approach Rabobank Group has opted for to increase the impact of CSR on its business operations is for CSR to become part of day-to-day financial practice and corporate culture. In the first place, the point of departure has been to accommodate CSR in our Strategic Framework.

The opportunities that further integration offers Rabobank Group are above all in:

- the early spotting by staff of the commercial opportunities CSR can provide;
- the routine check of financial processes for risks or threats viewed from a CSR perspective;

Progress with the integration of CSR in our core processes may not stagnate, however, since attention for CSR, rather than becoming systematic would then fade away slowly. We would then run the risk that staff would not develop any or too little feeling for the impact of CSR on our core processes and activities, with all the consequences this would entail. Increasing CSR awareness among our staff is accordingly being given special attention.

CSR objectives set by line management

The local Rabobanks, Rabobank Netherlands and the other group entities set at least two CSR objectives of their own for 2006. For the main CSR policy aspects, see figure 8. It is important that the directors of the local entities assume the responsibility for these objectives if they are to be successfully accomplished. CSR co-ordinators have been appointed at all group entities and at approximately 90% of the local Rabobanks to help ensure that these objectives are implemented properly, and to co-ordinate local CSR policy. More than 200 staff are involved at home and abroad. Training programmes have been available to them since 2006.

High CSR coverage in policy cycle and monitoring

CSR is included in the policy cycle of 78% of the local Rabobanks, and 80% of them apply CSR monitoring. Both percentages are up on the year before. Of the local Rabobanks, 6% does set objectives but does not report any progress data. 100% of the other group entities and subsidiaries pursue CSR policies and participate in CSR monitoring. While Rabobank has achieved high volumes in tax driven green bonds

and green loans for years, this volume contributes only modestly to our total portfolio. The aim of our policy is to accommodate CSR in our standard financial products where we are concerned with matters such as transparency, the duty of care, ethics and sustainability. Comprehensive information may be found in the section on 'Creating value for our clients'.

Integration per group entity: 2006 results at a glance

The reports on the 2006 CSR objectives and in-house CSR monitoring reflect the extent to which a few CSR policy aspects are integrated at group entities and local Rabobanks (see figure 8).

As can be seen from the table, good progress was made in 2006 in integrating CSR into line management within the whole Rabobank Group, both in terms of policy and the primary function, notably financial services as well as support services such as purchasing. The integration of Code of Conduct in the annual evaluation of employees is still in need of attention and will be focused on in 2007. It is certainly appropriate for staff awareness of this code to be further enhanced.

Figure 8: Addressing policy aspects in our organisation

	Business entities									
	Number of FTEs									
	Rabobank Netherlands (5,892)	Rabobank International (6,735) ¹²	Local Rabobanks (33,987) ¹³	Robeco (1,619)	De Lage Landen (4,327)	Schretlen & Co (281)	Obvion (208)	FGH Bank (288)	Rabo Vastgoed (1,37)	Alex (215)
Embedding of CSR into policy documents	●	●	◐	●	◐	●	●	●	●	●
Presence of CSR co-ordinator	●	●	◐	●	●	●	●	●	●	●
Specific objectives in 2006 annual plan	●	●	◐	●	●	●	●	●	●	●
Integration Code of Conduct into evaluation/ introduction of staff	◐	◐	◐	●	●	◐	◐	●	◐	◐
Actively testing compliance of Codes of Conduct (by means of compliance audits etc.)	◐	◐	◐	●	●	◐	◐	●	◐	◐
Integrating CSR goals into managers' performance management	●	●	◐	●	●	●	●	●	●	◐
Sustainable purchasing policy	●	◐	●	●	◐	◐	◐	●	●	◐

● accomplished

◐ partly accomplished (in progress)

○ not accomplished

12. Corporate Clients Netherlands is no longer included in the table as it has become part of Rabobank International.

13. This information relates to 80% of the local Rabobanks.



Bas Rüter, Triodos Bank and Dutch Sustainability Research

"For innovative CSR products, Rabobank could form alliances more often with reliable CSR trendsetters. Triodos Bank sees Rabobank as a natural partner. In addition, do not tolerate any longer that your own employees play down CSR and project this attitude to colleagues or outside the bank, press on with achieving actual material progress with CSR in your own lending, corporate finance and investment processes. Do away with discrepancies between preaching CSR on the one hand, and practice at all levels in the Rabobank organisation on the other. Organise a Rabobank Group communications campaign as soon as all these matters have been arranged, and have corporate senders from the executive board and supervisory board do likewise. Make it clear that they back this CSR policy and want to spread it to include all activities. Loss of image, which will be hard to restore, and damage to Rabobank Group's credibility lie in wait."

Source: 2006 stakeholder consultation

CSR as part of the regular planning and control cycle

In 2005, in addition to the objective 'Integration of CSR into the core activities', the Executive Board also decided that CSR should be integrated in the policy cycle. The object is to ensure that our CSR performance stays at the highest level, also in a global context. Group entities have incorporated the CSR objectives they have set themselves in the regular 2006 annual plan. In 2006, the reports on the actual achievement of these objectives were integrated into regular management reporting to the Executive Board. The Board, which receives these progress reports on a quarterly basis, may make adjustments as appropriate. CSR information forms part of the full quarterly report on the state of affairs of Rabobank Group. The Executive Board discusses a condensed form of this report with the Supervisory Board.

Rabobank Netherlands provides feedback on the progress made on the CSR objectives to the individual group entities in the form of made-to-measure CSR theme reports. In 2006, it became mandatory for the executive management of Rabobank Nederland and affiliated entities (exclusive executive management members of local Rabobanks) to include at least one CSR objective in their performance management (see also page 82).

Change in corporate governance: CSR reviewed by Supervisory Board Committee

A small change was made in 2006 to Rabobank Group's corporate governance. It concerns the systematic review of its CSR performance by the Committee on Cooperative Matters & CSR of the supervisory board (see page 37). See [corporate governance](#) for more details.

Greater CSR awareness on the part of senior management

Various meetings with senior management staff have resulted in improved awareness of the significance of CSR to our organisation and the society in which we operate on the part of these senior management members ultimately responsible for all business entities and local Rabobanks.

This is noticeable, among other things, from the response to a number of statements. At a special CSR conference, for instance, 170 Rabobank Group directors responded to statements as follows:

- 84% disagreed with the statement that CSR is not lucrative for entrepreneurs;
- 82% disagreed with the statement that CSR does not add anything to the manner in which Rabobank as a cooperative conducts its banking operations;
- 87% believed that diversity in clients and staff was the only way to become CSR market leader;
- 84% of the directors confirmed they were actively supporting their CSR co-ordinators;

Enthusiastic staff

Many of our staff are engaged in commercial activities on a day-to-day basis. For them, CSR can only be a success if it is a natural part of our financial service to clients and if it yields sufficient benefits. Awareness of what CSR can do will make them think about it more keenly and exercise their minds on the possibilities of CSR, such as new products and services that provide a solution for social or environmental problems, the direct and indirect effects of our services on clients in specific sectors, or new forms of sustainable investment.

The CSR baseline assessment among staff, which took place in late 2005, showed that our employees opted for Rabobank as employer on account of our human character (a 'people's bank'). They accordingly find it natural for the bank to have a high CSR profile, of which they are proud. At the same time, the baseline assessment revealed that our staff did not sufficiently recognise CSR as an integral part of their day-to-day duties. See also the section entitled 'Our staff' on page 79. In response to this, we produced and implemented a staff CSR communication programme in 2006, which included the following activities.

- Work conferences for CSR co-ordinators.
- Introduction of a CSR e-learning module for managers, commercial staff and CSR co-ordinators (see also page 85).
- The CSR awareness game ('The Profit and Values Game') was played in 2006 by groups of 10-80 people.
- CSR as theme in trainees' introduction programmes (see page 85).
- Introduction of a CSR toolkit with basic information, including the Code of Conduct. A toolkit on cultural diversity was also developed for the local Rabobanks.
- An overview on the Intranet of some 30 practice examples of CSR activities at local Rabobanks and group entities. A selection has been posted on the Rabobank Group website.
- De Lage Landen, Robeco and FGH Bank have explained to their staff the relevance of the Code of Conduct to their day-to-day work.

In order to test the impact of these activities, a follow-up assessment was carried out in early 2007. The conclusions from this assessment are encouraging. The CSR concept has become more widely known, especially among directors and managers of local Rabobanks. Employees also have a positive attitude towards Rabobank's current CSR policy. Our social engagement and environmentally-friendly operations especially are perceived as strong points. The main point in need of improvement is to bring home the essence of CSR in the eyes of non-managerial staff. Within this group, the concept is still abstract and difficult to associate with the day-to-day work.

In-house and external guidelines

We expressly endorsed a number of external CSR guidelines and drew up in-house codes of conduct and statements to enable us to shape our CSR policy as effectively as possible. For more details go to:

[in-house and external codes.](#)

The basis for all offshoot in-house codes of conduct is Rabobank Group's Code of Conduct. In 2005, Rabobank Group Audit found that staff still had little feeling for these codes. To address this issue, we put in place a special working group in 2006 to create more knowledge of the Code of Conduct and foster more support within Rabobank Group. One of the measures is to integrate the Code of Conduct in existing and new training courses. We also check whether our offshoot, in-house codes of conduct are up-to-date. In 2006, we started adjusting the Human Rights code (see page 31) and combining our palm oil code with our palm oil sector policy (see pages 27 and 32).

The CSR organisation (sustainable governance)

The CSR decision-making process is embedded in all relevant management bodies, line management and corporate departments of the group entities and local Rabobanks. This process is clearly illustrated in figure 9.

New developments in duties and responsibilities at the business entities in 2006 are briefly discussed below.

Executive Board

The director of the Corporate Social Responsibility Department (CSRD) reports to the Executive Board member responsible for the CSR portfolio. Among the subjects comprehensively discussed by the Executive Board in 2006 were the further integration of CSR in the lending process and the collaboration with the World Wildlife Fund concerning members' credit cards with climate compensation (see page 58). In addition, the Board discussed the group entities' annual plans, incorporating the CSR goals.

The following activities contribute to the definition of qualifications and expertise current and potential Executive Board members need to formulate the organisation's strategy in terms of economic, environmental and social issues:

- the qualifications have been included in the individual members' profiles and are considered against the background of the Executive Board's total membership (complementarity);
- the Supervisory Board also discusses Rabobank's envisaged strategy in terms of economic, environmental and social issues with potential Executive Board members;
- the confidential committee of Rabobank Nederland's Works Council and the AB GWC address these issues during their (selection) interviews with potential members and advise the Supervisory Board on them.

For more information about [Executive Board and CSR](#), follow this link.

Supervisory Board

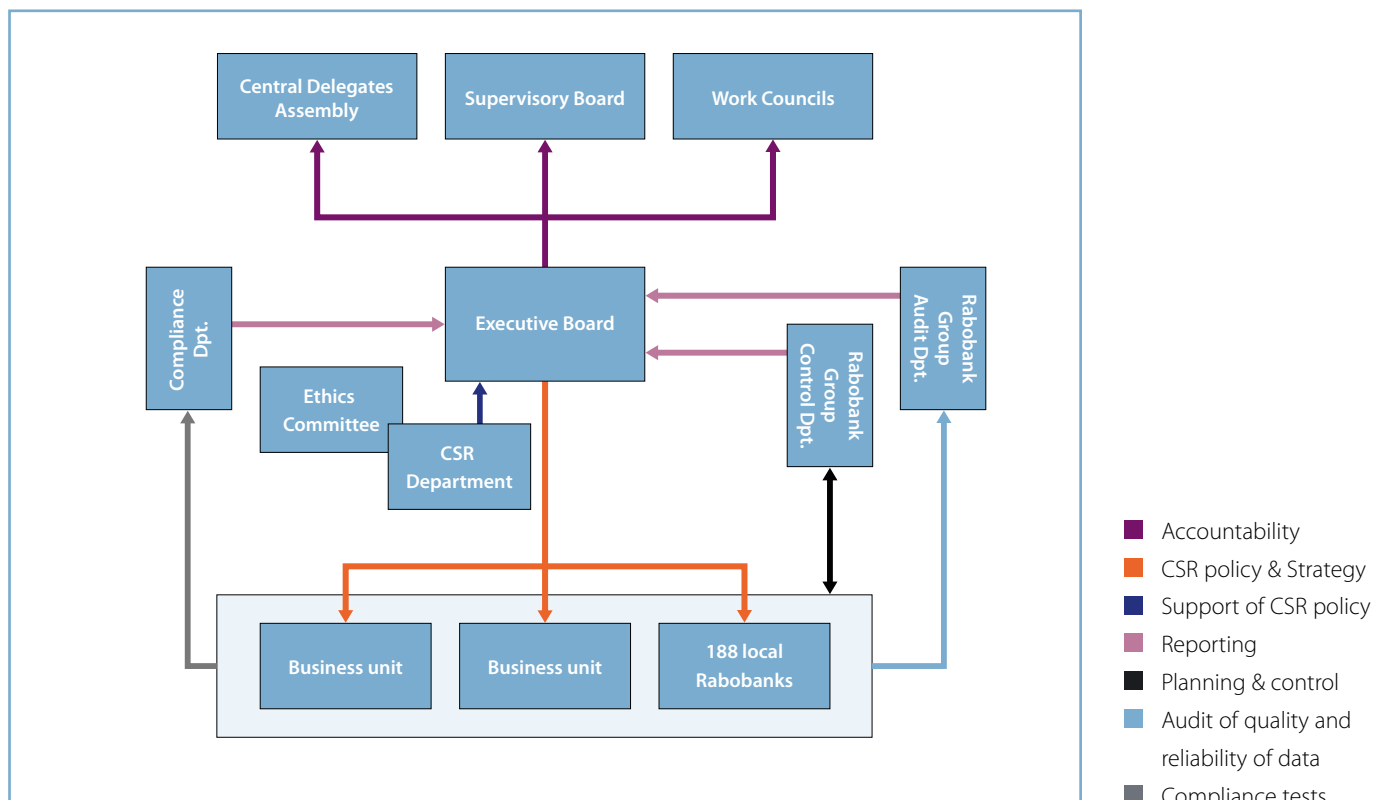
The supervisory board, too, discusses CSR topics at regular intervals.

In the year under review it was decided significantly to expand the supervisory board's advisory role related to CSR matters. In the Committee on Cooperative Matters, now called the 'Committee on Cooperative Matters & CSR', the subject of CSR now has a formal position. As from 2007, CSR will be on the committee's agenda three times a year, when it will look back on the results achieved and look ahead to the following year. For more information, follow this link:

[Supervisory Board.](#)

At a conference in Singapore, during the annual meetings of the IMF and World Bank, a Supervisory Board member took a strong stance on the pros and cons of agricultural crops used in the production of bio-fuels and/or foodstuffs: ['Biomass for food or fuel: is there a dilemma?'](#)

Figure 9: Organisation CSR policy in Rabobank Group



Works Councils

To enhance their background knowledge of CSR, representatives of Rabobank's co-determination bodies took part in the CSR work conferences for local Rabobanks in 2006. These conferences dealt with the question as to how CSR ambitions can be fulfilled in daily banking practice. The co-determination bodies, in their own consultations and in their consultations with management, brought up the topic of CSR as well.

In 2006, the Works Council of Rabobank Netherlands devoted attention to the CSR objectives of Rabobank Netherlands departments. A representative of the Rabobank Netherlands Works Council was interviewed as part of the stakeholder consultations we held in 2006, (see pages 26 and 30). It became clear that the Rabobank Netherlands Works Council is keen to be more closely involved in CSR issues. Further steps will be taken to this end in 2007.

Affiliated Banks Group Works Council in favour of CSR

The Affiliated Banks Group Works Council has called on the Works Councils of the local Rabobanks to put the CSR theme on the agenda of the consultative meetings with the management of their local bank. It requested the Works Councils to ensure that CSR is properly integrated at the local Rabobanks, in terms of both operations and financial services to clients. This should be done by means of specific actions. The Group Works Council has also asked the Works Councils to ensure that – as part of the ongoing implementation of CSR – local management selects at least two of the four 2007 objectives, as stated in the Affiliated Banks 2007 Annual Plan. For more about [Works Councils](#) follow this link.

Corporate Social Responsibility Department

In 2006, the Corporate Social Responsibility Department (CSRD) provided additional support to the local Rabobanks in the form of workshops and developing a CSR toolkit. The Department also asked group entities to devote extra attention to topics such as energy management, sustainability in building, the monitoring of group entities and local Rabobanks and the integration of CSR into the ending process. For more information go to [CSRD](#).

CSR co-ordinators

Each Rabobank Group entity and 90% of all local Rabobanks have a CSR co-ordinator to assist in the efficient implementation of CSR. In 2006, the co-ordinators attended a proficiency enhancement programme. At six work conferences, via e-learning and with an SCR toolkit, some two hundred [co-ordinators](#) enhanced their knowledge and skills to be able to do their work with more discernment and spirit.

Ethics committee

The Ethics Committee is an advisory council for the entire Rabobank Group that gives in-house advice on moral dilemmas. More about the [Ethics Committee](#) on page 26.

Fifteen practice cases were submitted to the committee in 2006. They varied from entering into a client relationship with a supplier of online games of skill, to whether or not to facilitate a private stem cells bank.

Issue management

The new position of issue manager was created in December 2005 to tackle more systematically the social issues Rabobank Group is faced with. In 2006, policy and procedures were developed to deal with such issues (See the section 2). In the lending process, we also worked hard on improving the manageability of social issues, such as human rights, climate change and deforestation, which happen in sectors in which Rabobank operates (See the section 5).

Planning & control and audit

The integration of CSR into the management of the business as a whole necessitated some changes in 2006. These changes will ultimately have to result in the incorporation of CSR into the regular in-house procedures and processes, and planning & control and audit are set to play a significant role in this.

Planning & control

In addition to integrating CSR in the regular planning & control cycle (see page 36), Rabobank Group Control (RGC) carried out a pilot project in 2006 on the progress achieved with CSR objectives at the local Rabobanks. The pilot project brought to light that it takes a great deal of effort to obtain the right information from the local Rabobanks. In response to this, RGC has played a more directive role in the gathering of information on CSR performance at local Rabobanks and group entities. These measures are meant ultimately to enhance the impact of CSR on the policy considerations and decisions of group entities. For more about [planning & control](#) follow the link.

Operational risk management

Another important CSR-related activity is reporting to the Executive Board about operational risk management by the Group Risk Management Department, which, like RGC, forms part of Group Finance. The department reports quarterly on operational risk-based incidents and associated losses. These include risks and incidents that can be regarded as CSR incidents. Such incidents can occur, for instance, when matters agreed upon in covenants, and rules embodied in codes we have endorsed are not complied with. In 2006, one incident involving fraud has occurred and no other CSR incidents were reported.

Audit

In 2006, Audit Rabobank Group (ARG) expanded the area covered by its audit procedures within the scope of the Annual Sustainability Report.

As part of this, ARG audited:

- the CSR data in the regular planning & control cycle;
- the CSR information included in management reporting;
- the systems of accounting and internal controls of group entities.

The management letter - issued by KPMG and ARG - which deals with the 2005 Annual Sustainability Report, sets out the main findings.

1. The CSR criteria must be integrated more energetically into the core financial processes (especially lending and leasing).
2. The focus should be on the most important objectives, and these should be the subject of more in-depth reporting to enable CSR policy to be controlled more effectively; a list of medium and long-term objectives should also be included.
3. The reliability of the information from the monitoring system should be improved to make the process of verification more efficient.
4. A dialogue with relevant stakeholders is needed to ensure a sufficient materiality of the annual sustainability report.

The audit departments of Robeco and De Lage Landen were also involved in reviewing the annual sustainability report in 2006. For more about [audit](#), follow the link.

The embedding of CSR per group entity: an overview

The integration of CSR into the core processes and core activities of group entities continued to shape up. Below is a summary of the main activities in 2006.

Policy framework local Rabobanks

In 2006, 78% of them set concrete CSR objectives, also up significantly on the year-earlier figure of 70%. They could choose from four types of pre-selected objectives mentioned in the Affiliated Banks' Annual Plan ¹⁴ (see figure 10 and the chart on page 40). While many local Rabobanks have set CSR objectives, they must still formally adopt the ensuing policy. This is planned for 2007.

Another striking result is that 90% of the banks appointed a CSR co-ordinator: a network of some 180 people. Most of them took part in the in-house work conferences to professionalise their role as co-ordinator (see pages 37 and 85).

14. The Affiliated Banks' policy framework is the blueprint for the policy plans that local Rabobanks prepare each year.

The CSR objectives in the 2007 Affiliated Banks' policy framework from which local Rabobanks could choose

Goal 1. At year-end 2007, our bank will have:

- put the CSR portfolio under the care of the management and entrusted its implementation to a CSR co-ordinator;
- reduced to writing CSR policy in the field of financial services (clients), social engagement (society) and environmental management (business operations);
- monitored, recorded and communicated internally and externally actual CSR performances;
- link the cooperative dividend to commercial formulas.

Goal 2 Specific activities have been designated to secure employees' commitment to CSR.

Goal 3. X% of the employees successfully completes the CSR e-learning programme (or another form of CSR training).

Goal 4. Application of the CSR list of focal points to SME client lending with an exposure of € 1 million or more.

Local Rabobanks' theme reporting

The strong 2005 growth in the local Rabobanks' participation in CSR monitoring continued in 2006. In 2006, 80% of the local Rabobanks supplied data in this respect (2005: 65%). In the year under review, as in 2005, the local Rabobanks received their CSR theme reporting on their performance as regards their CSR objectives and CSR policy. For the banks, the yearly theme reporting is an important tool to enable them to compare their performances with those of other local Rabobanks. This happened in February 2007 as well. In figure 11 is a selection of the questions that were put to the local Rabobanks.

The scores suggest that CSR is steadily securing a more prominent position at the local Rabobanks. A growing number of local Rabobanks have drawn a CSR policy of their own, and nearly all of them have a social fund. The likely reason for the decline in written policy aimed at violations of in-house and external CSR rules by clients is that CSR has been included in the central credit systems in 2007, and explicit policy at the level of local Rabobanks is on the way to becoming superfluous.

Based on the results in figure 11, many local Rabobanks prepare an action plan of their own to achieve better CSR performance.

Figure 10: Choice of CSR objectives

Objectives	Number of times chosen	Percentage of total (188)
Integrate CSR into policy and market	131	70%
Involve personnel in CSR	82	44%
Apply CSR e-Learning	63	34%
Incorporate CSR into lending	64	34%

Rabobank Nederland

Rabobank Nederland consists of central support groups, services and departments, all of which report in-house on CSR. In 2006, they set their own CSR objectives for the first time, and accomplished 70% of them. They have also set goals for 2007 related to their own core activities and the involvement of staff in CSR. Various entities undertook interesting CSR activities. Examples that spring to mind are (1) all personnel members of the Supervision department took part in a dilemma training (for more about [supervision](#) and [compliance officers](#) follow the links), (2) the Tax and Legal Affairs department installed a work group that brought the Code of Conduct more emphatically to the attention of the employees and (3) as part of its annual ARG-day, the audit group made an inventory of CSR topics within Rabobank Group. The good CSR examples of Group entities have been listed and put on the Intranet as a source of inspiration for fellow Rabobank employees.

Rabobank International

Rabobank International aims to make CSR policy a part of the corporate services rendered by its branches. The introduction of quarterly CSR reporting has greatly boosted CSR awareness in the international branch network. Various international branches report increasing communication on CSR. They also finance more sustainability projects (see page 62). At the heart of the integration of CSR at our foreign branches was the testing of corporate clients' CSR performances. In 2006, Rabobank International completed far-reaching preparations to this end. Implementation has started in Brazil, Asia and the Netherlands. In 2007, Rabobank International will be expanding the test activities to North America, Australia, New Zealand and the rest of Europe.

Figure 11: Local Rabobanks' scores on CSR indicators (selection)

	2006 participation: 80%	2005 participation: 65%
Policy		
CSR is explicit and implicit included in policy documents	69%	51%
The topic 'Code of Conduct' was discussed in job assessment and performance interviews	28%	36%
Inform employees about CSR goals and results at least twice a year	35%	30%
Financial services		
Written policy covering the violation by clients of in-house and external CSR rules	17%	20%
Specific policy on financial services to handicapped people, senior citizens and people with an immigrant or non-Dutch background	14% / 43% / 6%	36% / 88% / 17%
Social engagement		
The bank has a social fund	92%	72%
The bank promotes volunteer work by employees during working hours	47%	n.a.
Employees		
Policy to foster the career opportunities and salaries of women	66%	52%
Policy to make jobs accessible to handicapped people	53%	30%
Policy to foster the career opportunities and salaries of people with an immigrant or non-Dutch background	55%	27%
Business operations		
Bank takes part in the Rabobank Energy Programme	83%	75%
Policy in place to curtail the use of cars	54%	23%
Policy in place to curtail the use of company cars	48%	44%
The bank serves Max Havelaar or Café de Origen coffee	17%	17%

The Netherlands

Issue lists for more than thirty sectors were drawn up for the large corporations market in the Netherlands. An issue list describes the major social debating points per sector that can constitute a threat to our services to clients. The lists are a tool for account managers (see page 52).

Europe

Rabobank London, Corporate Clients (Rabobank International Netherlands) and the CSR directorate entered into collaborative arrangements with the Marine Stewardship Council (MSC) in 2006. MSC attended a Rabobank seafood sector client managers' workshop, while Rabobank is likely to become a member of the MSC's stakeholder Council in 2007.

Rabobank Germany tabled examples of CSR issues at the regular team consultations. At Rabobank Italy, key performance indicators were developed for senior management to promote CSR. Rabobank Poland made arrangements to improve the manner in which a number of matters in the field of in-house environmental care were dealt with, and transferred the responsibility for CSR activities, such as sponsorship projects, to the CSR co-ordinator.

Asia

As part of the introduction of a CSR lending check, the Rabobank International CSR project team visited most Asian branches in 2006 to familiarise the employees most involved with the ideas underpinning this lending check (see page 53).

Rabo Finance India devoted much attention to in-house communication on CSR topics. Examples are the implementation of the CSR check, renewable energy projects, measures on in-house environmental care involving business operations, and projects aimed at helping underprivileged street children. It also started a volunteering programme with NGOs. Lastly, the theme of Rabo Finance India's annual report was CSR.

Rabobank Hong Kong compiled a personnel CSR training course and organised meetings for its personnel, including in Shanghai and Beijing. At Rabobank Singapore, a CSR team was assembled that will be devoting its time principally to social engagement. The Food & Agricultural research team of Rabobank Singapore is mostly engaged in gathering and disseminating information about the possibilities of bio-fuels, including bio-diesel, and at the same time in researching in what way the bank can make the most of these possibilities.

Rabobank Tokyo drew up a strategy and initial policy in 2006 in a number of CSR areas. The CSR activities were discussed with the management and the Works Council, an advisory role being assumed by the CSR co-ordinator. The latter, in conjunction with other Asian branches, developed a basic CSR training course for all employees. This course will be given to the employees during several workshops in 2007.

South America

The principal result on the South American part of the continent in 2006 was the adoption of the social and environmental policies of Rabobank Brazil. The policy contains specific CSR criteria for client review purposes. It was decided on after comprehensive consultations with Dutch and Brazilian NGOs (see pages 31 and 53). The policy was approved in July 2006 by the Executive Board of Rabobank International. Rabobank Brazil is also much involved in in-house environmental care and additionally develops special forest restoration products, and products to improve employee welfare facilities.

North America

At Rabobank North America, CSR is geared in particular to investments in affordable accommodation for workers in the agricultural sector, and on improving the level of financial knowledge of this target group. This is done in collaboration with the Federal Home Loan Bank of San Francisco's AHP-programme. This programme combines subsidies with the granting of banking credits to non-profit organisations that develop special programmes.

In 2006, AG Finance in the United States put the emphasis on social projects in which employees take part (such as Habitat for Humanity, FarmLink and Farm Bureau projects).

Australia and New Zealand

At Rabobank Australia and New Zealand, CSR communication in 2006 mostly propagated awareness of the code of conduct. In addition, personnel members directly involved in the implementation of CSR took part in a special CSR conference. Another CSR focal point in Australia and New Zealand was the implementation of environmental care in in-house operations. CSR claimed a significant position in the Rabobank Leadership Award.

Robeco

A key development in 2006 was the further integration of CSR in the existing traditional products and services. For the first time, Robeco applied engagement to clients. This meant that with a large number of businesses in which a client invests, Robeco entered into a constructive dialogue on corporate governance and social and environment-related topics (see page 59). Secondly, policy was approved in 2006 on the wide-scale application of engagement to retail funds in developed markets. This is policy is being applied as from 1 January 2007.

In addition, a large number of workshops and presentations relating to compliance were organised for Robeco employees in 2006. These dealt with subjects such as security awareness and the rules governing publicity, the financial information leaflet and the duty of care.

De Lage Landen

De Lage Landen (DLL) has drawn up a code of conduct of its own, which is based in part on that of Rabobank Group. DLL prepared an information and training programme for the worldwide implementation of this code of conduct. The training is compulsory and available on the Intranet to all employees. Participation is monitored via the Intranet. All local compliance officers came together in February 2006 for the start of the programme, which was carried out in phases. The course modules deal with the code of conduct, the fight against fraud, conflicts of interest and security awareness.

Alex

Alex aims to impart more knowledge and self-assurance to all private investors building up or managing their assets via the Internet. To achieve this, a wide range of products (such as order platforms, prices, market analysis tools, risk management tools, news, backgrounds and columns), training (Alex Academy, workshops, training courses and coaching) and advice are offered, also to small investors (Alex Assist). With this package, Alex endeavours to convert the duty of care into a competitive edge.

Schretlen & Co

In 2006, both the CSR co-ordinator and the CFO in charge left the service of Schretlen. Progress was made in the CSR field nonetheless. At its own initiative, the facility service came up with a proposal for Schretlen's lease car fleet to drive on a climate neutral basis (see page 97). This was approved and implemented straightaway.

Obvion

In October 2006, Obvion's management team discussed the CSR position paper in which Obvion took a number of stances on the role of a mortgage loan provider regarding transparency and reliability. Owing to the considerable pressure on the organisation in 2006, few other actions were undertaken to add to CSR knowledge. In regular activities attention was paid to CSR, however, such as the introduction of the Obvion Basis mortgage loan (see page 59).

FGH Bank

In 2006, FGH Bank put a great deal of energy into achieving its CSR objectives, and in doing so distinct progress was made in integrating CSR into core processes. In the general 2006/2007 annual plan, FGH Bank comprehensively addressed the CSR issue, including the coming year's objectives. CSR was also included in the 2006 Commercial Annual Plan.

In 2006, the directors determined the principles for financing immovable properties of a sustainable or social nature (see also page 64). The significance of CSR for FGH Bank is also evident from its various communications. Among other things via the personnel journal, employees receive regular information about progress on CSR. Introduction sessions for new recruits not only deal with legal rules & regulations and personnel policy, but CSR-related topics receive comprehensive attention as well. In external publications, such as Vastgoedbericht, FGH Bank indicates that sustainability is important to it. In FGH's rules for the 2006 Vastgoedprijs (real estate award), sustainability was included as a criterion. In the operational field, too, FGH Bank made a number of changes. Included in these was a switch to FSC paper and the use of sustainable Utz Kapeh-certified coffee.

Rabo Vastgoed

Following the take-over of Bouwfonds in 2006, Rabobank became one of the largest property developers in the Netherlands. Thanks to this strong market position in the Netherlands, Rabobank faces the challenge in the coming years to tackle project development with the greatest possible care. Rabo Vastgoed does this by developing areas in a socially responsible manner bearing in mind the surrounding area as a whole. At the design phase, Rabo Vastgoed assesses the surroundings in all its facets: physical, social, economic, cultural, demographic, political and infrastructural (see also page 65).

In cooperation with Rabobank central support services, including Knowledge and Economic Research and Metropolitan Policy, Rabo Vastgoed evaluates regions, cities and locations based on these aspects. The information Rabobank gathers is then used for area development, urban restructuring and village renewal. Its long-term perspective is to become the Netherlands' most sustainable project developer.

In 2006, Rabo Vastgoed proceeded to embed CSR into its mainstream activities. The policy vision of Corporate Social Responsibility was developed for the period 2006-2008. The focus is on the integration of CSR into the core tasks and core processes of the business. An example of this is the development of concepts that meet social issues such as affordable student accommodation or water storage problems. Rabo Vastgoed ensures that its own staff and its building partners comply with national and local rules and regulations.

In 2007, Rabo Vastgoed will be giving further shape to its CSR concept development department. This department will give substantive support to special regional developments. The Rabo Vastgoed 2007 annual CSR plan will be focusing substantially on this with a specific plan of activities. As in 2006, it will be monitored every quarter. See case study:

Sustainable development of housing market

For more information

www.rabobank.com/csr

4 Our economic performance

Acting in the interest of the client is the first priority of Rabobank Group. Locally, via innovative ways, we want to give more substance to corporate social responsibility: each group entity in its own way, in its own context, with a focus on the client. For this reason, a healthy operating profit is essential. By adding profit to our reserves, we are able to refine our service and product range further. A part of our profit, the so-called cooperative dividend, we distribute to our members and to society. In 2006, net profit went up 13% to EUR 2,345 (2005: 2,083 million).

In this chapter

Our management approach to the economic aspects of our business operations >

Non-financial indicators

- Client value
- Monetary value of penalties for breaching product and service information regulations and codes of conduct >

Direct financial indicators

- Financial objectives
- Strengthen market leadership
- Balance sheet movements
- Profit >

Our management approach to the economic aspects of our business operations

The influence of non-financial indicators on our profit-driven operations has been steadily rising in recent years. While the financial value of these indicators is often hard to quantify, they have a decisive influence – both negative and positive – on the manner in which our stakeholders perceive and value Rabobank Group. They determine our reputation as a financial service provider and a player in society and in this way directly influence the economic performances and – indirectly – the financial success of our business. By linking non-financial indicators to traditional direct financial indicators, we have more control variables to help us achieve a sound operating profit and a stable growth in net profit.

Non-financial indicators

Below are examples of non-financial indicators with references to pages where developments and results are described regarding these indicators:

- Client value, expressed in terms of client satisfaction and client loyalty, clearly indicates whether our understanding of our clients' financial needs is properly reflected in suitable products and services. Below, this non-financial indicator of our economic performance is described in more detail.

- Monetary value of penalties for breaching laws and regulations and codes of conduct concerning product and service information. Deliberate compliance with regulations and codes and providing transparent information on product qualities and service terms and conditions are essential for the realisation of client value. The payment of penalties indicates the room for improvement in this respect, see below.
- Product innovation driven by synergy benefits between commercial and social needs: contributing to sustainable development also yielding commercial gains. Examples are:
 - Green financing: this is environment-friendly, financially beneficial for the entrepreneur and commercially interesting for Rabobank, page 62;
 - Robeco Clean Tech Private Equity II: investing in clean technologies is an attractive but high-risk investment, page 60;
 - Credit card with climate compensation: this boosts credit card holders' awareness, promotes climate-friendly projects by means of a core bank product in partnership with the World Wildlife Fund, page 58;
 - Energy-efficient mortgage loans with an interest rate discount to home buyers if they build energy-efficient houses. In the long term, the savings reduce monthly charges, thus making mortgage financing more advantageous, page 59.
- Management transparency: insight into responsibilities, supply of information and management of opportunities and risks, page 37;
- Fraud prevention; by minimising the risk of fraud, the quality and reliability (the greatest good for a financial service provider) of our business operations and services improve. For more about [fraud prevention](#) follow the link;
- Risk identification and management of social issues in lending, leasing and investing. On the one hand this means less risk for Rabobank Group, and on the other more sustainable – and in time – more competitive business operations for our clients, see pages 49–56 and 57–65;
- The transfer of banking expertise in developing countries, generating synergy between our core activity and the social need in these countries for access to affordable financial products and services, see the section 7;
- The distribution of our cooperative dividend to social initiatives compatible with our core activities or cooperative culture, pages 77 and 78;
- Synergy between cost savings and a lower environmental impact through sustainable mobility, savings programmes and sustainable office building, among other things, see the section 10.

Non-financial indicator: client value

At Rabobank, client value is reflected in client satisfaction and client loyalty. By means of annual market surveys we measure how satisfied our private and corporate clients are with Rabobank. These data are compared with those of our competitors.

Private client satisfaction

The satisfaction rating of private clients rose from 7.4 to 7.5. In 2006, a distinctly higher appreciation was noticeable for resolving problems swiftly and smoothly, giving clear answers, and the convenience of online banking. Clients would like to see Rabobank work towards greater transparency in its charges and fees, however. In 2006, satisfaction among private banking clients was also up.

Agricultural client and SME client satisfaction

There was a slight decline in satisfaction among corporate clients.

In 2006, 78% (2005: 80%) of our corporate clients were very satisfied, 15% were satisfied (2005: 11%) and 7% were not satisfied (2005: 9%) with the level of Rabobank's services.

The still very high client satisfaction rate in the agricultural sector was under a little pressure. Agricultural clients would like to see still more made-to-measure solutions better attuned to their specific situation.

In addition, there is a need for greater transparency in charges and fees. In the SME sector, Rabobank kept up its traditionally high score. Clients in this sector value the fact that bank matters can be dealt with at times convenient to them. Moreover, they highly appreciate the quality of online banking, and are pleased with the accuracy banking business is dealt with. On the other hand, clients suggest that both account managers and advisers could add still more to their client knowledge and sector-specific know-how.

Increase in client loyalty

The survey also showed that client loyalty is high and that clients have strong links with their local Rabobank. Following a decrease in client loyalty among private clients in the two previous years, it increased significantly in 2006 and even reached the highest level of the past six years. Among corporate clients, too, there was growing loyalty. Agricultural clients traditionally have very strong bonds with Rabobank. This was apparent from the increase in the high loyalty levels in 2006 as well. In the SME sector, loyalty is significantly lower than that of larger businesses. This is partly due to the fact that larger corporations are offered more tailor-made products, whereas smaller businesses rely on standard products.

Monetary value of penalties for breaching product and service information regulations and codes of conduct

In 2006, 68 breaches of laws and regulations and codes of conduct were committed by Robeco and De Lage Landen in the field of product and service information. The total monetary value of the penalties Robeco and De Lage Landen paid for the breaches amounted to EUR 2.7 million.

Direct financial indicators

Direct financial indicators help in interpreting the results of Rabobank's 2006 financial policy. Examples of such indicators are (1) financial objectives, (2) market leadership consolidation, (3) balance sheet movements (including movements in lending, savings, assets managed and held in custody, and equity, and (4) movements in results.

Financial objectives

Rabobank has set its sights on three objectives:

- Net profit growth of 12%
- Tier I ratio of 10
- Return on equity of 10%

With growth in net profit of 13% in 2006, Rabobank exceeded its target of 12%. The tier I ratio came to 10.7 (2005: 11.6), which is well above the target of 10. The drop in the tier I ratio in relation to 2005 was due to the takeover of Athlon and parts of Bouwfonds. Core capital rose in the year under review by EUR 1.4 billion to EUR 26.3 billion at the end of the year under review (2005: EUR 24.9 billion). Further growth in lending pushed risk-weighted items up by 16% to EUR 247.4 billion (2005: EUR 213.9 billion). Rabobank achieved a return on equity (net profit expressed as a percentage of core capital) of 9.4% (2005: 9.7%). The required return is 10%.

Strengthen market leadership

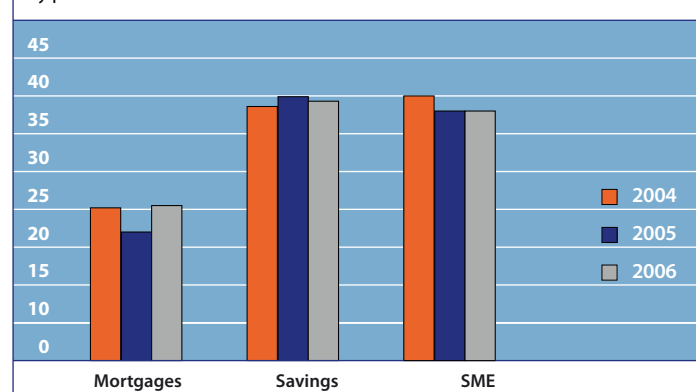
Rabobank Group is the market leader in a large number of financial service sectors. We strive for market leadership in order to achieve high client value. Both the local Rabobanks and Obvion managed to strengthen their share in the mortgage loan market in 2006. The Mortgages Action Programme helped increase the local Rabobanks' market share from 18.9% in 2005 to 20.3% in 2006, or by 1.4 percentage points. Partly as a result of Obvion's Basic Mortgage, its market share rose from 4.1% to 5.2%. This market share of 25.5% (2005: 23%) makes Rabobank into the largest mortgage loan provider in the Netherlands.

Rabobank's share of the Dutch savings market amounted to 39.3% at 2006 year-end (2005: 39.4%). The economic upturn induced consumers to withdraw savings for extra consumption and investment in shares. At the local Rabobanks, savings were up 4%. Their market share grew by 0.3 percent point to reach 37.4% (2005: 37.1%). Roparco's market share fell from 2.3% at 2005 year-end to 1.9% at the end of the year under review.

In the SME sector, Rabobank has been market leader for years. According to the market research bureau TNS NIPO, the local Rabobanks have a market share of 38% (2005: 38%) in this sector. In the agricultural sector, our market share is 84%.

De Lage Landen's takeover of Athlon boosted its position in the Dutch lease car market to number two. Rabobank Group became market leader in the Netherlands in project-based developments of owner-occupied homes following its acquisition of a number of Bouwfonds entities. This acquisition also resulted in the real estate division securing a leading position in real estate asset management.

Figure 12: market share by product



Balance sheet movements

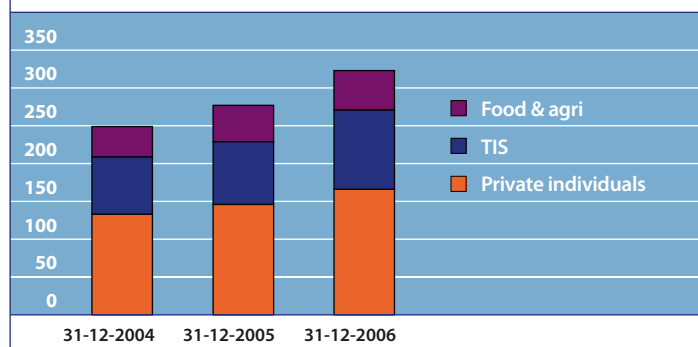
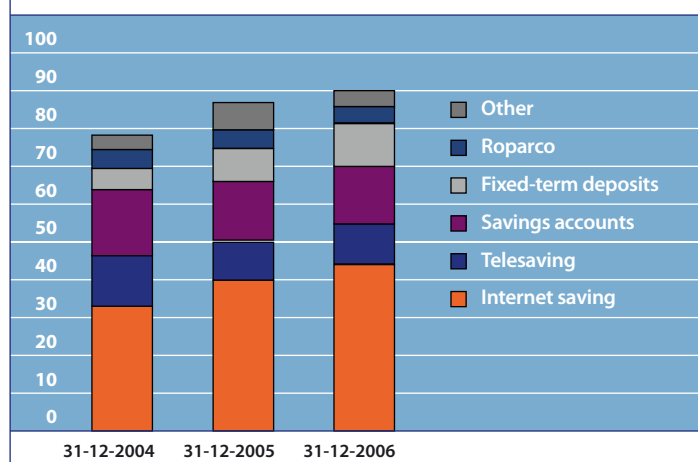
Significant movements in the balance sheet were in the growth of lending, savings, assets managed and held in custody, and in equity.

Private sector lending up 17%

Loans to clients – private sector lending, public sector lending, professional securities transactions and hedge accounting loan adjustments – went up 17% in 2006 to EUR 354.9 billion (2005: 304.5 billion). Private sector lending accounted for most of this rise. It grew by 17% in the year under review to EUR 324.1 billion (2005: EUR 278.1 billion) mostly as a result of domestic growth in mortgage loans, and strong growth in lending abroad.

Most of the private sector lending (76%) was to clients in the Netherlands. In Europe, excluding the Netherlands, this lending amounted to 10%, in America to 10%, in Australia and New Zealand to 3% and in Asia to 1%. At 2006 year-end, total private sector lending consisted of 51% loans to private individuals, 33% to the trade, industry and services sector, and 16% to the food and agri sector.

Of private sector lending, 68%, or EUR 220.9 (200.7) billion, was granted to domestic retail banking customers. The wholesale banking business and the international retail banking business together granted 23% of total loans, and leasing and real estate 5% and 3%, respectively. Other group entities granted 1%.

Figure 13: Lending by sector
in EUR billions**Figure 14: Savings**
in EUR billions

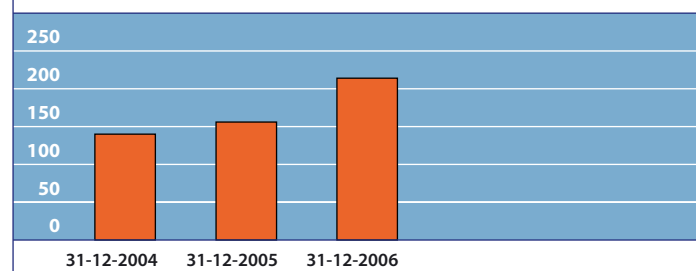
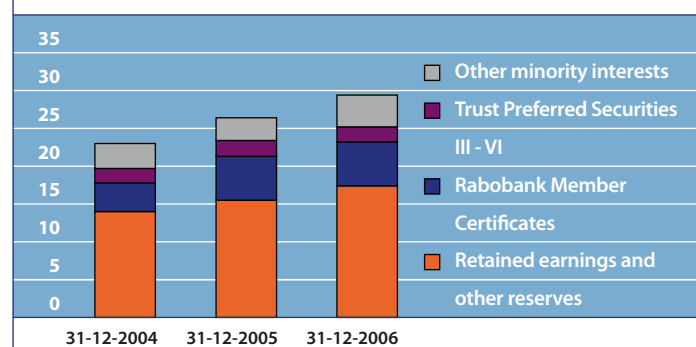
Savings up 4%

Amounts due to customers grew by 16% in 2006 to EUR 215.9 (186.4) billion. Savings make up a significant part of this item and increased by 4% in 2006 to EUR 89.5 (86.2) billion. This growth was realised entirely in Internet savings, which showed an increase of EUR 4.1 billion. Partly as a result of the expansion of the Direct Banking activities abroad, Internet savings as a percentage of total savings climbed from 46% to 48%. One factor offsetting this was a decline in savings at Roparco. The greater part of total savings - EUR 80.5 (77.7) billion - is entrusted to the local Rabobanks. Otherwise, the growth of the item due to customers reflected mainly an increase in corporate term deposits and other amounts due to customers. Term deposits increased by 28% to EUR 46.3 (36.2) billion.

Growth in client assets under management and in custody

The assets managed and held in custody by Rabobank Group grew by 28% in 2006 to EUR 286 (224) billion, of which EUR 72 (68) billion represents Rabobank's investment portfolio and EUR 214 (156) billion assets managed and held in custody for clients. Because Sarasin is consolidated in the figures as from 31 December 2006, assets managed and held in custody increased by EUR 41 billion. The consolidation of the Bouwfonds Asset Management activities also added EUR 4 billion to assets. The inflow of new assets made a positive contribution to asset development. In 2006, the gross cash flow amounted to EUR 6 billion, mainly attributable to asset inflows at Harbor Capital Advisors - an American subsidiary of Robeco - and at Robeco Asset Management. The favourable investment

climate in the second half of 2006 yielded positive investment results, causing assets to increase by EUR 12 billion. The fall by 10% of the US dollar partly offset the effect of these positive investment results. Of total assets managed and held in custody for clients, 44% are in equities, 32% in fixed-income securities and 7% in structured products, hedge funds and private equity. The other categories, including real estate, mixed and money market investments, account for 17%.

Figure 15: Assets managed and held in custody for Rabobank Group clients
in EUR billions**Figure 16: Equity**
in EUR billions

Equity

Rabobank Group's equity increased by EUR 3.1 billion in 2006 to EUR 29.4 (26.3) billion. 59% of equity consisted of retained earnings and other reserves, 20% of Rabobank Member certificates, 7% of Trust Preferred Securities III-VI and 14% of minority interests. The addition of profit resulted in an increase in the item retained earnings and other reserves to EUR 17.4 (15.5) billion.

Profit

Rabobank Group achieved a 13% increase in net profit, to EUR 2,345 (2,083) million in 2006. Total income grew by 7% in 2006 to EUR 10,049 (9,363) million. Total operating expenses increased by 10% to EUR 6,887 (6,242) million, with staff costs accounting for 60% of total costs.

Increase in staff costs

The increase in the staffing level and standard salary increases caused staff costs to go up by 6% to EUR 4,117 (3,880) million. Various acquisitions and the increase of the bank's interest in Sarasin resulted in strong growth of around 3,400 FTEs. The staffing level was also higher due to both organic growth and more regulations. In 2006, Rabobank Group's total number of employees grew by 11% to 50,573 (45,580) FTEs.

Value adjustments down

The item value adjustments declined by 13% to EUR 450 (517) million as a result of positive economic developments and a further quality improvement in the loan portfolio.

Lower effective tax rate

Income tax recognised in 2006 amounted to EUR 367 (521) million, which is equivalent to an effective tax rate of 14%, against 20% in 2005. The reduction in the Dutch corporate income tax rate from 31.5% to 29.6% contributed to the decrease in the effective tax rate.

Figure 17: Results Rabobank Group

Results (in EUR millions)	2006	2005	Change
Total income	10,049	9,363	7%
Staff costs	4,117	3,880	6%
Other operating expenses	2,770	2,362	17%
Total operating expenses	6,887	6,242	10%
Value adjustments	450	517	(-13%)
Taxation	367	521	(-30%)
Net profit	2,345	2,083	13%
Volume of services (in EUR billions)			
Private sector lending	324.1	278.1	17%
Savings	89.5	86.2	4%
Assets managed and held in custody	214.4	156.2	37%
Capital ratios			
Tier 1 ratio	10.7	11.6	
Return on equity	9.4%	9.7%	
FTEs	50,573	45,580	11%

For more information

www.rabobank.com/csr

5 CSR in our corporate lending processes

To Rabobank, corporate social responsibility means that our corporate lending operations in particular – including the relevant operating processes – should be in line with our CSR policy. For CSR in our lending operations, specific preparations were completed in 2006 in the form of issues lists and policy documents. CSR has been part of our credit manual and loan application forms since February 2007.

In this chapter

Our management approach to the integration of CSR into our lending processes

- Engagement: limit risk and make use of opportunities
- CSR objectives and key performance indicators in our lending operations



CSR in corporate lending operations

- CSR guideline for different sectors and markets
- Mandatory CSR test with loan applications
- Rabobank International CSR check
- Lending in the large corporations market
- Lending to SMEs and agricultural businesses



Our management approach to the integration of CSR into our lending processes

The description of what we understand by sustainable development and corporate social responsibility – as reflected in our code of conduct – is based on the external international guidelines ([Global Compact, UNEP/FI, OECD, ILO and GRI guidelines](#)) Rabobank Group has endorsed.

The general point of departure in Rabobank Group's provision of financial services is that their supply and impact may not lead to the transgression of corporate social responsibility boundaries. This principle may mean that we engage into a constructive dialogue with clients on sustainability issues as soon as we come across practices that are not fully compatible with corporate social responsibility. Such a dialogue may bring to light that these practices are unintentional, or that clients have not yet adequately anticipated the developments that may be affecting them over time. In these cases, we will endeavour to move them along the road to sustainability by means of our engagement strategy. Only if a client knowingly and intentionally continues to engage in practices unwanted from a CSR perspective, will we have no option but to deny the client the use of our financial services.



Marleen van Ruyven, Amnesty International Netherlands

"We believe - and we are not alone in this - that the role Rabobank Group plays is a positive one. There has been a positive attitude to CSR for some time. This attitude has been enthusiastically translated into words and published. Words are not enough, however; the pace at which key issues, such as CSR in lending operations, are being tackled is really too slow. As soon as Rabobank Group translates into action worldwide, at a higher pace and across the board, that which it has already announced on paper in its annual sustainability reports, it will undoubtedly join the leading group of CSR financial service providers."

Source: 2006 stakeholder consultation

Engagement: limit risk and make use of opportunities

At the core of the engagement strategy are the discussions we have with our clients about CSR-related topics of a social or ecological nature of relevance to the sector or country in which they operate. These topics (issues that are the subject of social debate) can grow into either a threat or an opportunity for their enterprise and, consequently, for Rabobank Group. On the one hand, disregard for social and environmental risks can undermine the ability of a client's business to continue operating as a going concern, and affect its competitive or financial position, and it can also expose the bank to risk. On the other hand, the early identification of the commercial opportunities social or ecological issues generate can prompt the development of new innovative products and services. Our client can thus add value and improve its competitive and financial position. That, too, affects Rabobank.

While our policy is geared to value creation through new or renewed financial products and services, in our CSR approach we also put great emphasis on the management of risks and threats in production chains and sectors. These are often due to social and ecological issues. We endeavour to control risks by means of criteria used in reviewing clients on these issues. This further contributes to the principle of value chain management (see page 57).

CSR objectives and key performance indicators in our lending operations

The above approach we translated in 2006 into CSR objectives for our lending processes. The principal processes are set out below.

Long-term objectives

2007 (short-term):

- introduce five sector policy documents at the group level for the palm oil, soy, logging, fishery and aquaculture sectors, and for sectors with high greenhouse gas emissions;
- introduce and apply CSR criteria in the lending process at all the large Rabobank International branches abroad;

- introduce the use of checklists applicable to CSR issues lists for the most relevant sectors in the Dutch market.
- Charting CO₂ emissions of Dutch large corporate clients in lending (indirect effects).

2008 - 2010 (medium-term):

- expansion of the sector policy documents introduced in 2007 by a further five sector policy documents covering five new sectors;
- application of the CSR criteria to the services of Rabobank International has been visibly adapted and sharpened based on ongoing changes in insights;
- For all relevant sectors in the Dutch market, issues lists are available and taken into service.
- Charting CO₂ emissions of all corporate clients in lending (indirect effects).

2010 and following years (long-term):

- CSR is fully integrated into the lending processes and products.
- In 2007, we will determine similar medium and long-term objectives for leasing, investing and real estate.
- The relevant key performance indicators are:
- Scores for the application of sector policy documents, issues lists and criteria to lending, leasing, investing and real estate by the group entities in question.

CSR in corporate lending operations

In the past, we were made to understand that our CSR policy was still insufficiently integrated into our corporate lending operations. On a number of occasions, we expressed our views on this in earlier annual sustainability reports. In this annual report we deal at length with the procedural and substantive progress we achieved on this point. The progress details provided will make it clear that the knowledge and



Mirjam de Rijk, director Foundation for Nature and the Environment
 “Rabobank Group must show that it is taking CSR seriously in its core activities. CSR criteria should be incorporated into both its lending and investment policy, and be taken seriously in its decision-making. Failing to do this will affect its credibility. Use Rabobank Group’s market position in lending and the agricultural sector to impact positively on the creation of a sustainability sector. Not enough is being done in this respect.”

Source: 2006 stakeholder consultation

procedures appropriate to Rabobank Group’s operations had to be fully developed in-house, which takes time. The development of policy, the selection of issues and sectors, producing and testing adequate review instruments are essential for a successful introduction of CSR in corporate lending processes.

As an all-finance service provider, Rabobank Group operates in a wide variety of sectors, countries and markets, in which it serves various types of clients. In the Netherlands (our home market) for instance, we are the

market leader in the SME and agricultural sectors. We are a significant player in the large corporations market. Internationally, we are well on our way to becoming the world’s leading food and agricultural bank. Worldwide, we finance the production of important soft commodities such as cotton, soy, sugar and palm oil, as well as other links in these production chains. Based on the [codes and guidelines](#) we endorsed, we consider ourselves bound to encourage our corporate clients also to do business in accordance with CSR principles.

Figure 18: CSR in the financial services provided by Rabobank Group

Principles

- Rabobank Group Code of Conduct and Mission Statement.
- A number of external guidelines to which the bank is committed. An up-to-date overview of [codes and guidelines](#) may be found on our website.

Basic guideline

- A list of ten major CSR issues (see figure 19, ten main issues).
- A list of sensitive activities we would preferably not finance.

Instruments for day-to-day use

- Policy documents that provide more in-depth and background information on the sectors in which Rabobank has significant interests and in which major issues play a role (such as soy, aquaculture, palm oil and logging) and for cross-sector topics that most affect Rabobank and its clients (such as human rights and climate change).
- CSR issues lists: checklists with sector-specific and country-specific issues designating unwanted practices.
- Equator Principles for project financing as from USD 10 million.

CSR guideline for different sectors and markets

Because we operate in so many places in divergent sectors and markets, we felt the need for manageable and practical CSR information.

In 2006, Rabobank Group accordingly started developing practical CSR guidelines. They do justice to the specific situations in different markets. After all, in the European real estate market, in which FGH Bank and Rabo Vastgoed operate, we are dealing with issues quite different from those affecting Rabobank International clients in the sugar industry.

Ten major issues as a guideline for CSR review purposes

CSR reviews in our financial services policy are based on a list of major CSR issues (see figure 19). The ten generic issues constitute the frame of reference (the guidelines) for the drafting of specific policy documents, the evaluation of potential clients and the evaluation of loan applications.

Figure 19: Ten major issues

- corruption
- poor working conditions
- exploitation of employees or benefiting from this (directly or indirectly)
- detrimental child labour
- discrimination
- environmental pollution
- depletion of scarce natural resources
- cruelty against animals
- violation of the rights of indigenous peoples
- products and services with health or safety risks for consumers

Issues lists and policy documents

In order to support loan providers in their work, and to be able adequately to inform clients and external parties, we have additionally developed CSR issues lists and CSR policy documents. CSR issues lists provide relationship managers and credit analysts with suggestions about the most important issues in specific sectors and on how they can deal with these in practice. While these CSR lists have primarily been drawn up for clients in Europe, once they have been tested they can probably be used elsewhere (see page 54).

In CSR policy documents, we give in-depth and background information on major-issues sectors in which Rabobank operates and on cross-sector topics that, without enough management attention, can constitute a substantial risk to our good name and reputation and financial services. We prepared such documents in 2006 for a number of important sectors / production chains, namely palm oil, fishery and aquaculture, soy and timber. Among other things, the [social and environmental policies of Rabobank Brazil](#) (see also page 53) constituted the basis for drawing up

this type of document. CSR policy documents were also drawn up for topics relevant to Rabobank Group, including [cultural diversity](#) and [climate change](#). The Executive Board will be taking decisions in 2007 on the further use of these documents.

The place of the new Equator Principles

In 2006, Rabobank signed the new version of the Equator Principles, which set out guidelines for project financing in developing countries. The size of the projects to which the Equatorial Principles apply has been lowered from USD 50 million to USD 10 million. The implementation of this new version of the Equator Principles in our project financing procedures will be completed in 2007.

Mandatory CSR test with loan applications

An important condition for the application of the guidelines referred to above was the resolution to make CSR criteria testing mandatory for corporate loan applications. Implementation required adaptation of the credit manual and loan application forms. This has since been done for all group entities¹⁵ and is a logical sequel to a series of preparations we have gone through since 2004. The credit manual indicates when client practices are A) acceptable, B) acceptable subject to conditions or C) unacceptable. The concept of client is broadly interpreted, and account is also taken of CSR issues at a client's suppliers and customers, i.e. one link forward or back in the production chain. Lastly, the credit manual indicates how the roles and responsibilities are assigned, including to the management of the group entity, the relationship managers and the credit analyst.

Loan applications CSR review procedures

The new credit manual and loan application forms have been operational since 1 February 2007. As from that date, our staff are required to indicate in the loan application forms whether a client is acceptable from a CSR perspective and, failing this, whether certain conditions have been agreed in an engagement with the client. In the explanatory notes to the loan application our staff must indicate how the client's business performs in respect of the major CSR issues. These may be issues specific to the client or typical of the sector or country in which the client operates. If there are CSR issues at play, the advisers and analysts will also include the details of an action plan pointing the way to solutions.

Pending these definitive steps towards implementation, the central Credit Risk Management department recommended that group entities explicitly pay attention to CSR in loan applications already in 2006.

The annual internal Global Credit Risk Conference in 2006 featured the importance of CSR aspects and of dealing with them in the lending process, with the object of fostering awareness among the members of our credit committee.

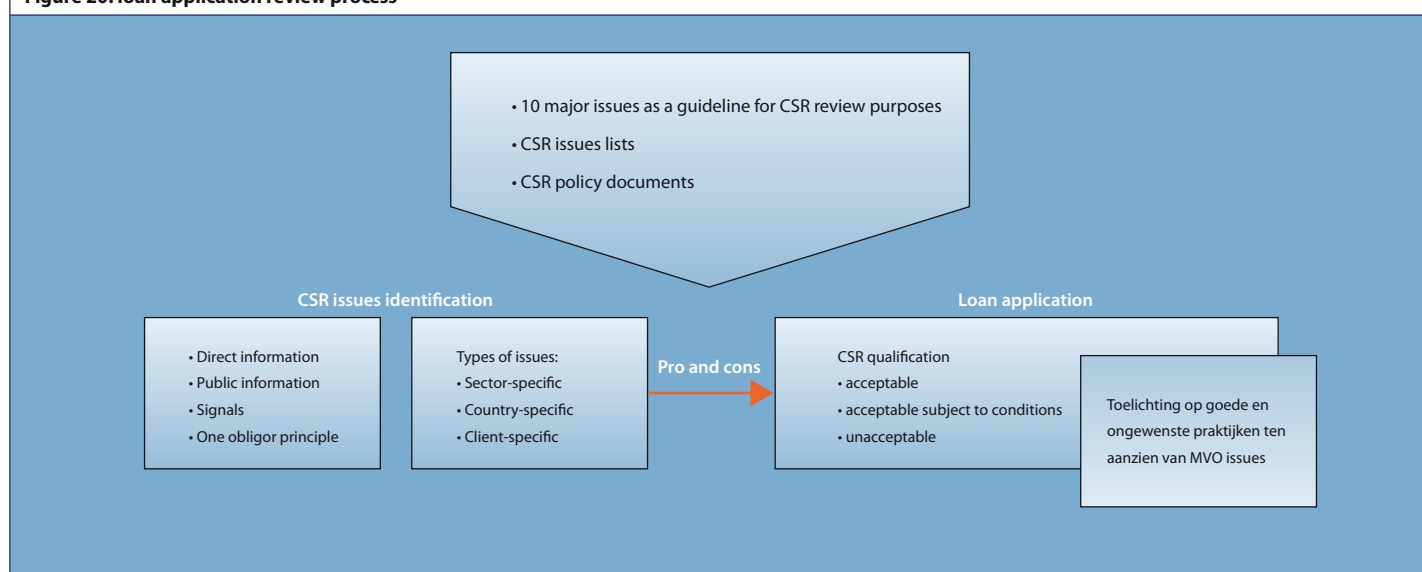
15. Note: an exposure threshold of EUR 1 million applies to SMEs and the agricultural sector in the Netherlands.

Rabobank International CSR check

In 2006, Rabobank International began implementing a CSR check in the lending procedures at its branches in Indonesia, Brazil, India, Singapore and China. The CSR is based on the list of ten CSR issues or guidelines (see figure 19). The procedure offers much leeway for determining a local approach to client review. This is done in close consultation with local management. In China, India, Indonesia and Singapore, the CSR check was explained to the management team, the relationship managers and credit analysts. NGOs also raised issues in sectors in which Rabobank operates. The procedure is to be introduced worldwide in the first half of 2007.

In 2005, Rabobank Brazil started a pilot project for reviewing agricultural and corporate clients. The relationship managers' and credit analysts' experience was used in 2006 to improve its management system and optimise its testing instruments. In the latter half of 2006, Rabobank Brazil began implementing the policy in lending operations and relationship management. Staff most involved in the CSR check, particularly relationship managers and credit analysts, were trained in the use of CSR testing instruments. A total of 12 managers (100%) and 10 analysts (71%) completed the training. In addition, 111 staff (60%) were briefed about the main subjects in the environmental and social welfare fields affecting agricultural and corporate clients in Brazil.

Figure 20: loan application review process



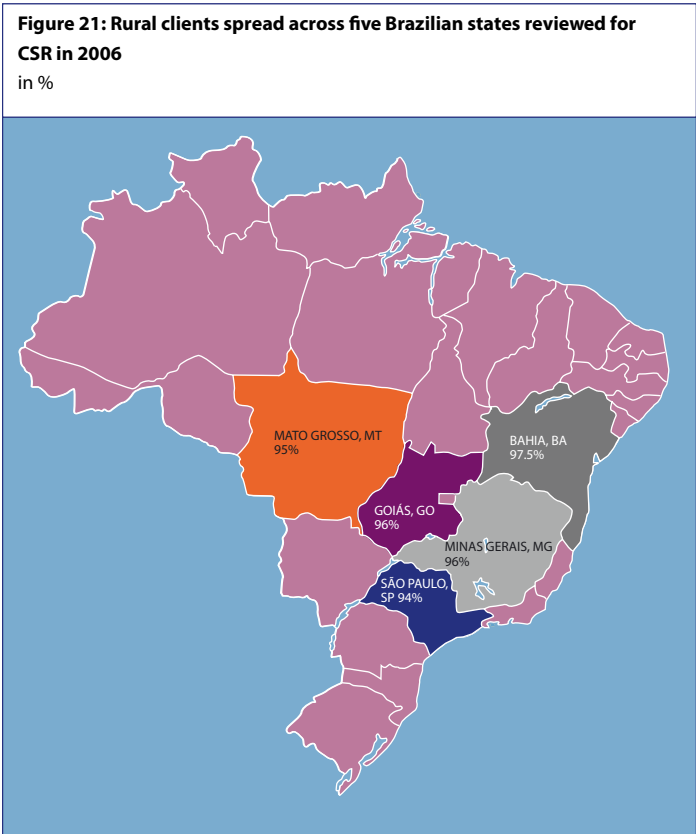
Rabobank Brazil: trendsetter and leader

Rabobank Brazil, alive to its responsibility for the sustainable financing of agricultural and corporate businesses (intermediary trade, manufacturing industry), and of its importance for their economic success, developed a social and environmental policy. This policy applies to all economic activities Rabobank finances in Brazil. It is specifically geared to issues of relevance to Brazil – such as the effects on the Amazon basin of increasing agricultural activities at the edges of the rain forest. The policy, which was comprehensively discussed with NGOs, was approved by the Executive Board of Rabobank International in June 2006

(see [Rabobank Brazil's social and environmental policy](#)).

To facilitate application of the policy in practice, Rabobank Brazil compiled a client questionnaire and developed an instrument that enables a client's CSR profile to be determined and reviewed. By filling out the questionnaire, a client agrees to comply with the CSR policy of the bank.

Rabobank is the first bank in Brazil to introduce CSR risk analysis in client acceptance and loan review procedures. As part of Rabobank Brazil's CSR policy and to make it easier for clients to opt for sustainability, Rabobank Brazil is deploying special resources such as a client CSR training course at least twice a year, while agricultural clients whose business operations comply with environmental and labour legislation benefit from reduced interest rates. By late 2006, the CSR performance of 93% of agricultural clients spread across various Brazilian states had been reviewed (see figure 21). Of the total number of agricultural clients in the state of Bahia, 97.5% were reviewed for CSR.



Of the corporate clients, 44% were reviewed for CSR (see figure 22). All clients are reviewed once every year. The CSR review of clients brought issues to the fore such as working conditions, use of natural resources, environmental pressure and dealing with valuable tropical forest and savannah.

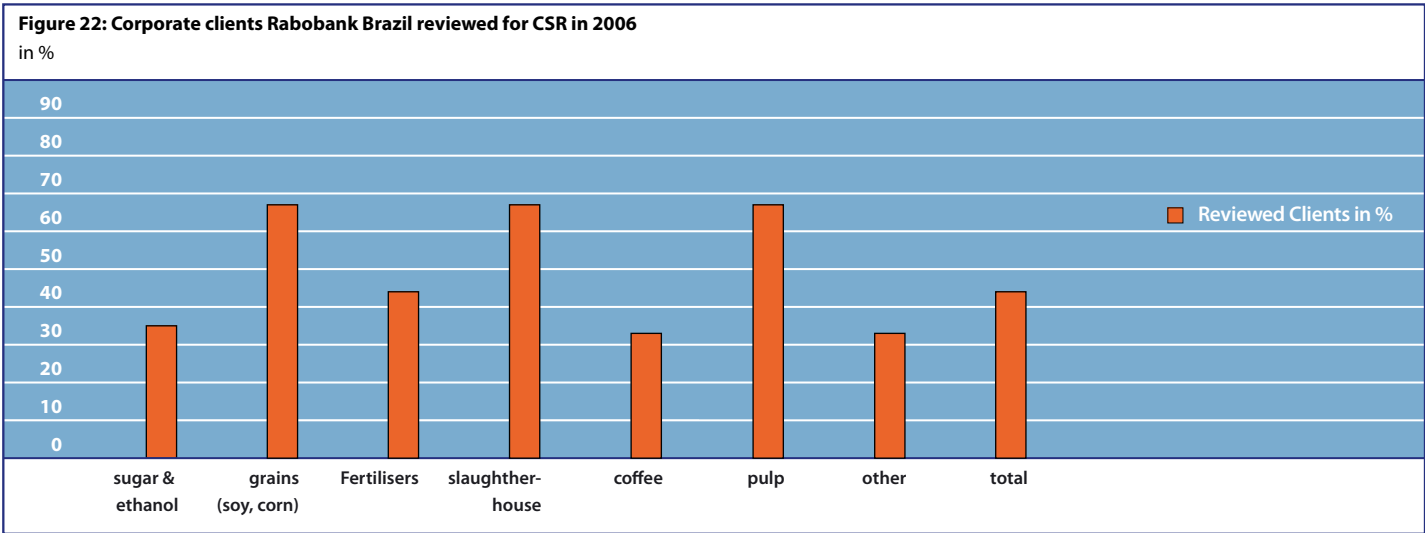
The results of the 2006 CSR review shows that the score of the assessed clients is above the sector average as regards compliance with environmental and labour legislation. All of them have specific permits (for instance for water usage, legal deforestation, business facilities, sewage water treatment and gas emission) for their business operations.

Practice has shown that in addition to reducing credit risk and enabling interest rate discounts for clients, Rabobank Brazil's implementation of its social and environmental policy has - in a short time - earned it best-practice status, and a reputation as a partner in the development of new innovative initiatives.

Lending in the large corporations market

In 2006, Rabobank International Corporate Clients carried out three pilot projects from a European perspective, geared to obtaining an understanding of sector specific issues. The sectors concerned were the animal protein, building and employment agency sectors. These pilot projects gave a good view of the nature and seriousness of CSR issues facing nineteen large European businesses and the transparency with which these businesses reported on them. While no abuses were found at any of the businesses, transparency about the manner in which they dealt with these issues in their sector or countries in which they operated was found to be lacking at times. This could mean that they did not have a policy in place to prevent controversial situations. This prompted us to have a look at CSR, also within our Corporate Clients department, and focus on a number of significant issues.

The three pilot projects prompted Rabobank International Corporate Clients (Industry Knowledge Team and the Food & Agri research team) in 2006 to compile CSR issues lists for more than thirty sectors. To this end, they received information and advice from the CSR Department (CSRD) and from Knowledge and Economic Research (KER). These issues lists include examples of 'unwanted', 'proscribed' and 'good' practices that can be used as CSR review guideline by relationship managers and credit analysts. Clients and stakeholders, such as NGOs and industry associations, were consulted to help select the main issues and the kinds of practices deriving from them. A case in point is the [issues list for fishery and aquaculture](#). This issues list and the 'Seafood supply chain' sector policy document underpinning it were commented on in 2006 by external parties such as the Marine Stewardship Council (MSC) and Marine Harvest.



Engagement example: consultations between Marine Harvest and Rabobank on approach to CSR

To prepare for the implementation of CSR criteria in the lending process, in 2006 Rabobank International Corporate Clients comprehensively discussed with Marine Harvest the concept of its sector policy document and related issues lists for the fishery sector (fishing and aquaculture). Marine Harvest is world leader in the field of aquaculture and the largest producer and supplier of captive salmon. Marine Harvest endorses the importance of a sustainable approach to the sector by Rabobank. According to Marine Harvest, the identification of issues, the rebuff of irresponsible players in the chain and the encouragement of businesses to implement sustainability improvements, unquestionably benefit the sector as a whole and each individual fishery receptive to this. Marine Harvest emphasised the importance of a neutral stance when looking at and assessing sensitive issues on which NGOs – such as environmental organisations – and business often have strongly divergent views and about which they are in conflict with one another.

Conversely, based on Rabobank's comprehensive knowledge in the field of CSR reporting, Marine Harvest asked Rabobank to provide it with feedback on its CSR report. Rabobank advised Marine Harvest to pay a great deal of attention to establishing clear communication lines throughout the organisation, so that the correct information for reporting purposes can be garnered efficiently. In addition, Marine Harvest and Rabobank share the conviction that an active dialogue with NGOs is crucial for the entire process. Maintaining an open dialogue with the parties most critical of the business activities produces the most valuable information.

Acting at the instruction of Rabobank International Corporate Clients, the CSRD organised workshops in late 2006, addressing the manner in which client CSR reviews could be carried out, for nearly all qualifying relationship managers and credit analysts, who contributed to refining the issues lists in the process. Pending the formal implementation in 2007, these relationship managers and credit analysts already devoted specific attention in 2006 to CSR issues when handling loan applications from various clients in the large corporations market.

Lending to SMEs and agricultural businesses

Since October 2006, the local Rabobanks have been using a questionnaire containing seven focal points that helps them improve their assessment of the CSR performance of their SME and agricultural sector clients (see figure 23). The questions are of the multiple choice type and are accompanied by explanations. A business adviser fills in the answers to the multiple choice questions for all loans in excess of EUR 1 million. We opted for this limit because it accounts for the largest part of the loan portfolio's total volume. When answering the seven questions, relationship managers and credit analysts can search the Rabobank Industry Information System (RIIS) to find the specific implications of CSR for businesses in a specific industry. The focal points are automatically shown on screen and saved in a database linked to our credit rating model. This will make a better assessment possible as to whether the answers to these CSR questions have a bearing on the credit risk.

Lastly, draft lists of the main CSR issues, including notes to them with 'good' and 'unwanted' practices, have also been prepared for the local Rabobanks. The lists cover all the principal sectors, a number of industries in the SME sector, as well as the agricultural sector. The goal is to finalize the draft lists for all the principal sectors in 2007, and to flesh out more industry-specific CSR issues lists and include them in the Rabobank Industry Information System. In this way, CSR becomes a standard topic in talks with industry associations.

An initial response from business advisers suggests that, by using the seven focal points CSR questionnaire in talks with clients, they are now able to raise matters explicitly and record them. Employees indicate that the questions brought about a more lively perception of CSR in their contacts with clients.

Figure 23: Seven CSR focal points for the local Rabobanks**A. Issues**

Have there been any issues in the past three years:

1. in the tax or legal field?
2. in the construction or environmental field?
3. in the social field or the field of health & safety at work?

B. Personnel matters

4. Does the business pay systematic attention to safety, health and integrity in the work place (absenteeism due to occupational health and safety policies, reintegration and integrity policies)?

C. Environmental care

5. Is the business actively engaged in environmental care?

D. Consumer and society

6. Does the business focus on products and services that are better for people, animals or the environment than is customary in the sector?
7. Is the business purposely engaged in improving its own services, and does it endeavour to turn wishes and complaints to advantage?

For more informationwww.rabobank.com/csr

6 Creating value for our clients

The core activity of Rabobank Group is to provide high-quality service consisting of a range of financial products and services. Over the years, we have become convinced that the pursuit of sustainable development adds value to the core activity in particular, and stimulates our clients and ourselves to innovate.

In this chapter

• Our management approach to creating sustainable value	>
Funds transfers, savings and loans	>
Investing more sustainably	>
Financing climate initiatives	>
Financing sustainable innovations	>
CSR and leasing	>
CSR in real estate	>
Transparency And The Duty Of Care	>
Client Safety And Privacy	>
Client Satisfaction And Complaints	>
Our responsibility towards special groups of clients	>

Our management approach to creating sustainable value

In Rabobank Group's CSR policy increasing emphasis is being put on the addition of sustainable value for the client and for society. Rabobank Group wants to create value by means of state-of-the-art financial products and services. This value is created for instance when new financial products and services are launched that promote sustainability and innovation in sectors and markets.

Value is also created by offering the quality service that underpins our reputation as reliable and leading-edge service provider. It starts with the basic requirement of knowing financial legislation and complying with it in all conscience and in good faith. It ends with doing a lot more than what legislation requires us to do, notably providing service that makes our clients feel comfortable and safe, and that matches their financial needs. We fulfil our duty of care by taking our clients' financial wishes as our point of departure, making our rates and conditions transparent, and having a good complaints procedure. Using clients' financial wishes as our primary concern results in an extra social dimension through the additional attention we devote to special groups of clients. Their special needs may reside in a cultural or religious background, but also in the vulnerable position they often occupy in society (the elderly and people of low literacy).

In sum, this value chain management approach is based on the following principles:

- we develop new products and services that add value for our clients, pages 58-64;
- we discuss CSR issues with clients to motivate them to make improvements: the engagement approach, pages 49-56 and 59;
- we provide transparency in the terms and conditions of our products and services (no hidden costs), page 65;
- we strive for high client satisfaction through involvement with our clients, page 45;



Rob Dorscheid and Michiel Karskens, Consumer Union

"The pace at which other financial institutions are implementing CSR is very high, and Rabobank will be hard pressed to maintain its position among the leading group. The lead might even have disappeared. When it comes to CSR, people really expect something on the part of Rabobank Group. While that is an advantage, it also means that Rabobank Group must proceed swiftly, carefully and consistently with the implementation of CSR if that confidence is to remain. In this next phase of implementing CSR in Rabobank's products and services, it could focus its perspective - more so than it does at present - on its clients, and on the CSR issues that are important to them. (...)"

Source: 2006 stakeholder consultation

- we handle complaints about the service provided by Rabobank with care and draw lessons from them to improve our service, page 67;
- we do not use offensive [publicity or adverts](#);
- we guarantee safety and privacy, both physically and on the Internet, page 67;
- we give vulnerable client groups, such as the elderly and people of low literacy, access to our services, page 69.

CSR product and service objectives

The objective is to launch new products and services on the market (business development) to foster clean technologies and sustainable investments.

- New products to be launched in 2007 are the credit card with climate compensation and the nationwide introduction of the climate mortgage.

The key performance indicators forming part of this objective are:

- the introduction of at least one new product or service per year;
- the number of newly developed products that have been tested for CSR criteria;
- client satisfaction relating to Rabobank Group's complaints handling in comparison to the previous year;
- the growth or decline in sustainable product sales compared to the previous year.

Funds transfers, savings and loans

For the retail banking clients of Rabobank Group, it endeavours to base the funds transfers, savings and loan products on sustainable principles. The sustainable Rabo Green Bond form of savings has existed since 2000, and since 2002 there is mortgage protection with a strong social profile. Much work was done in 2006 on the development of new products, such as the SpringPlank (Stepping Stone) mortgage and the credit card with climate compensation, a definite form of sustainable innovation.

Credit card with climate contribution

Rabobank and the World Wildlife Fund (WWF) jointly introduce a credit card with climate contribution. Rabobank thus became the first major bank to compensate the CO₂ emissions associated with the purchase of products by means of the credit card. The credit card was especially developed in 2006 for the approximately 400,000 retail client card holders who are members of Rabobank. The new credit card was introduced in the spring of 2007.

The CO₂ emission associated with products purchased and paid by means of the credit card Rabobank compensates via Gold Standard climate projects. Gold Standard is a standard for renewable energy projects (solar, wind, water and bio-mass) especially in developing countries. The amount is based on a calculation method developed by Rabobank and the WWF, using CO₂ emission data of the Environment and Nature Planning Bureau.

In addition to compensating the as yet inevitable CO₂ emissions, our members receive information on how the CO₂ emissions can be reduced and cost-effectively. They also receive offers of climate-friendly products and services. The credit card with climate contribution is the first fruit of a three-year long collaboration between the WWF and Rabobank.

We joined forces with the World Wildlife Fund to combat the consequences of climate change.

Unprecedented demand for Rabo Green Bonds

The very considerable private investor interest in sustainable investment was in line with the generally growing demand for Rabo Green Bonds. In 2006, more than EUR 800 million was invested in green bonds, with the November issue as the pinnacle. In a record time, the issue of EUR 100 million had been fully taken up. The reasons for this demand were the higher interest rates and the fact that individual investors' green funds

that had reached maturity were re-invested in green bonds. In the past year, growth in the supply of green funds was even greater than the demand for green financing.

Sustainable forms of mortgage

Rabobank is continually looking for ways to finance home buyers' special housing needs. They increasingly accommodate sustainability on a permanent basis.

Rabo SpringPlank (Stepping Stone) Mortgage

Housing associations, municipalities and project developers are selling growing numbers of social housing units and affordable new-build homes. The target group for these homes – tenants and first-time buyers – often do not have the means to pay for them.

In 2006, Rabobank developed the Stepping Stone Mortgage. It puts consumers in a position to buy a home that they could just not afford based on their income at that time. This form of mortgage loan is based on the assumption of a third party (mostly a municipality) extending a financial contribution to ease the burden of the first-time buyer's monthly expenses. With this contribution, Rabobank guarantees financing suited to the income of the client until the mortgage loan matures. We are introducing the Stepping Stone mortgage to the market in mid-2007

Energy-efficient mortgage

In the course of 2006, Rabobank West-Groningen developed the so-called 'Duurzaam Oostindië' arrangement in which, together with Leek municipality, it encourages sustainable construction in the new-build homes district of Oostindië. The municipality drawn up a subsidy arrangement to promote energy-efficient construction methods for private individuals and project building contractors. As part of this arrangement, the local Rabobank offers an interest rate discount to buyers who build with energy savings in mind. The more energy-efficient the house is, the lower the interest rate will be. Some 20 such mortgage loans were granted in 2006. Significant growth is expected in 2007. In 2007, Rabobank will introduce a nationwide climate mortgage.

The Green Mortgage Loan

Rabobank has carried the Green Mortgage Loan in its product range for some time. Clients who are planning to buy a new-build house can apply to the government for a green certificate and use it to contract a Green Mortgage Loan at a reduced interest rate for part of the loan. The Green Mortgage Loan is hardly sold. The reason is that the benefit the loan offers is too small because the interest rate discount applies to only a part of the loan. The client has to make special arrangements, however, to obtain a green certificate. As a result we do not actively promote this product.

Obvion basic mortgage loan

In 2006, Obvion introduced the basic mortgage loan at normal terms and conditions of acceptance. It is a very straightforward, transparent mortgage loan with an especially low monthly charge thanks to the exclusion of a number of facilities. Obvion applies strict standards when granting mortgage loans, thus protecting consumers from irresponsible decisions (excessive borrowing).

Rabobank Mortgage Loan Protection

Mortgage Loan Protection is an insurance policy covering a drop in income in the event of unemployment or incapacity for work. This product gives home buyers taking out a mortgage loan the assurance that they can continue to live in their homes, as mortgage loan repayments and interest charges will continue to be paid for the time being. Since 2002, when Mortgage Loan Protections were introduced, until the end of 2006, over 55,000 were sold, with annual premium income of EUR 12.2 million.

Investing more sustainably

Robeco, Rabobank Group's asset management centre, further integrated CSR into its regular investing activities in 2006 by means of engagement (dialogue with listed companies). Robeco's acquisition of the SAM Group, its engagement in retail banking, the introduction of the Clean Technology Fund, and the [investment research](#) and investment advice from Iris, a research institute, all testify to Robeco's conviction that CSR is becoming an increasingly dominant theme in asset management.

Robeco's acquisition in sustainable investment

In 2006, Robeco acquired a 64% stake in the SAM Group. The rest of the shares remain in the hands of the employees for the time being. The SAM Group ranks among the world's top asset management firms in the sustainable investment field. SAM is well known from its water and energy funds, and its compilation and user licensing of the Dow Jones Sustainability Indexes, a joint initiative with Dow Jones. The [SAM Group](#) has assets under management of EUR 2.2 billion and advises on assets totalling EUR 4.0 billion. The acquisition underscores Robeco's conviction that sustainable investment is set to become a steadily growing theme in asset management.

Significant expansion in engagement and equity investment voting rights

In 2006, Robeco showed for the first time and on a large scale exactly what was meant by engagement: entering into a constructive dialogue with a large number of businesses in which a Robeco client invests. The [Rabobank Pension Fund](#) is such a client. The topic of the dialogue is not restricted to corporate governance alone but extends to social

and environment-related subjects. In 2006, Robeco spoke to some eighty companies on CSR topics. In about 40% of cases, the topic of conversation was corporate governance. Social or environmental topics were addressed about 60% in the talks. In addition, effective 1 January 2007, policy was approved in 2006 to enter into dialogue with businesses concerning the retail funds in developed markets. Robeco will be reporting quarterly on these engagement activities.

Voting right corporate governance

In 2006, Robeco exercised its voting right at 1,156 shareholder meetings, and had the floor, or was represented by other institutional investors in nineteen shareholder meetings. It was the first time that the last happened on this scale. Via the Governance Platform and Eumedion, Robeco collaborates with other institutional investors in the field of corporate governance. In addition to fulfilling the position of deputy chairman of the Executive Board, Robeco also chaired Eumedion's investment committee in 2006.

Applying CSR criteria to private equity

Robeco Private Equity manages sustainable private equity funds and mandates. It has now raised a total of EUR 157 million in sustainable private equity capital. At the end of 2006, 75% of the fund's capital had been either invested or committed.

Robeco Sustainable Private Equity is a hybrid fund in that its investments include traditional funds that comply with certain sustainability guidelines compiled in consultation with Rabobank (the Responsible Entrepreneurship Guidelines), and in specialised clean tech funds. In 2006, Robeco Private Equity and its advisers discussed the Responsible Entrepreneurship Guidelines with about thirty fund managers of traditional private equity funds. The clean tech funds in which Robeco Private Equity invests, invest in clean and sustainable technologies in such sectors as energy, waste, water, foodstuffs and health. The Robeco Sustainable Private Equity I fund currently has investments in eight clean tech funds.

New clean technology investment fund

Natural resources depletion and climate change are at the centre of public interest. The number of promising, clean and sustainable technologies being brought to market is growing rapidly. As a financier, Rabobank wants to play a leading role in this (see also the report ['Financing and the emerging bio-energy markets'](#)). In 2006, Rabobank and Robeco accordingly launched Robeco Clean Tech Private Equity II. This clean tech fund, with envisaged assets of USD 500 million, is the successor to Robeco Sustainable Private Equity I.

Robeco Clean Tech Private Equity II will consist of a portfolio of about 15 to 25 of the world's foremost pure, clean tech, private equity funds. The fund's investments will be spread across various sectors and technologies.

Examples include sustainable forms of energy (solar and thermal energy, bio-energy, and wind and wave power), alternative fuels (hydrogen and biofuels), energy efficiency, energy from waste materials, control systems, recycling of materials, water technology and air conditioning technologies.

Robeco Clean Tech Certificate

As the Robeco Clean Tech Fund is accessible only to institutional investors, Robeco also created a derived certificate for private investors in late 2006. The Robeco Clean Tech Certificate offers investors the opportunity to invest in a convenient way in the Clean Tech Fund without actually participating in it.

Good year for Robeco Sustainable Equity

For Robeco Sustainable Equity, 2006 was a good year. The price of the fund rose by 11.5%, thereby outperforming the benchmark, the FTSE4Good, which rose by 7.8%. Assets invested in this fund totalled EUR 105 million at the end of 2006 (2005: 88 million).

Strong rise in Robeco's sustainable assets under management

The expansion of our engagement-based service resulted in a strong increase in Robeco's sustainable assets under management in 2006. They rose from EUR 0.4 billion to EUR 5.7 billion at 2006 year-end. As a proportion of total assets under management, sustainable assets under management rose from 0.3% at 2005 year-end to 4% at the end of the year under review. Increasing the sustainable assets under management across Robeco's portfolio as a whole is major objective in 2007 as well.

Triodos Bank and ASN Bank investment products included in our product range

More and more investors are putting their money in sustainable businesses. Rabobank endorses this trend and in 2006 it expanded its investment product range by the Triodos Meerwaarde Aandelenfonds and the Triodos Meerwaarde Obligatiefonds (the Added Value Equity and Added Value Debenture fund, respectively). Clients very easily recognise these funds' distinct, high sustainability profile.

The Triodos Added Value Equity Fund invests in listed companies, while the Triodos Added Value Debenture Fund invests in debentures and private loans to companies that combine a strong financial position with good performances in the social and environmental field. The Triodos Cultuurfonds (Cultural Fund) has since been added to these. This fund benefits from an extra tax exemption in addition to the CSR investment exemption.

Apart from Triodos Bank's sustainable investment funds, our product range includes ASN Bank's ASN Equity Fund, ASN Debenture Fund and ASN Environment and Water Fund. These funds, too, have high sustainability content.

Alex: creating value for investors through product improvement

Alex creates value for its clients by continuously implementing significant product improvements. The following improvements were made in 2006:

- Advance funding systems take account of liquidity and spreading, thus improving on the way we exercise our duty of care.
- Improved advisory systems make for more stable results.
- The introduction of conditional orders lets clients better manage their risks.
- The introduction of the Option Gauge (Optiewijzer) lets the client not only organise the multitude of strike prices and maturity periods systematically, but also determine which option series best suit his needs.
- Introduction of the Alex savings account with a high, very competitive rate without restrictions and bonus qualification systems. The client can access his money immediately when he spots investment opportunities.

In 2006, a great deal of energy was directed at familiarising a number of relationship managers serving Corporate Clients with CO₂ issues and the CO₂ market. They now systematically visit businesses in the Netherlands that have acquired rights under the National CO₂ Rights Allocation Plan and have to report their emissions.

In the past year, we also spent much energy on the development of new products and services for our corporate and private clients. In late 2006, we introduced Robeco Clean Tech Certificate (see page 60) and the Robeco Clean Tech Fund II (see page 60). Together with the World Wildlife Fund (WWF), we are introducing a new credit card with climate compensation in the first half of 2007 (see page 58).



Johan Frijns, BankTrack

"In the eyes of NGOs, nuclear energy was a thing of the past. Renewable energy (wind, solar and biomass) and stringent energy savings would take care of tomorrow's energy needs. New nuclear power stations? No, that would not appear to be a consideration. But even here in the Netherlands, the debate is again raging on the 'necessity' for new nuclear power stations. Some Dutch banks are cautiously setting out feelers to find out how their clients would react to their financing the building of nuclear power stations. But let's make no bones about it, for us nuclear energy is a no-go area that would destroy any claim to sustainable banking. Time for Rabobank to set itself up as the financier of renewable energy."

Source: 2006 stakeholder consultation

Financing climate initiatives

Rabobank Group's vision is that the CO₂ market offers businesses the opportunity to comply in a flexible and cost-effective manner with the legal requirements of reduced CO₂ emission. We aim to make the most of the opportunities this market offers to sustainably operating businesses, and facilitate the emissions trade for our clients.

At an early stage, we recognised the seriousness of climate change, its significance and our responsibility as a financial institution to do something about it. Our vision, our policy and our financial services in respect of climate change and reduction in greenhouse gas emissions are laid down in our position paper on [climate policy](#). Furthermore, we included objectives about charting CO₂ emissions by our corporate clients in lending (indirect effects); see page 50 and the overview entitled 'results for 2006 and objectives for 2007-2010' on pages 19-22).

Other products and services in our 'climate range' are:

- New Values, an electronic platform for trading CO₂ and NO_x emission rights and Certificates of Origin for sustainably generated electricity. New Values is a Rabobank-TenneT joint venture.
- Financial risk management for businesses and public sector institutions relating to climate and weather changes, via Rabobank International's 'Commodity & Weather Derivatives Energy and Carbon Trading Group'. In order to combat flooding due to weather changes, Rabobank has incorporated [Aquapol](#) insurance products in its product range.
- Financing of wind turbine farms, and forms of energy savings such as Green Label glasshouses, among others through green loans.

New Values

New Values is an electronic CO₂ emission rights trading platform. It is in fact a CO₂ spot market (immediate delivery and payment). New Values expanded its CO₂ client base and network in the European market in 2006. New Values numbered sixty members at the end of 2006. New Values' focus is on the 5,000 medium-sized and smaller European companies in the market, which are not familiar with trading. In the course of 2006, New Values grew to the second largest trading platform in the European spot market after PowerNext – by far the largest trading platform. New Values' goal of achieving a consistent trading volume of 400 ktonnes per week has not yet been achieved, however. Although the number of members has increased, and trading volumes are rising, New Values' operations have not yet reached break-even point. The main reason is that income per tonne is lower than had been estimated. In December 2006, Climex Alliance, a shared New Values' initiative, held an auction of CO₂ rights for the Hungarian government.

Emission trade, biofuels financing and weather change risk mitigation

Our climate is changing noticeably. The weather is becoming unsettled and this causes significant financial risks for various sectors, such as the energy sector, agriculture, the foodstuffs industry, tourism, but also for public authorities. Rabobank International's Commodity & Weather Derivatives Group trades in CO₂ and certified emission rights for our large corporate clients. In this way they can lower the emission level of their business operations. The Commodity & Weather Derivatives Group is also increasingly active in the renewable energy sector, especially in the field of biofuels (biodiesel and ethanol).

Emission rights certificates

Rabobank Chile and Rabobank India found that there is a need for products and services related to renewable energy. In collaboration with the Commodity & Weather Derivatives Group, Rabobank Chile sold the 'Certified Emission Reductions' entity of a Chilean Food & Agri client to a British utilities corporation. Rabobank India has a fulltime expert who develops services in this field for corporate clients. In August, Rabobank India launched a number of products in the field of Carbon Credits using Rabobank's AAA rating. Rabobank India is one of the pioneers in this area in India.

Renewable energy project financing

In the field of sustainable project financing, Rabobank focuses in particular on the financing and/or leasing of renewable energy and other projects such as green label horticultural glasshouses, biofuel plants and wind parks.

In 2006, we financed 9 (2005: 8) new projects amounting to about EUR 180 million (2005: 40 million). The total investment came to some EUR 500 million (2005: 430 million). Some 80% of the total portfolio consists of transactions in which sustainability plays a role.

Horticultural glasshouse leasing

In the Netherlands, Rabobank is market leader in the field of Green Label (energy-efficient) horticultural glasshouses. In 2006, the project financing department took eight new projects in lease, together involving approximately 90 hectares under glass for some EUR 108 million. The total amount invested is currently EUR 180 million. The number of financed glasshouses might have been higher, were it not that government subsidies on capital expenditure projects had been discontinued.

Local Rabobanks' desk

The considerable demand from local Rabobanks for assistance in the financing of investments in renewable energy or other projects prompted the Project Financing Department of Rabobank International to set up a local Rabobank desk with effect from 1 January 2007. This desk will provide local Rabobanks with support in the financing of sustainable projects such as biomass, wind power & water treatment.

Biofuels

For the financing of the biofuel sector, Rabobank has a unique starting position. In the US we launched four projects in 2006 for a total amount of USD 67 million. In Europe, we financed one biodiesel plant and received three mandates for bio-ethanol plants, of which one is in the Netherlands.

Wind power

In 2006, together with Dexia and Eksport Kredit Fonden, we financed the building and operation of the 120 Megawatt Q7 [offshore wind park](#) off the coast of IJmuiden. Also, the largest [private wind farm](#) in the Netherlands was opened in the province of Flevoland last year.

Financing sustainable innovations

Rabobank Group actively promotes rejuvenating ideas and innovations with potential. After all, innovations and businesses start-ups are a major driving force behind economic development. We are convinced that with special financial products and services we can induce clients to allocate a more central role to sustainable development in their innovation policy. Some products and services in our range promoting the sustainable initiatives and investments of clients are green financing, the Green & Innovation loan for farmers, the Soil Centre and funds geared to stimulating sustainable renewal, but also new forms of lending such as [micro-credits](#) for starting businesses.

Green financing

As far back as early 2000, Rabo Green Bank acquired a leading position in the field of green loans, and it has maintained this position since. This is due above all to our clients, the private investors who entrusted their monetary resources to Rabo Green Bank, and the businesses that secured their green financing via Rabo Green Bank.

The growth in lending of EUR 502 million lagged a bit behind that of past years (2005: EUR 550 million). This decrease of 13% compared to 2005 is attributable to a number of possible factors. The criteria for Green Label Glass Houses, the largest category within the Green Facility, for instance, have become more stringent, affecting the financing of this category. The intervention of the government in similar subsidy arrangements, such as MEP, MIA and EIA, affected the growth in lending. Allowing for these developments, there was satisfactory development in green lending in 2006.

Figure 24: Volume of outstanding green loans
in EUR millions, at year end

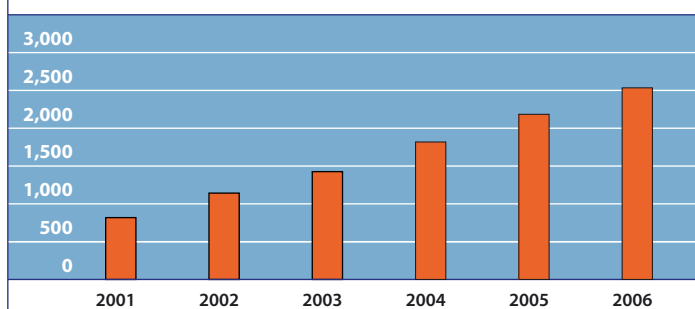


Figure 25: Number of outstanding green loans
Cumulative total

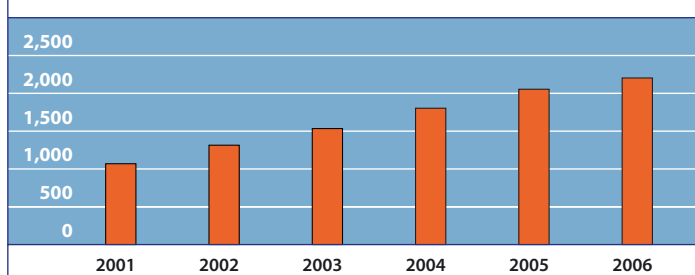
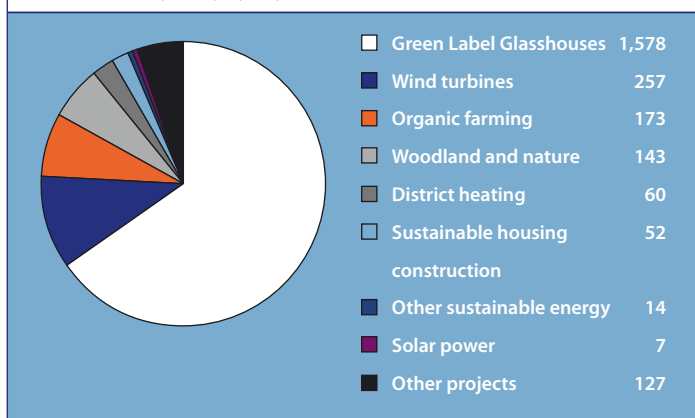


Figure 26: Volume of outstanding green loans
in EUR millions by category, at year-end



Growth & Innovation Loans

The Rabobank Growth & Innovation Loan is particularly suited to farmers who want to embark on capital expenditure to boost the sustainability of their business activities, want to innovate in other fields or wish to significantly expand their business operations. The loan forms part of the local Rabobanks Guarantee Fund, which extends guaranteed loans to entrepreneurs up to a maximum of EUR 1.5 million. The Growth & Innovation Loan addresses the difficulty frequently experienced by top agricultural businesses in obtaining finance. In 2006, 48 loans (2005: 10) were extended for a total amount of EUR 27.2 million.

Soil clean-up solution

In December 2006, six umbrella and industry associations, including SME Netherlands (MKB Nederland) and VNO-NCW, founded Stichting Bodemcentrum (the Soil Centre Foundation), to which Rabobank and the Dutch Ministry of Housing, Spatial Planning and the Environment have made a contribution. The Soil Centre offers businesses a comprehensive soil clean-up solution consisting of advice, clean-up and subsidy. The first pilot projects were started in 2006. In the period 2007-2009, the Soil Centre's aim is to finance 250 soil clean-up projects in the SME sector per year.

Project fund

Since 1984, Rabobank Group's Project Fund has been supporting projects aimed at encouraging innovative developments in the economic and social fields that fit Rabobank's image. The projects, which benefit groups of Rabobank members / clients, would not have gotten off the ground without financial support.

In 2006, the Project Fund dealt with 84 (2005: 75) applications for project support. In total, 33 (2005: 24) applications were approved. In 2006, 39 applications were rejected, 4 were withdrawn by the applicant, and 8 lapsed. The approved applications involved an amount of EUR 1.3 million (2005: 1.2 million). Examples of projects are: [the glasshouse without greenhouse gas](#) and [clean production, clean transport](#).

Rabo Innovation Capital Fund

The Rabo Innovation Capital Fund provides venture capital to small-scale, sustainable, and innovative projects whose products are about to be brought to market. The object of the Rabo Innovation Capital Fund's involvement is to support the growth strategy and innovative developments of the business. In 2006, 121 applications (2005: 96) were submitted, which ultimately resulted in 2 equity participations (2005: 2). The rise in applications relative to 2005 was due to improved economic conditions. Another activity involving venture capital is the [Schretlen Informal Investing Platform](#).

Herman Wijffels Innovation Award

The winning idea of the 2006 Herman Wijffels Innovation Prize was a mobile super microwave oven for decontaminating agricultural and horticultural soil. This super microwave oven reduces CO₂ emission and electricity consumption by up to 75% compared to the traditional method of soil steaming. This method also makes for better working conditions. In 2006, 288 entrepreneurs with an innovative idea enrolled for the Herman Wijffels Innovation Award. It is an initiative aimed at encouraging entrepreneurs to run their business along sustainable and innovative lines. The jury judges the entries not only on the basis of the quality and commercial viability of the business operations, but also at its cooperative entrepreneurial spirit and corporate social responsibility.

CSR and leasing

De Lage Landen (DLL), Rabobank Group's lease subsidiary took some significant steps in 2006 to make regular lease activities more sustainable. In addition to the international implementation of a code of conduct (see page 42), CSR criteria were incorporated into its client acceptance policy. Sustainable product renewal also received attention. DLL launched an initiative to promote the use of renewable energy in the horticultural glasshouse sector.

CSR criteria in DLL's client acceptance policy

De Lage Landen (DLL) has included CSR criteria in its corporate client acceptance policy, which from 1 January 2007 are applied. In the light of its worldwide collaboration with a manufacturer of agricultural machinery in Brazil and other countries, a specific policy on client acceptance was drawn up for that country aimed at end-users of leased agricultural machines. In this context, from 1 January 2007 a great deal of extra care is taken to establish that the end-user has not breached any environmental regulations, especially those related to the illegal deforestation of the Amazon basin. Where this is the case, the end-user is not accepted. De Lage Landen Brazil and Rabobank Brazil, each using their own business model as a basis, have co-ordinated their respective policies on client acceptance.

Leasing of environmental technology

De Lage Landen does its best to help local Rabobank clients find their way in the various incentive schemes aimed at sparing the environment. With the lease contract it designed, under which the lease company claims the tax benefits and immediately passes these on to ease the financial burden of the business or government organisation, it tries to foster environmentally friendly investments as much as possible.

Financing of hot water boilers using bio-energy

The Norwegian company Statoil is a large supplier of oil. In view of new developments, and bearing in mind that oil will in time become scarce and that its production is environmentally unfriendly, Statoil developed pellets enabling bio-fuel-fired hot water boilers to replace existing oil-fired boilers. De Lage Landen finances these new hot water boilers, including the cost of purchasing the pellets.

Green lease

In 2006, the total amount outstanding in green lease products was EUR 185 million (2005: 103 million). These take advantage of tax-efficient facilities such as VAMIL (accelerated depreciation of environmental investments), EIA (energy investment relief), MIA (environmental investment relief). The agricultural sector accounted for 72% of the investments, and windmills and energy-lease contracts for 7.5%. In 2006, 92 green lease contracts were signed, as against 36 in 2005.

Sale-and-lease-back for agricultural businesses

Rabobank developed a sale-and-lease-back facility for various agricultural sectors, such as glasshouses and horticulture, pig farming, and manure fermentation plants. Under our sale-and-lease-back arrangements, the farmers sell their production resources (horticultural glasshouse or fermentation installation) to our lease company prior to taking these into service and lease them back inclusive of the environmental tax relief benefits. In 2006, we financed some 30 manure fermentation plants (75% of the total number of plants) and 22 horticultural glasshouses.

Leasing cogeneration plants and wind turbines

EquipmentLease makes it possible to lease cogeneration plants and wind turbines, among other things. In 2006, by means of lease contracts incorporating energy investment allowances, De Lage Landen disbursed EUR 91 million (2005: 42 million) for the financing of 74 (2005: 33) cogeneration plants and EUR 7 million (2005: 1 million) for the financing of 2 (2005: 1) wind turbines.

CSR values in real estate operations

The takeover of the real estate activities of Bouwfonds made Rabobank into one of the largest property developers in the Netherlands, with the accompanying responsibility of bringing about a sustainable society. In 2006, Rabo Vastgoed (Rabo Real Estate) and FGH Bank took a great leap forward towards integrating the CSR operational philosophy and values into their real estate core activities and processes.

Integration of CSR into FGH Bank's lending process

In 2006, FGH Bank drew up the appraisal qualifications and the financing conditions for both sustainable and social properties. The first steps towards integrating them into the primary process were taken in 2006. Further detailed study will be followed by implementation in 2007.

FGH Bank also upgraded and implemented its know-your-client policy (Client Due Diligence, CDD) and related procedures. By way of support to employees in the implementation of the revised policy, a flyer was developed that summarises CDD procedures.

Integration of CSR philosophy into Rabo Vastgoed project development

In Rabo Vastgoed's project development policy, 'being mindful of the existing and planned surroundings' is pivotal. The focus in this respect is on integrating CSR into the core tasks and core processes of the business. In establishing the housing construction programme principles (minimum to middle to high income ratios) and the addition of facilities, Rabo Vastgoed not only wishes to aim at maximising short-term profit, but also at maximising the long-term social returns. It is important, for instance, to take the characteristics of the Dutch landscape as a point of departure in the development of an area, or to have a careful spatial planning policy to ensure that such concerns as water storage capacity or nature conservation are an intrinsic part of the planned development. Examples of sustainable real estate projects are:

- the establishment of a Metropolitan Fund and a district enterprise for [urban restructuring](#) in Amsterdam, together with two housing associations;
- the [CityCampus](#) in Utrecht, with which Rabo Vastgoed addresses the disadvantaged position of target groups in the housing market;
- support for the demolition of socially unwanted concentrations of intensive cattle farming sheds, under the name of [Make room for space](#);
- the development of [passive houses](#), which use 60% less energy.

Bouwfonds Fondsenbeheer

Bouwfonds Fondsenbeheer manages four public-private funds in the fields of nature development, monuments, urban renewal, and industrial heritage sites in the Netherlands. During 2006, the four funds grew from EUR 1.7 billion to EUR 2.0 billion, while the financing portfolios went up from EUR 1.6 billion to EUR 1.8 billion. These funds earned a total of EUR 12 million, which is made available via the funds in pursuit of their goals.

Transparency And The Duty Of Care

Transparency and the duty of care are financial service aspects that are not only highly relevant to our clients, they can also have a huge impact on the bank itself.

Financial Services Act

The Financial Services Act (FSA) entered into force on 1 January 2006. It lays down rules on the offering of, mediation in, and advising on financial products to consumers and – in the case of insurance – also to businesses. The FSA lays down standards relating to reliability, expertise, fair business practices, financial security, transparency and duty of care that financial service providers are required to comply with. More detailed information on these general standards of the Act is set out in the Financial Services Decree. [FSA in brief](#)

Further to the FSA, many work processes and instruction sheets have been adapted, and many are awaiting adaptation. Work processes have been made much more client-oriented for instance. New guidelines and instruments have also been developed as required. Rabobank divides these into the following four categories:

- retrieval / reproduction of advice;
- expertise;
- client communication;
- right of termination / duty to provide information.

What are the [FSA](#) requirements?

Transparency and the duty of care in mortgage loans

In 2006, steps were taken within Rabobank Group aimed at introducing the code of conduct for mortgage loans. The new code of conduct took effect on 1 January 2007. To protect clients from taking out excessive loans, this code is based on maximum percentages of permitted loan charges as defined by NIBUD, as well as a reference interest rate based on a 10-year government bond and a 30-year annuity loan. Only in individual exceptional cases may local Rabobanks deviate from this standard in order to provide a tailored product, but only if they expressly take client protection considerations into account. A similar code of conduct is being developed for consumer loans.

It is important to keep clients regularly informed of relevant developments affecting their mortgage loan and the possible related risks, not only during the selling process but also afterwards. The purpose of this update is to test whether the product still meets clients' needs and expectations.

Transparency of fees for investment-linked insurance policies

In 2006, the media devoted attention to transparency of fees for investment-linked insurance policies. In addition, the Investment-Linked Insurance Policies Transparency Committee – also known as the De Ruiter Committee – issued its investigation report in late 2006. Rabobank endorses the ideas underlying the recommendations and has urged its principal suppliers of investment-linked insurance policies to implement proposed improvements soon in order to ensure full transparency of all costs and fees.

Transparency and the duty of care at Rabobank Group entities

Rabobank Group's subsidiaries also devote a great deal of attention to transparency and the duty of care.

Robeco

Enhancing transparency was one of Robeco's 2006 objectives. A new Robeco survey in 2006 showed that only half of the investors who participated in the survey felt that banks were clear about the costs they charged. Half the respondents also indicated that for the monitoring of their investments they had been left entirely to their own devices, whereas only 30% indicated that their bank alerted them on time when something

of importance happened affecting their investments. Robeco used the outcome of this survey to ensure that the Younique formula better meets clients' wishes.

A number of specific projects relating to transparency were completed. One of these was a policy document on transparency, prepared in 2005, which was implemented in all business units in 2006. Transparency and meaningful information are of the essence for a good relationship with the client. The policy on transparency, which is a direct result of this, was implemented by all business entities. To help launch the 'Robeco Direct Younique' formula, transaction costs were abolished. In addition, the management fees of listed, structured products were brought into line with the lowest rate on the various scales, while the fees for these products' risk management activities were lowered. The implementation of Robeco's new house style will go hand in hand with the renewal of its consumer website in 2007. All funds will have new brochures, and our transparency drive will include a survey of consumers' opinion.

The contribution of earlier initiatives to make fees and general terms and conditions more transparent proved to be considerable. In addition to the mandatory Total Expense Ratio (TER), a separate service fee has now been included in the annual report, making the allocation of costs visible at all times. All costs are mentioned on the website and in other communications.

Robeco also implemented a policy to adapt - insofar as is possible under current Dutch rules and regulations - the buying and selling method of Dutch Robeco funds to the Luxembourg practice, with clients buying and selling funds at their net asset value, and additionally paying buying and selling fees that they know in advance. A new system has meanwhile been introduced for the entire market, at the joint initiative of the Dutch Fund and Asset Management Association (DUFAS), Euronext and the Dutch Association of Banks. The modifications to the trading system are chiefly aimed at making investments more transparent and efficient by guaranteeing order execution on the basis of net asset values, which results in fairer prices. This system is more in line with European (and Luxembourg) practice.

The Product Quality Committee sees to it that new products meet a number of quality requirements, such as clearly defined terms and conditions, a clear objective, a transparent and reasonable fee and relevant product information. A formal approval procedure has been put in place, ensuring that the various in-house experts review and approve the product beforehand.

Schretlen & Co

Ensuring transparency in products and services is of prime concern to Schretlen. This is plain for all to see in the highly transparent analysis of its charges. Schretlen's clients can also opt for an all-in fee. This is the preferred option, as the annual fees are then clear to all, with the considerable additional advantage that clients do not have the feeling that the fees is what drives us.

Alex

Transparency is the strategy Internet broker Alex uses to distinguish itself from the competition. This includes transparency in rates and terms and conditions, understanding the risks of investing in general and of individual products in particular, user manuals, complaints procedures, reachability of the service desk, approachability of the management, and regular client evaluations such as surveys and focus groups. Its motto is that while transaction processing should be fully digitised and anonymous, the client should otherwise not have the feeling that he is dealing with an Internet bank, but rather with a bank that knows its clients and is personally involved.

Alex's website lets clients easily compare its rates with those of its competitors, and provides a simple-to-use tool to calculate how the costs of a specific service compare with those of competitors. The terms and conditions and manuals of all Alex's products are available online.

The client has access to updated information on a client's portfolio measured against his risk profile, about the returns on his separate positions and on his portfolio as a whole. Comprehensive warnings are triggered whenever orders cause critical limits to be exceeded - such as when a balance goes into overdraft - margin is required, or the risk limit has been exceeded.

The complaints records are integrated into the records of prime entry via workflow management. Alex sets high standards on complaints handling speeds, and values client satisfaction highly; it carries out specific checks in this regard.

Obvion

The transparency and duty of care of Obvion are implicitly and explicitly reflected in its services. The core of this sound rendering of its financial services resides in the manner in which Obvion applies its interest rates and strict lending limits.

Obvion applies uniform fees, in other words no distinction is made between new or existing clients, region or intermediary. The rate and the risk surcharges communicated to the public apply to everyone. Obvion accordingly does not organise any campaigns involving rate cutting. Transparency in interest rate products is based on formal policy, which does not allow any distinction to be made between prospective and existing clients.

De Lage Landen

At the end of 2006, De Lage Landen took over 75% of the local Rabobanks' consumer loan portfolio. The rest follows in 2007. For De Lage Landen, 2006 was a year of transition.

For Rabobank's clients, the takeover did not have any noticeable effect whatsoever. The existing contracts continued unchanged, and clients did not notice anything. Nor did it result in any changes in the duty of care or transparency.

At the end of 2006, De Lage Landen also took over the Crediam portfolio of the Amsterdam Municipal Credit Bank. In this case, clients did notice the change because Crediam's contracts were converted into De Lage Landen contracts. Clients were informed of this in writing.

Client Safety And Privacy

The value clients attach to personal safety is very much on the rise. Guaranteeing the safety of clients and their perception of safety has Rabobank Group's close and continuous attention, as does the security of our clients' finances. Web-based funds transfers have become immensely popular. Internet security has accordingly become a focal point of attention for us. Internet security has become a focal point of attention for us. Client privacy is another issue that we wish to address as carefully as possible. The criteria used for these issues are set out in our Personal Data Code of Conduct and Privacy Regulation.

Safety in and around the banking hall

In 2006, local Rabobanks were the target of 5 raids (18 in 2005). A total of 41 financial institutions were raided in the Netherlands in 2006 (2005: 73). 12% of the raids were accordingly targeted at the Rabobank, a distinct improvement on the 25% in 2005. The chance of a Rabobank branch being raided is 1:243, as against 1:78 for all bank branches in the Netherlands. During the raids, 4 clients were present as against 33 in 2005.

Banking hall privacy

Privacy in banks' reception areas is guaranteed through their design, identification procedures and employees' banking secrecy. At cash dispensing machines, we ensure clients' privacy by their good location and user instructions on their monitors. In 2006, one complaint was filed concerning the breach of a consumer's privacy because camera images were erroneously submitted to the Ministry of Justice (2005: four). This complaint was dealt with to the satisfaction of the client. Rabobank Nederland's complaints service dealt with six complaints in 2006 regarding non-compliance with privacy rules (breach of banking secrecy). All of these complaints were found to be groundless. Robeco received a total of nine and Rabobank International four complaints on client privacy breaches.

Client Satisfaction And Complaints

Client satisfaction with services is a reflection of the importance a business attaches to its environs, its commitment to clients and the responsibility it assumes in this respect. **Client Value** is one of Rabobank Group's principal performance indicators. More about client value on page 45. Nearly all group entities accordingly carry out various client (and employee)

satisfaction surveys about their services annually. By the same token, it is important to deal with complaints received in a satisfactory manner and to endeavour to improve our services using the information gained from this.

Complaints handling

Figure 27 shows how many complaints were filed with the various Rabobank Group entities.

Our local Rabobanks and all group entities have their own client procedures. Complaints are divided into policy, employees, resources and processes. Complaints about employees concern, among other things, advice, expertise and attitude. Complaints in respect of policy refer to matters such as the bank's acceptance policy when considering applications for banking products.

In 2006, Rabobank Nederland's Complaints Service received a total of 2,950 second-line complaints (2005: 2,906). Second-line complaints are complaints passed on to Rabobank Nederland by local Rabobanks. Over the past two years, we have been observing a trend towards stabilisation of the number of second-line complaints, following steady annual increases. Roughly 20% of the complaints that have a financial impact were justified in whole or in part.

The analysis of the nature of complaints is an important source of information for the improvement of our financial services. On the basis of information from the various complaints, Complaints Service makes suggestions for improvement, reporting to the parties involved on a monthly basis. In 2006, it provided various departments within Rabobank Nederland with a total of 23 suggestions/proposals for improvement.

Robeco launches complaints prevention consultation

A new complaints procedure was introduced at Robeco Direct in 2004. It significantly improved their measurability. The complaints prevention consultation was started in 2006. Based on monthly complaints reports, the managers concerned prepare analyses of the complaints originating in their departments. Measures for improvement are then taken and procedures adjusted where required. This approach bears fruit. The number of first-line complaints is dropping. We also notice a decreasing longer-term trend in the number of complaints.

Alex takes new complaints system into service

Transparency is an area in which Alex endeavours to distinguish itself from the competition. Proper complaints procedures are part of this. In 2006, a new complaints system was taken into service that handles complaints via workflow management. During the Alex Tennis Classics, moreover, a complaints seminar was held at which all Alex Assist clients could collectively utter their complaints about the product to the management. Clients highly appreciated this. The number of complaints was down on last year.

Figure 27: Overview complaints group entities

Group entity	Number of complaints in 2006	Number of complaints in 2005
Local Rabobanks (Rabobank Nederland)	2,950	2,906
De Lage Landen	6 (Netherlands) / 130 (abroad)	28 (Netherlands) / 50 (abroad)
Alex	1,814	2,267
Obvion	235	199
FGH Bank	8	4
Robeco	400 (Netherlands)	-
Rabobank International	35 (Netherlands) / 1315 (abroad)	622 (Netherlands and abroad)
Schretlen & Co	33	42
Rabo Vastgoed	8	0 (no active complaints register)

Rabobank International

Complaints records were improved in 2006 and offices abroad review their complaints on a quarterly basis. The increase is due to the acquisitions that took place in 2006.

Our responsibility towards special groups of clients

The responsibility Rabobank has towards clients, it has to assume by examining their specific situation or background. Examining the cultural, religious or social background of clients or potential clients, or their physical constitution, is conducive to designing creative and new, made-to-measure financial products. We are focused on this through our financial services.

Services to ethnic minority clients

It goes without saying that serving ethnic minority clients is a major pillar of Rabobank's metropolitan policy. Rabobank wants to be the logical choice for ethnic minorities as well. Our strategy is geared to presenting the quality of our services in various fields to the ethnic minorities in the 32 large cities. To this end, we have developed a Diversity toolkit, drawn up a [Cultural Diversity](#) position paper and completed a preliminary study into the feasibility of a 'Halal Mortgage Loan', a mortgage loan free of interest payments. We also organise information sessions for Turkish home buyers (see below), we sponsor ethnic minority student networks and organise temporary campaigns offering inexpensive international funds transfers. At various locations, [micro-credits](#) can help new entrepreneurs kick-start their business operations.

All these initiatives taken together constitute a first step to improve Rabobank's market position in the large cities of the Netherlands and among this country's new citizens, ultimately to become the leader in this market as well.

Toolkit and Table of Diversity to improve services to ethnic minorities

In 2006, Rabobank worked on the integration of the theme 'cultural diversity' into its financial services. Two important instruments we used to this end were the Diversity Toolkit and the Table of Diversity meeting.

The available knowledge and experience surrounding the theme 'cultural diversity' have been conveniently bundled in the toolkit. It is a dynamic collection, to which products, services and practical examples are added as required. The toolkit is intended for the management of local Rabobanks and for marketing executives, communication managers, cooperative employees and HR managers whose duties bring them into contact with ethnic minority students, home buyers and business starters or owners. The object of the 'Table of Diversity' meeting, which took place on 12 September 2006, was to exchange to-the-point examples of diversity. Thirty directors, HR managers and professionals, and marketing and communication managers of city banks and Rabobank Nederland met for this purpose. A focal point for 2007 that those present found important was to ensure that Rabobank campaigns actually reached the ethnic minorities. This target group does not yet relate sufficiently to Rabobank's marketing targeted at young people, students, first-time home buyers and business starters.

Made-to-measure mortgage advice for ethnic minority clients

Growing numbers of Turks, Moroccans and Surinamese buy a house, and consequently form an interesting market for Rabobank. Rabobank's image is among ethnic minorities usually not as strong and the bank is not always in the picture when it comes to buying financial products. Many Turks, for instance, go to Turkish intermediaries for a mortgage loan, although they frequently doubt their professionalism and reliability. Partly for this reason, Rabobank organised various informative meetings in 2006 for the benefit of Turkish home buyers in the large cities. On 30 May, Rabobank Tilburg organised a special meeting in the local mosque, attended by 76 Turkish home buyers. The result was that immediately after the meeting had ended, eight mortgage loan appointments were booked.

Sponsoring ethnic minority student networks

In order to reinforce our links with the ethnic minority target groups even further, Rabobank sponsored Turkish and Moroccan talent networks, such as Cosmicus, a nationwide network organisation founded by Turkish students and graduates. The bank also entered into a sponsorship agreement with Tannet, a network organisation of Turkish-Dutch citizens with a tertiary education. Rabobank previously decided to sponsor Tans, a network organisation with Moroccan roots.

For the student introduction campaign, Rabobank specifically focused on the big cities. Radio commercials were broadcast on FunX: the radio station for the young among ethnic minorities in the larger cities.

International funds transfer promotions

Rabobank organises temporary promotional campaigns geared to the new Dutch citizens, such as the International Funds Transfers promotion held in late 2005, early 2006. During the promotion, a funds transfer via the Internet to Turkey, Morocco, Surinam and the Netherlands Antilles / Aruba cost only 1 euro.

Access to financial services

Rabobank is convinced that access to financial services is a prerequisite for the quality of human life. When people have access to financial resources they can achieve their ambitions and will find it easier to turn their wishes into reality. Extra attention is needed in this respect for the more vulnerable groups in the Netherlands, such as the elderly, and people with a handicap.

Showing clients how to exercise greater care in dealing with money is a part of this. With certain groups of clients, such as the young and people with a mental handicap, there can be a lack of appreciation for the value of money as well as a lack of skill to spend money wisely. We consider it our social responsibility to do something about this.

Low-threshold access through network contact points

As a cooperative bank, Rabobank sees it as its duty to maintain an extensive network of contact points. Contact points is a generic name for branches, cash dispensing machines at public locations, service outlets, terminals for topping up prepaid cards, traditional visits to nursing homes, cash points (for cash withdrawal at shops) and bank-bus stops. These contact points, numbering in excess of 3,000, bring our services close and tailor-made to our clients, also in the small villages. Special contact points Rabobank provides for vulnerable client groups, such as the elderly and visually handicapped, Rabo Contact facilities in nursing homes and voice-enabled terminals for topping up prepaid cards. The personal facilities, of which there were 447 in 2006, provide basic banking services. Voice-enabled terminals for topping up prepaid cards give their users sufficient time to carry out the spoken instructions. One hundred and twenty-four of these terminals were in use in 2006 (2005: 92).

Rabobank facilitates banking for low-literacy individuals

There are an estimated 1.5 million low-literacy individuals in the Netherlands. Their ability to read, write and/or count is inadequate, and their daily lives are impeded by this. In Rabobank's banking services it endeavours to impart financial literacy in banking matters to its low-literacy clients. To this end we introduced three aids.

- Recognition Indicator for banks: an instruction card for bank employees was produced with the Reading and Writing Foundation to be able to recognise low-literacy individuals and draw their attention to special reading and writing courses. Since the autumn of 2006, this subject has been given a permanent place in the basic training of these employees.
- Step by Step Banking brochure: This client brochure with the 'Fight the Fog' language hallmark, explains in simple language and with plenty of pictures how basic banking services work.
- ReadSpeaker on the website of Rabobank: a computer program that reads aloud texts on the website. This innovation also serves the visually handicapped and dyslectics, and is convenient for the elderly.



Willem Lageweg, CSR Netherlands director

"In CSR circles, ethnic minority policies are set to become a hot issue in the coming years. Among the major banks, Rabobank is in third position. That is beneath its standing. Ethnic minorities now number more than 1.7 million in the Netherlands, and in a growing number of neighbourhoods in the large cities they now often represent more than 50% of the population. If Rabobank wishes to remain market leader in the Netherlands, very significant steps will be required to be able to count this growing group of new Dutch citizens among its clients."

Source: 2006 stakeholder consultation

The importance of informing senior citizens

Since the latter half of 2002 until the end of 2006, approximately 125,000 senior citizens were briefed about modern banking practices by senior citizens' PR staff of Rabobank and the SeniorWeb ambassadors.

Seen from a banking perspective, Rabobank's objective in respect of senior citizens is to retain, and where possible deepen relationships. In 2002, we still received many complaints from senior citizens' unions about the inconvenient access to modern funds transfer facilities for senior citizens. This has decreased considerably. Our public relations staff, and all our services for senior citizens and people with disabilities have received free publicity in the media on several occasions (country-wide and regionally, in newspapers and on television).

Our public relations staff fulfil the role of Rabobank ambassadors.

They not only visit local Rabobanks and senior citizens' unions, but with the demonstrations they give they also contribute to the successful implementation of voice-enabled terminals for topping up prepaid cards or RaboContact at nursing homes. Also of importance is their presence at target group fairs, such as the 50+ fair. They show how near and committed Rabobank is and explain the convenience of Rabobank Internet Banking and more recent developments such as iDeal and NotaBox. The ReadSpeaker supporting tool for the visually handicapped, and the interactive site www.steffie.nl, are demonstrated as well. Visitors also receive the manual 'Banking Step by Step' written in everyday language. For more examples see: [vulnerable groups](#).



Gerjoke Wilmink, NIBUD director

"Rabobank, take the leap from social engagement to corporate social responsibility. Rabobank, when supplying financial products and services to the young, people on minimum incomes, the elderly and migrants assume the responsibility to devote more attention to enhancing the basic skills required for financial independence. Without being patronising, make basic knowledge available, work together with and encourage other actors in this area and play an active role in debt prevention and debt rescheduling. Rabobank, start playing an initiating role in the debate about financial literacy!"

Source: 2006 stakeholder consultation

For more information

www.rabobank.com/csr

7 Banking in developing countries

Under the Rabobank Development Programme (RDP) label, affordable financial services are made available in developing countries to private individuals and businesses in the cities, but especially in rural areas. In 2006, we expanded our activities, including a 49% stake in Zambia National Commercial Bank PLC (Zanaco). We signed an agreement for a 10% participation in a Chinese bank. The number of credit cooperatives Rabobank Foundation supports grew to about 400. Through the RDP, we also contribute directly and indirectly to the accomplishment of the UN's Millennium Goals.

In this chapter

Our management approach to banking in developing countries

- Equity participations of Rabo Financial Institutions Development BV
- RIAS in 2006
- Secondments to projects abroad
- Communicatie en congressen
- The international activities of the Rabobank Foundation in 2006
- International collaboration
- Communication and congresses

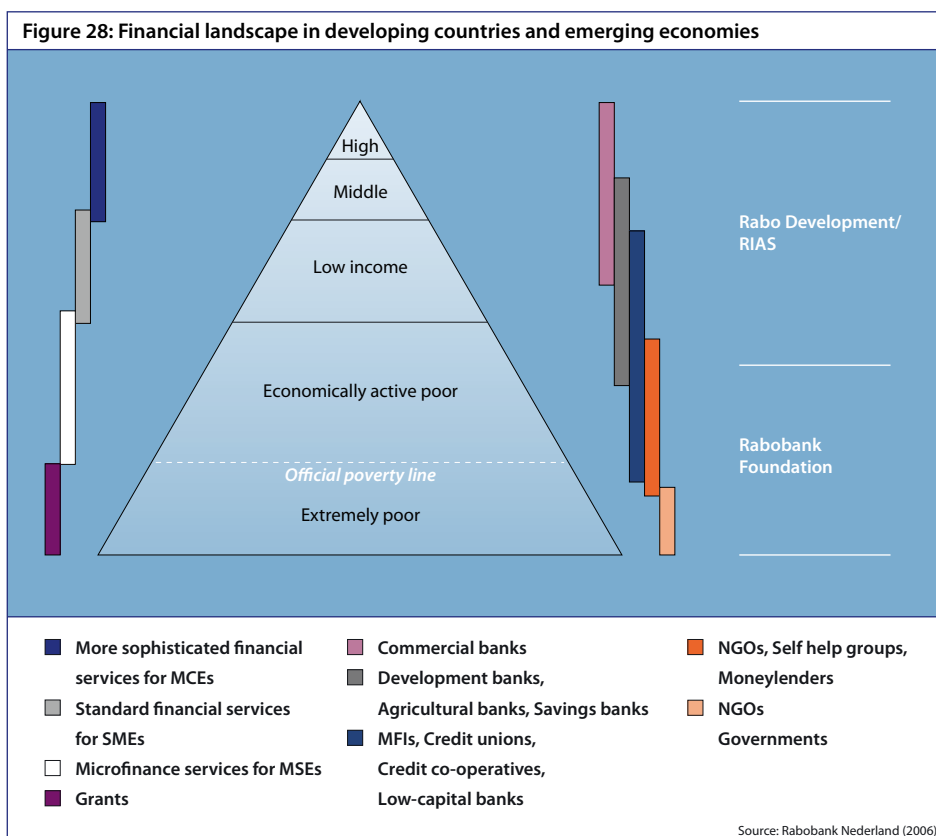


Our management approach to banking in developing countries

Under the Rabobank Development Programme (RDP) label we contribute significantly to strengthening the financial sector in the rural areas of developing countries. The RDP's basic assumption is that enterprising people wish to take their lives into their own hands and go in search of the financial services they need. Through the RDP, we combine our experience, knowledge, human resources and capital in a way that allows people access to them. Small businesses need small loans and insurances. For their further development, additional capital, more complex financial services, sector know-how and network support will be required (see figure 28). The ultimate goal is to further the economic independence and welfare of the local population. In the long term, we expect the economy of these countries to develop to the point where it will benefit Rabobank from a business perspective as well.

The RDP is carried out by three entities with a social objective focusing on different yet complementing activities:

- [Rabobank Foundation](#)
- [Rabo Financial Institutions Development BV \(RFID\)](#)
- [Rabo International Advisory Services BV \(RIAS\)](#)



Strategy aimed at focal countries

The RDP's strategy is to operate from a common focus and concentration. In this context, the Executive Committee has identified a number of focal countries, in which new initiatives will be developed jointly in the coming years. The geographic focus for equity participation is currently on Tanzania, Zambia, Mozambique, China, Paraguay and Peru, and will be expanded in 2007. Bearing in mind the ambition of Rabobank International, the emphasis is on equity participation in suitable rural banks in India and Indonesia. This brings the number of focal countries to eight. India and Indonesia are also important to the Rabobank Foundation.

More coherence between activities

We will be broadening the collaboration between RFID, RIAS, the Rabobank Foundation and Rabobank International in 2007. The challenge we face is to develop projects, programmes and new products that enhance inter-entity coherence and capability. The effect of our efforts on the economies of these countries will accordingly gain in strength and increase the RDP's exposure.

Risk analysis 'Operating in focal countries'

The countries we work in through the RDP think, work and operate differently. Especially where we assume management responsibility through equity participation and technical advice, we not only run financial risks but above all the risk of damaging Rabobank Group's reputation. In 2006, RFID identified and assessed the various risks.

Considering the nature of these risks, the knowledge of the country and experience of the team, the conclusion was that the risk to which our activities in the focal countries and Rabobank Group as a whole are exposed is not excessive.

Contributing to Millennium Goals

Rabobank Group believes that it is important through the Rabobank Development Programme to contribute to accomplishing the UN's Millennium Goals. The UN approved these goals in September 2000. They are meant to be realised in 2015. We focus mainly on two of the eight goals (see figure 29) because they best suit our core activities.

1. Eradicate extreme poverty and hunger. Reduce by half the proportion of people living on less than a dollar a day. Reduce by half the proportion of people who suffer from hunger.

We contribute to this goal through the establishment and support of savings and credit cooperatives and the granting of trade loans to small farmers. With the Rabobank Foundation our experience in this field spans a period of more than thirty years.

2. Develop a global partnership for development. Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory.

We contribute to this goal through equity participations in rural banks in developing countries that have the potential to grow into strong financial service providers with a nationwide branch network.

Figure 29: Millennium goals of the United Nations

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education.
3. Promote gender equality and empower women.
4. Reduce child mortality.
5. Improve maternal health.
6. Combat HIV / Aids, malaria and other diseases.
7. Ensure environmental sustainability
8. Develop a global partnership for development.

Source: www.un.org/millenniumgoals

Equity participations of Rabo Financial Institutions Development BV

Rabo Financial Institutions Development BV achieved its 2006 objective (see 2005 Annual Sustainability Report) to invest in two to three rural banks (partner banks). The main one was the acquisition of 49% of the shares in Zambia National Commercial Bank PLC. Preparations also started on establishing the first rural bank in Mozambique and an agreement was signed with the United Rural Cooperative Bank of Hangzhou (URCB) in China for the acquisition of a stake of 10% in this Chinese bank.

Acquisition of 49% in Zanaco

In late 2006, Rabobank reached agreement with the Zambian government on the acquisition of 49% of the shares in Zambia National Commercial Bank PLC (Zanaco). This participating interest is the result of the Zambian government's privatisation programme, of which Zanaco forms part. Among the reasons for this choice is Rabobank's wish to expand the number of Zanaco's branch offices, particularly in the rural areas. In addition we will be investing in a comprehensive long-term programme. It will enable Zanaco to become a leading financial service provider in Zambia. With our knowledge, management and capital we want to professionalise financial services in Zambia. Rabo Financial Institutions Development B.V. supplies the management and is committed to a three-year technical assistance programme.

Establishment of first rural bank in Mozambique

In Mozambique, Rabobank began preparations in 2006 for the establishment of the first rural bank in that country. This new bank will incorporate the financial activities of GAPI, a Mozambican institutional loan provider. GAPI is the only institutional provider of loans in the rural areas.

Agreement on a 10% stake in Chinese bank

Rabobank signed an agreement with URCB (United Rural Cooperative Bank of Hangzhou) in China for the acquisition of 10% of the shares in this Chinese bank. At the provincial level we advise on the future structure and total cooperative banking system in this province of 47 million inhabitants. In addition, we will be providing training to the bank's management and employees.

Expansion and modernisation of National Microfinance Bank (NMB) branch network

Rabobank has owned a 35% stake in National Microfinance Bank (NMB) since 2005. This Tanzanian bank expanded its branch network and took its first cash dispensing machines into service in 2006. Six new branches were opened in 2006, bringing the total to 114. The bank has thus brought financial services in closer proximity to the country's population. People now often have to travel for a day to be able to draw their salary. The fact that the new branches were opened mainly in remote areas is unique. Competitors mainly focus on the cities, because that is financially more attractive. Further plans in 2007 include the addition of another 15 branches, and a better NMB product and service range.

RIAS in 2006

Rabo International Advisory Services (RIAS) achieved its target for 2006 (see 2005 Annual Sustainability Report) to provide technical assistance at fifteen rural banks. Thanks to RIAS' technical assistance, these banks were able to put in place savings and financing facilities. The following are examples of RIAS' work in 2006:

- establishing the [Horus Agri Fund](#) in Egypt, a venture capital fund for equity participations in medium-sized Egyptian businesses;
- assisting [UBB Bulgaria](#) in lending EUR 10 million to SMEs and agricultural businesses;
- organising a [study visit](#) for the management teams of banks in developing countries to Dutch financial experts;
- drawing up a strategic plan for the National Bank of Iraq to establish a bank for SME and private clients; Iraqi personnel were trained in both Jordan and in the Netherlands;
- providing support to the Asia Commercial Bank in Vietnam with the development of policy and procedures in the areas of interest rate, liquidity and foreign exchange risks.

Secondments to projects abroad

Every year, Rabobank posts a large number of in-house consultants abroad for at least one week, and sometimes longer. Their assignment is to advise banks in specialised fields covering financial services. In 2006, Rabo Development posted 17 Rabobank managers abroad for a three-year period.

Talents for Development

The Talents for Development programme, started in 2005, expatriates young, ambitious Rabobank employees wishing to acquire experience with Rabobank Development Programmes abroad. This gives them the opportunity to carry out an assignment at a financial institution in a developing country. This is a worthwhile programme for the development of employees and for the bank. They are guided by an experienced Rabobank expatriate adviser or manager.

Mismatch between availability and secondment

The enthusiasm among Rabobank specialists to contribute to these projects abroad is considerable. Managers are not always in a position to make their specialists available in time owing to their own priorities.

Owing to the increase in RIAS' man-day requirements, it is sometimes difficult to find the right people at the right time, so that in some cases external people are used.

The international activities of the Rabobank Foundation in 2006

The Rabobank Foundation's activities reach more than 3.2 million members of cooperatives worldwide. The Foundation therefore contributes visibly to the provision of micro loans and the support of cooperatives in third world countries. An assessment carried out in 2006, showed that of this total population, three-quarters were women, and three-quarters had ties with rural areas. One half lived on or below the poverty threshold and one third were illiterate.

The Foundation preferably supports micro lenders in their start-up phase. In the period 2001-2006, about 400 organisations benefited from a contribution. The evaluation showed that these organisations were growing rapidly. The number of members of beneficiary cooperatives grows by an average 15% per year.

Revenue and expenditure in 2006

In 2006, the Rabobank Foundation received a voluntary contribution of EUR 3.95 million (2005: EUR 2.9 million) from local Rabobanks. Including Rabobank Netherlands' donation of the same amount and other revenue such as interest and reversals, total revenue amounted to EUR 14.2 million, or 29% more than in 2005. This increase is attributable to the success of the Infotainment Programme 'Take control of your world' (Wereld in eigen hand). This programme informs local Rabobank members about Rabobank activities in developing countries.

In 2006, the Foundation supported 151 projects (2005: 116) in more than forty countries, for a total of EUR 14.4 million (2005: more than EUR 10.3 million).

Figure 30: Income Rabobank Foundation
in EUR millions

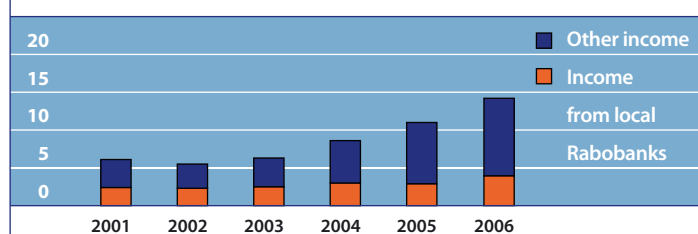


Figure 31: Expenditure Rabobank Foundation
in EUR millions

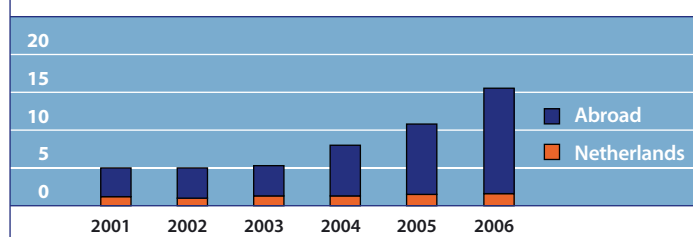
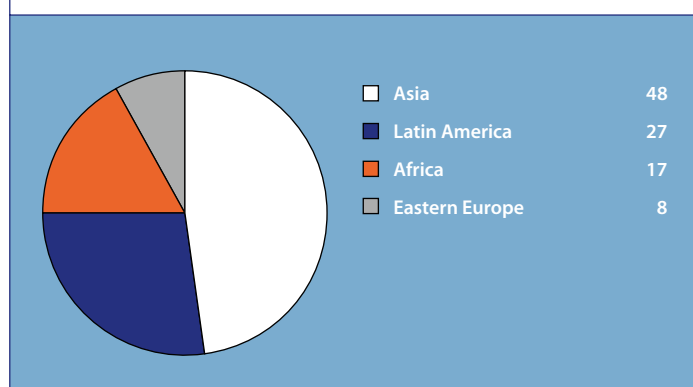


Figure 32: Number of savings and loan cooperatives supported by the Rabobank Foundation worldwide
in %



Trade financing

Trade financing rose from about EUR 5.8 million in 2005 to some EUR 7.7 million in 2006. These trade loans focus on coffee, cocoa and tropical fruit.

Our collaboration with the Progreso fund was formalised in the year under review and the trade loan disbursement procedures came on stream. Progreso is a cooperation of Rabobank Foundation, Stichting Doen and the Green Development Foundation. It resulted in total loans outstanding of EUR 2.15 million at 2006 year-end. The harvesting season in South America has yet to begin. It would seem that the available funds of EUR 4 million will be fully utilised.

The 2005 cocoa plans were shelved pending the formalisation of our collaboration with the Progreso fund.

Employees' fund Share4more

The Share4more employees' fund collects monies from employees and pensioners for small-scale projects at home and abroad. Donors can indicate on which type of project they want their money to be spent. Share4more projects focus on the underprivileged in society.

In 2006, Share4More disbursed a total of EUR 267,000 (2005: EUR 23,500) on 89 projects in Africa, Asia and South America. The beneficiary projects' goals include providing shelter for orphans with HIV/AIDS (South Africa), building houses and schools and providing support to agricultural projects (Rwanda), and treating crippled children or children who suffer from a congenital defect (Asia).

The funds come from Rabobank Group employees and pensioners, who donate a minimum of EUR 4 per month. In 2006, 2,142 people paid EUR 95,000 into the fund. Next to it Share4More has received occasional contributions of EUR 15,000. The Executive Board doubled the total amount of EUR 110,000 to EUR 220,000.

Micro insurance

The Foundation has been working together with the Micro Insurance Association Netherlands (MIAN) since its establishment in 2004. The MIAN helps local organisations putting in place a system of micro insurance. In 2006, the Rabobank Foundation joined forces with the MIAN in the fields of health insurance (Cambodia) and health risks (India).

The Achmea Group and Healthnet lent their collaboration to the project in Cambodia, in which the Rabobank Foundation helped preparing and putting in place health insurance and played a role in its financing. In India, an expatriate employee worked at the Asian Knowledge Centre for Mutual Insurance (ASKMI), which forms part of the Dahu Foundation in Madurai.

International collaboration

For its banking activities in developing countries, Rabobank actively looks to other parties for collaboration. In 2006, we started a close collaboration with Cordaid, a development organisation. Other examples are:

- the Sustainable Agriculture Guarantee Fund (collaboration between the Ministry of Foreign Affairs, Solidaridad, Rabobank International and the Rabobank Foundation);
- the collaboration with the [Word and Deed](#) development organisation for a large-scale micro loan programme in Bangladesh;
- [Terrafrica](#), an alliance in Africa between ICCO, Oikocredit and the Rabobank Foundation;
- [Agri-ProFocus](#), a twenty-partner alliance, including the Rabobank Foundation, Solidaridad, Novib, ICCO and Cordaid, whose goal is more effective support for agricultural producer organisations;
- the collaboration with the [development banks](#);
- the alliance [Netherlands Financial Sector Development Exchange \(NFX\)](#).

Collaboration with Cordaid

The planned collaboration between Rabobank and development organisation Cordaid was announced in October 2006. We will be providing Cordaid with financial expertise. Cordaid in turn will be bringing us and our clients in contact with fellow businessmen in developing countries.

We will also be recommending to our clients the new Cordaid Micro Credit Fund, whose support focuses in particular on small entrepreneurs in developing countries. In many countries, the SME sector experiences serious problems. It finds itself in what is known as the 'missing middle' in lending, investing and other financial services. Many micro loan institutions confine themselves to extending small loans without collateral to poor people, where the traditional banks would focus mostly on large businesses. SMEs therefore are caught in the middle and badly need lenders catering specifically for small and medium-sized starting businesses.

Sustainable Agriculture Guarantee Fund

The Sustainable Agriculture Guarantee Fund (SAGF) officially began its work in November 2005. The fund extends full or partial credit guarantees to local banks, notably in South America and Africa. This makes it easier for these local banks to extend loans to farmer cooperatives, and in time to extend loans at their own discretion based on lenders' track records. In 2006, SAGF experienced lending delays as a result of the reorganisation at Rabobank International and staff changes. Not everything was at a standstill, however: talks were held with potential investors who are considering taking part in the fund. Cordaid decided to do so and contributed € 1.5 million.

Communication and congresses

For Rabobank to spread the message that it believes in low-threshold access to financial services for the people in developing countries, effective communication is indispensable. In 2006, we addressed this essential need in the following ways:

- presentation of the communication programme [Take control of your world](#) at local Rabobanks dealing with RDP projects in India, Honduras, Tanzania and Egypt;
- sponsorship of the [Business in Development \(BiD\) Challenge](#), an NCDO initiative;
- taking part in the TV programme [Netherlands at Work](#) about projects in countries such as Tanzania, Sri Lanka, Vietnam, Kenya, Egypt, India, Ghana, Mozambique, Zambia and Indonesia;
- hosting the annual meeting of Organic Exchange, a congress that attracted 400 participants from the organic cotton production chain worldwide.

For more information

www.rabobank.com/csr

8 At the heart of society

In a world in which local and global prosperity go hand in hand with forms of deprivation, businesses are receiving strong pleas to be involved in all kinds of social and environmentally friendly initiatives in their direct surroundings. Based on our cooperative background, it is natural for Rabobank to respond to these pleas. We do this based on our 'cooperative dividend' philosophy. Part of our profit is devoted to economic, social and cultural improvements. We also make available knowledge and networks to people with initiative.

In this chapter

- Our management approach to social engagement
- Rabobank Foundation for social initiatives in the Netherlands
- Local initiatives for society
- Rabobank Group entities' social engagement
- Sponsorship
- Social impact of volunteer work
- Knowledge about and for the market



Our management approach to social engagement

Rabobank's basic principle is that the contributions it makes to society ought to reward people's own initiatives. With these donations and sponsoring on the one hand, and our cooperative initiatives (cooperative dividend, see page 77) and studies on the other, we are inducing growing numbers of people to become enterprising themselves and put innovations in motion. Our aim in this respect is to bring social engagement into line with our core activities. Not only does this have a greater impact on our society, it also helps our commercial staff to maintain their focus on society during their day-to-day tasks. Collaboration and knowledge play a significant role in this. Cooperative banking can be viewed as the synergy between our involvement in society and our financial core activities.

Collaboration: Increasingly, we deliberately opt for various types of alliances or partnerships to achieve objectives that lead to a more sustainable society. This can be a partnership entered into for the development of financial products, such as the credit card with climate compensation we are launching together with the World Wildlife Fund (see page 58). Another example is the collaboration with Cordaid to provide support to small entrepreneurs in developing countries (see page 75).

Knowledge: Rabobank has an enviable reputation as a knowledge bank in the socio-economic and food & agri fields. Our Knowledge and Economic Research Department has been publishing socio-economic studies for many years. The Food and Agri Research Team produces studies on

market developments in the various international food & agri sectors. Sustainability is the frame of reference for a growing number of these studies.

Cooperative dividend for society and the members

Rabobank has no shareholders to whom it periodically distributes dividend, but supports social, economic, sustainable and cultural projects instead. This support not only involves providing funds, but also making available employees during their working hours, our networks and media and other resources, such as accommodation for meetings and copying machines. These activities, at both the local and central levels, are categorised as 'cooperative dividend'. Our assumption is that a better result can be achieved through collaboration and joining forces than by operating individually. This is at the core of cooperative thinking. It makes Rabobank unique and distinctive in the Netherlands. While a sharply defined boundary cannot be drawn between cooperative dividend and sponsoring, the distinction depends principally on whether a consideration has been agreed in return or not. Of the local Rabobanks, 95% indicated they operate a cooperative fund or otherwise 'distribute' their cooperative dividend to the local community.

Cooperative dividend in our market formulas

As a cooperative organisation, Rabobank's commitment goes further than looking after its clients' financial interests alone. With our knowledge and networks we help our clients achieve their social ambitions. Our fundamental aim to be involved in the local scene offers us the opportunity to be unique in the market in a credible manner.

Many of our clients feel the need to do something for the benefit of their direct surroundings. Our local Rabobanks address this question, for instance by bringing high net-worth clients into contact with associations, foundations, institutions and small businesses. These private banking clients can support these organisations with their knowledge, resources and/or network.

Being a Rabobank member

Members have a voice in the running of their local Rabobank. In the general meeting or the member council they can voice their opinion and share in the decision-making. Because the local Rabobanks do not have to distribute any profit, they let part of the profit flow back to the local community by investing in local projects. Members jointly decide in which projects the local Rabobank should invest. Members also benefit in other ways. They receive more information than non-member clients, for instance via seminars, workshops, presentations and the members' magazine *Dichterbij*. In addition, they also receive material and financial benefits in the form of discounts and special products for members.

Rabobank Foundation for social initiatives in the Netherlands

The Rabobank Foundation in the Netherlands make numerous donations to small and large projects whose goal is to improve the possibilities for people with a mental or physical handicap to participate in society.

Annually, the Rabobank Foundation receives some 350 applications for financial support in the Netherlands. In 2006, it approved 53 of these. In 2006, it donated more than EUR 1.6 million to projects (2005: EUR 1.5 million). The Rabobank Foundation's donations in the Netherlands are gifts free of any direct (commercial) consideration in return. The local Rabobanks give the Rabobank Foundation an annual contribution and also frequently work on projects together with the Foundation. Often they put forward a project to the Rabobank Foundation and play an active role in that project.

Example of projects to which the Rabobank Foundation made a donation in 2006, are:

- The [Reading and Writing Foundation](#) to help solve the problem of low literacy;
- The [Good Business](#) training to help charitable organisations strengthen their profile with commercial businesses;
- The national [Special Olympics](#) to stimulate sports practised by the mentally handicapped.

Local initiatives for society

Our local banks take many initiatives to improve the environment and strengthen the economic development and social coherence of our surroundings. That suits our cooperative thinking. In the projects we support, we distinguish six themes: (1) financial schooling, (2) education and career development, (3) districts and neighbourhoods, (4) healthcare and welfare, (5) rural renewal, and (6) the environment. For practical examples, see on www.rabobank.com/CSR

Rabobank Group entities' social engagement

In line with Rabobank's tradition, many Rabobank Group entities (Robeco, De Lage Landen, FGH Bank, Obvion, Schretlen & Co, Alex and Rabobank International) are [active in society](#). This takes the form of donations, sponsoring and volunteer work.

Sponsorship

In its sponsorship policy, Rabobank has opted to enter into long-term, permanent partnerships whereby the benefits of collaboration flow not only to the bank, but above all to the sponsored party. Apart from branding, the training of talented people and the fostering of a dynamic and social society play a key role in our sponsorship policy. We do not sponsor organisations with political objectives, individuals, dangerous sports or environmentally burdensome activities.

In 2006, our local Rabobanks contributed to projects EUR 22.8 million via sponsorship and EUR 2.8 million via donations (2005: in all EUR 25.6 million). Rabobank Nederland spent a total of EUR 20 million on sponsorship,

and EUR 0.2 million on donations. We direct our sponsorship initiatives at the following fields:

- [sport](#), and in particular cycling, field hockey, equestrian sport and NOC*NSF;
- [Culture](#), whereby a significant place is reserved for the Van Gogh Museum;
- Nederlands Agrarisch Jongeren Kontakt (Young Dutch Farmers Society) ([NAJK](#)).

Figure 33: Total sponsoring and donations by Rabobank Nederland

In EUR million	2006	2005	2004	2003
Sponsoring	20.0	19.3	18.9	19.0
Donations	0.2	0.1	0.2	0.2

Employees value sponsorship

The annual sponsorship survey suggests that local Rabobanks' staff believe that sponsorship projects in the fields of sports and culture are well suited to Rabobank. Of the Rabobank staff who participated in the survey, 97% view sponsorship in general in a positive light, in part because it demonstrates social engagement.

Social impact of volunteer work

The various Rabobank entities give their own interpretation to the way they contribute to volunteer work. Examples are:

- Local Rabobanks and group entities are free to decide whether their employees can do volunteer work during working hours. Many employees have done so, however, especially since we joined Make a Difference Day. Robeco staff for instance, are given one day off per year to do volunteer work via Benefits 4 Kids or Workmate.

- A number of local Rabobanks and Rabobank Group entities took part in [Make a Difference Day](#), the national volunteer workers days held on 3 and 4 November 2006. By and large, these volunteer workers' activities are highly appreciated, not least because of the team-building aspect.
- Schretlen & Co has formed a budget of its own to spend on volunteer work.
- The staff of Rabobank Indonesia helped in the Yogyakarta earthquake and Rabobank Tokyo developed a policy to promote volunteer work.

Knowledge about and for the market

Rabobank is a knowledge bank par excellence. It has various in-house knowledge centres and research departments. They not only generate knowledge for the bank's own use but also for clients and members. CSR is increasingly at the centre of attention. Rabobank Nederland's Knowledge and Economic Research Department had set itself the objective of incorporating CSR into its studies and perspectives. It achieved this objective in 2006. Attention was devoted to this in earlier editions of the annual sustainability report. Below are a few examples from 2006.

- Report [Financing and the emerging bioenergy markets](#) on bioenergy and the development of renewable energy solutions.
- The articles on 'Extending your career through the career savings scheme' and 'Working longer? OK, but how?', dealing with the costs of an ageing population and the importance of working more and extending working careers. Via the Dutch Association of Banks (Nederlandse Vereniging van Banken (NVB) we asked for the attention of Dutch politics.
- [Research into regional and spatial economic aspects](#) in the Netherlands, addressing the three sustainability aspects of People, Planet and Profit.
- Research into the socio-economic position of, and banking services to [non-western ethnic minorities](#) in the Netherlands.

For more information

www.rabobank.com/csr

9 Our employees

Rabobank is on the move. Developments in society, changing client demands, fierce competition and ongoing deregulation call for continuous renewal in thoughts and actions. On top of this, Rabobank has set itself more ambitious goals, while the coming years the bank will concentrate on a significant transformation driven by strong international growth. Furthermore, as an employer we wish to contribute to society. All of this makes substantial demands on our people and our human resources management (HRM) policy.

In this chapter

Our management approach to human resources

- Changing role of HRM
- HRM vision
- Basic principles of HRM policy



Working Smarter

- Terms and conditions of employment
- Performance management and remuneration policy



Career

- Improve in-house job rotation
- Employability
- Developing employees' CSR knowledge
- Training
- Volunteer work
- Employee satisfaction
- Working conditions and occupational fitness / disability
- Staff turnover



Differences

- Attracting and developing talent
- Promoting women to top positions
- Cultural diversity
- Ensuring the employability of older staff



Our management approach to human resources

Changing role of HRM

The environment in which Rabobank Group operates is subject to rapid changes. Society, the labour market within it and its very nature is in a continuous state of flux, shrinking and transforming. Our expectation is that the pluralistic trend in the labour market is far from over (more women and increasingly multi-cultural), and is set to become more and more international, digital, insecure and enterprising. The average career will become longer, while work organisation methods will change, requiring a different personnel structure and mix. A case in point is the decision we took in 2006 to downsize and outsource part of our ICT activities (see case study ['Outsourcing work in compliance with CSR standards'](#)). Moreover, Rabobank took over some Bouwfonds entities, which resulted, with effect from 1 December 2006, in a business combination called Rabo Bouwfonds, made up of Bouwfonds, FGH Bank and Rabo Vastgoed.

Owing to these social trends, combined with our ambition to be more successful commercially at lower costs, to improve cooperation within Rabobank Group, and considerably expand internationally, as an employer we have to operate in a growing number of different labour markets. Ignoring these developments is fraught with risk, whereas acting ahead of them with well-considered HRM policies creates new opportunities. This is our challenge going forward.

HRM vision

The social trends and Rabobank Group's strategy of autonomous steady growth in three areas (market leader in the Netherlands, synergy among group entities, and expansion as the leading bank in the international food & agricultural sectors and international retail banking) call for a clear vision and bold policy in the field of HRM. For we can only achieve our ambitions with talented, vital and constantly motivated people. They are our organisation's most valuable asset.

Starting out from this basic principle, we published the Dutch-language study 'De WERKelijkheid van morgen' in 2006. The study describes seven mega-trends that will influence work and working in the years ahead: more digital, more global, more pluralistic, more uncertain, more responsible, more dynamic and more enterprising. These trends were debated during a national congress organised in collaboration with the employee association AWWN, as well as in-house with executives, HR managers and the Works Councils. We used the results in 2006 to update the vision embodied in our HRM policy: 'People make the bank even better'. This vision establishes a link between the trends and Rabobank's ambitions. This produced three areas we will be focusing on: (1) working smarter, (2) career and (3) differences. In 2007, the basic principles of this vision will be specifically addressed by departments and entities, and at the local level.

Basic principles of HRM policy

Rabobank Group endorses the Tripartite Declaration of Principles of the International Labour Organisation concerning Multinational Enterprises and Social Policy. The starting point of the ILO's declaration of principles is the Universal Declaration of Human Rights and similar international treaties. The declaration of principles includes topics such as non-discrimination, working conditions (health and safety) and industrial relations (the right to establish and join organisations, including trade unions and right to collective bargaining). The declaration constitutes an external pillar of our HRM policy.

Responsibility for our group-wide HR policy on talent development, organisational development, terms and conditions of employment and pensions is vested in Rabobank Nederland's Personnel Department. Co-ordination on these matters with Rabobank Nederland's Works Council and the Affiliated Banks' Group Works Council (AB GWC) as well as consultations with the trade unions are likewise part of this Departments tasks (read more about [HR organisation](#), [employee representation](#) and [employee co-determination](#)).

The three focal areas, working smarter, career and differences, as adopted in the updated vision 'People make the bank even better' cover different Personnel Department policy initiatives.

Working smarter

Rabobank¹⁶ wants to work more efficiently and more effectively. This calls for passionate and enterprising staff. Those in charge must give their staff the space required for self-development to attain these qualities. They inspire, coach and are results-oriented. Performance management – Rabobank's annual planning, performance, assessment and remuneration cycle – addresses these aspects. The first cycle was completed in 2006. The evaluation showed that performance management improved the relationship between performance and remuneration and resulted in more clarity on what was expected of staff. HRM activities forming part of the 'working smarter' focal area are:

- terms and conditions of employment, page 81;
- pension plans, page 81;
- performance management and remuneration policy, page 81;
- top management assessment and remuneration, page 82;
- CSR objectives as part of performance management, page 82.

Career

For Rabobank Group staff, Continuous Professional Development (CPD) is a must to keep up to date and for career growth. We accordingly stimulate this, as well as job transfers. Changing one's working environment at regular intervals is also necessary to stay lively. Vitality and health in turn are important for in-house career and employability prospects. That has become even more important than in the past, also for older staff, as careers stretch over longer periods. We accordingly put growing emphasis on promoting health and vitality, as well as preventing absence due to illness.

The growing scarcity in the labour market makes it increasingly difficult to find the right people. Fortunately, Rabobank is a popular employer: in the annual study by Intermediair into favourite employers in the Netherlands, Rabobank was rated best employer among banks and ended in third place after Philips and Shell. Women with a tertiary education rate us in the same study as the most popular employer. HRM activities that come within the scope of the 'career' focus area are:

- improve in-house job rotation, page 83;
- career and employability prospects, page 84;
- training, page 85;
- volunteer work, page 85;
- employee satisfaction, page 85;
- working conditions, page 85;
- staff turnover, page 87.

16. There were Rabobank is mentioned, Rabobank Nederland and local Rabobanks are meant.

Differences

Rabobank's aim is for its personnel to be a reflection of the country's working population as a whole, with a regional reflection by area of operation, both nationally and internationally. This creates the closest possible ties with the culturally defined needs of regional and local markets and puts us in close touch with the wishes of the client. This reflection differs considerably per entity and per local Rabobank.

In our human resources policy, we emphasise a positive approach to differences between people's phase in life, gender, ethnicity, sexual orientation, origin, religion or physical health. Diversity in people stimulates enterprising conduct and does better justice to their qualities. Diversity in team memberships is conducive to quality and creativity.

To attract enough people of high quality requires that we operate in all parts of the labour market: young and old, men and women, indigenous Dutch people and ethnic minorities. Relevant HRM activities in this respect are:

- attracting and developing talent, page 87;
- promoting women to top positions, page 87;
- cultural diversity, page 87;
- ensuring the employability of older staff, page 88.

Working Smarter

Rabobank needs staff who take initiatives, are innovative and take responsibility. This calls for self-confidence and flexibility. Office accommodation formulas under development are geared to this. These formulas feature a flexible work concept to help bring about a new way of working, improved effectiveness and cost savings. In this concept, employees supported by their supervisor and the organisation assume the responsibility to start working in a different way. With the client in mind and in consultation with the manager, the Rabobank employee himself decides where and when he carries out his duties and how he collaborates effectively. He also has his own responsibility for selecting his personal objectives and individual performances in relation to the objectives of Rabobank. Employees are expected to continue working on their self-development and to assume the responsibility to put this across in the organisation. The freedom of choice contributes to a healthy balance between work and play. Our performance policy and terms and conditions of employment are attuned to this. Employees have a growing number of options to individualise their remuneration package and pension plan.

Terms and conditions of employment

Major changes in legislation took place in 2006. Together with the changes in the Rabobank's collective bargaining agreement (CBA) of mid-2005, they resulted in many reforms in employment terms and conditions. These included implementing the new Health Care Insurance and the

Career Savings Scheme, adding the personal budget of 1.8% of annual salary to the terms and conditions of employment, adjusting the pension plans, and introducing the Retirement Planning Savings Scheme.

The reforms in the terms and conditions of employment prompt employees to make choices. Our basic assumption is that employees want to manage their own future. Via the brochure 'The choice is up to you' ('Eigen keuzes maken'), we informed employees in 2006 on making choices about their financial future. See for more information [reforms in employment terms and conditions](#) and [working hours in Rabobank CBA](#).

The employment terms and conditions also encourage deliberate, sustainable mobility choices. Rabobank Nederland's employees, for instance, who drive a company car may only select a car in the fuel efficiency categories A, B or C from fuel book of the Ministry of Transport Industries. The policy is also encouraged at local Rabobanks and group entities. Read more about this on page 97.

Made-to-measure terms and conditions of employment

The organisation operates in a growing number of different markets calling for different employment benefit packages and bespoke solutions. In 2006, steps were taken to enable further diversification or differentiation in the Rabobank CBA. Commercial field staff need results-oriented controls and related forms and levels of remuneration different from those applicable to back-office employees. Performance management also provides room for this.

Pension plan

The pension plan is managed by Stichting Rabobank Pensioenfond. The provision for pension liabilities amounted to EUR 6.3 billion at year-end 2006. The 2006 pension premium amounted to EUR 430 million for the participating entities: Rabobank Nederland, local Rabobanks, De Lage Landen, Schretlen & Co, Obvion and Alex. Employees of De Lage Landen, Schretlen & Co, Obvion and Alex who joined on or after 1 January 2004 pay a contribution of 6.67% towards their pension premium. There is a transitional arrangement for the other employees, under which they will gradually be paying a contribution as from the year 2014.

FGH Bank and Robeco have a pension plan of their own. FGH Bank employees pay a contribution towards their pension premium of up to 5%. Robeco employees do not pay any contribution towards their pension premium.

Performance management and remuneration policy

Employees and managers of Rabobank who fall under the CBA have been setting their collective objectives as well as their individual result and competency objectives for performance management purposes since 2005.

In April 2006, fixed and variable income were determined on the basis of the performance management system for the first time. We evaluated this first cycle of the system with employees and managers. The evaluation showed that 70%¹⁷ (2005: 43%) of the employees believed that remuneration was based on the past year's performances. The system was perceived by employees as transparent and resulted in more clarity about what was expected of them. Part of the employees, especially those in commercial positions, found that it actually improved their focus on results. Having said that, there is still room for further advances, mainly by improving the quality of the individual and collective objectives and providing more interim feedback and adjustments. The points for attention mentioned in the evaluation (limited degree of differentiation, too little room for a general opinion, too time-consuming) led to the modification of existing tools. For more about [performance management](#), follow the link.

Figure 34: Remuneration Executive Board

In EUR million

	2006	2005
Salaries	6.6	5.4
Pension charges	1.2	0.6
Performance-based payments	1.7	1.4
Other	0.3	0.5
total	9.8	7.9

Assessment and remuneration of top management

In 2006, the remuneration of current and past members of the Executive Board amounted to EUR 9.8 million. This amount was made up as follows:

In 2006, the total remuneration of current and past members of the Supervisory Board amounted to EUR 1.3 million (2005: EUR 1.2 million). At the end of 2006, loans and advances to the members of the Executive

and Supervisory Boards amounted to EUR 3.9 million (2005: EUR 1.4 million) and EUR 4.2 million (2005: EUR 3.4 million), respectively.

For more about [assessment and remuneration of top management](#), follow the link.

CSR objectives as part of performance management

In 2006, Rabobank Group decided to integrate CSR into all aspects of day-to-day tasks. A number of actions were taken for this to be expressed in assessments as well.

In 2006, it became mandatory for the executive management of Rabobank Nederland and other group entities (excepting members of executive management of local Rabobanks) to include at least one CSR objective in their performance management. As from 2007, employees working within Rabobank's performance management system can include CSR objectives in their individual competency objectives. In 2006, we developed a new competency to this end: Socially Responsible Conduct (SRC). This competency can be applied to all Rabobank jobs. When tasking an individual employee's SRC competency, the objective must suit the employee's job, his character and his preferences.

Career

Baby boomers are retiring and the number of school leavers is falling. The result is a tighter labour market and an ageing workforce. While competition in the labour market for the recruitment and retention of highly educated and talented people is mounting, the demands Rabobank Group makes on its employees to achieve its ambitions are growing all the time. These developments call for extra attention for the inflow, development and career development of healthy, dynamic people.



Peter van den Meijenbergh, member of Rabobank Nederland's Works Council:

"We are not yet seeing enough of a positive attitude on the part of Rabobank Group managers at various levels to bring that sense of urgency to employees in their CSR tasks. Let employees first see the significance of CSR for our business, motivate them. Show consistent behaviour yourselves. Certainly now that we are about to implement CSR across the board in Rabobank's core activities, such as lending and investing, the Works Council can be an important influential factor in the implementation process. Make use of it."

Source: interview 2006 stakeholder consultation

17. This figure relates to Rabobank Nederland and the local Rabobanks.



Kees Kodde and Donald Pols, climate and energy campaigns director and campaign leader of Friends of the Earth Netherlands:

"The incorporation of CSR criteria in the performance management of a business is a prerequisite for a successful CSR policy. It has proved to work well in practice and Rabobank should pay attention to this without delay, otherwise other banks will catch up with it. The incorporation of CSR objectives in performance management should be tackled properly and at all levels of the business, otherwise it will not work."

Source: 2006 stakeholder dialogue

Talent retention and development deserve special attention. Recruitment, mobility, extended employability and development of employees are pivotal in this respect. It is important that our staff keep pace with the demands of their current job and direct their self-development towards their next post in a career that will cover a longer timespan in the future. Employees themselves, too, have a very definite responsibility to train themselves and grab the opportunities wherever and whenever they present themselves.

Improve in-house job rotation

In-house job rotation, including between group entities, is an essential part of Rabobank Group's strategy to retain and develop talent. The biggest challenge in this regard is to make employees aware that Rabobank Group is a single organisation within which they can build a career. This perception is still largely lacking, however. Our decentralised structure makes no provision for centralised in-house rotation management. As a result, there are too few transfers between group entities. In 2006, the bank developed a groupwide programme to do away with obstacles impeding such transfers and to promote in-house job rotation across departmental and group entity boundaries. In 2007, the programme will be implemented with the object of identifying, developing, retaining and coaching talented people. Ultimately, this will produce added value for both employees and Rabobank Group and will provide us with an adequate answer to the significant need for management talent we are expecting in the foreseeable future. A Management and Talent Development department has been established to carry out this assignment.

Improving vacancy databank

A well-organised, group-wide vacancy databank stimulates in-house job rotation. It was improved in 2006, and the dissemination of information on rotation and the role employees themselves play in it was given extra attention. The effect of this was reflected in the higher number of employees visiting the site of the vacancy databank at home. Regional collaboration in personnel planning among local Rabobanks also promotes

rotation. An example of this is SPOT, an initiative of six local Rabobanks and Rabobank Nederland aimed at tackling talent recruitment and job marketing at all levels jointly. SPOT offers external top talent an accelerated career, and takes care of the accelerated in-house development of talented people. While this causes movement in the region, it also resulted in people opting to join Rabobank Nederland. The 2006 initiatives for HR activities such as job marketing, talent development, career coaching and recruitment & selection to be organised on a regional basis are expected to gain momentum in 2007.

Broadening international mobility

Another major challenge is to build a highly mobile international management team. That is essential if we are to realise our international ambitions and become the world's leading food & agri bank. Three initiatives are being put in place with this in mind.

- **Rabo Exchange.** This platform is used to share knowledge about recruitment and selection of employees and managers of local Rabobanks and Rabobank Nederland with a view to posting them abroad. Members of Rabo Exchange are representatives of Rabo International Advisory Services BV (RIAS), International Retail Banking, Rabobank International and the Personnel Department.
- **Talents for Development Program.** Via this programme, talented Rabobank Group employees are posted abroad for short periods under the supervision of senior RIAS consultants to advise cooperative organisations on financial services (see also the section 7). RIAS recruits and selects employees of local Rabobanks and Rabobank Nederland for vacancies at banks abroad.

RIAS and Talents for Development posted 66 employees abroad in 2006 on assignments of varying duration.

- **Global Management Development Committee and Regional Management Development Committees at Rabobank International.** They review which employees are suitable for a position at one of the branch offices abroad. In 2006, 31 employees were posted abroad via these committees.

De Lage Landen also addresses the issue of mobility. This lease subsidiary of Rabobank Group formulated a Global Mobility Rule on employee expatriation. This arrangement will be fleshed out in 2007 in consultation with the co-determination body.

In 2006, Rabobank Group had 150 expatriates, of whom 95 came from Rabobank International. Three-fourths of Rabobank's expatriates are Dutch nationals and one-fourths are nationals of other countries. For more information see [in-house job rotation](#).

Employability

Rabobank, together with the Works Councils (AB GWC and the Works Councils of Rabobank Nederland and De Lage Landen) and the trade unions concerned (De Unie, FNV, CNV and BBV), carried out a preliminary study in 2006 into the manner in which the employability of our staff could be maintained and improved, considering the growing competition, pressure on margins, and the bank's ambitions. The study brought to light that, while most managers and staff did not (yet) see their employability as a major problem, they did feel that it would become of growing significance in the future. It was emphasised that the need to stay up-to-date and for continuous professional development (CPD) should be brought more specifically to the attention of managers and employees. The study also showed that, while instruments for employability enhancement were available, they were not used to best advantage. In 2007, employees will accordingly be given the opportunity to assess their own employability by means of a scan. Whether and, if so, how the mobility of older employees can be improved by lowering financial mobility thresholds is also being investigated.

Personal development plan

The personal and professional development of employees is sheer necessity: how do employees continue to be valuable to the bank, how do they continue to enjoy their work, and how do they retain value in the labour market? That is important for the employees themselves, and certainly no less so for the bank.

With a personal development plan (PDP), managers and employees can effectively address these issues. Aids are available to draw up PDPs; they are conveniently bundled in a Toolbox on the HR portal. We see the PDR as an essential instrument for the development of employees and accordingly strive for a DPD for all.

In 2006, 69% (2005: 62%) of local Rabobanks' and Rabobank Nederland's employees had discussed a PDP with their supervisors. FGH Bank uses a performance management system for all its employees, which also deals with their development and education by means of a concise PDP section in the performance document.

Robeco's approach to personal development for its all employees consists of a personal action plan. It is discussed twice a year in the job evaluation and assessment interviews, and is adjusted as required. In order to make career guidance and self-development opportunities more accessible, Robeco is launching a development site in early 2007 that will have more detailed information on career paths, training opportunities, and how to deal with career issues. In 2006, in excess of 200 Rabobank Nederland's employees were briefed on career guidance.

Moreover, Rabobank believes that employees should actively exchange their knowledge and experience, which is why there is a bank-wide mentorship system in place. Experienced managers from senior and executive management are matched to talented young people. Since 2006, a mentor may be found via the HR portal. Information on some 100 mentors, and their CVs, are included in the mentor matching system, resulting in 82 matches. A few years ago, Rabobank Training started offering the well-attended mentor classes in which new and experienced mentors are brought up to speed on the latest tips, tricks and traps.

Course 'Retirement is Near'

Rabobank gives employees nearing retirement the chance to attend a course that prepares them for their new lifestyle. They are taught how to deal with the changes ahead and to reflect on a future without

Figure 35: Educational data ¹⁸

	2006	2005
Number of training courses	162,772	94,500
Training costs	EUR 76.9 million	EUR 68.7 million
Share of wage and salary bill	2.8%	2.6%
Average costs per FTE	EUR 1,518	EUR 1,509
Number of e-learning students	135,397	77,500
Number of digital exams	27,240	25,000

18. All training announced and followed via 'OpleidingenNet' (TrainingNet) of Rabobank Group, including group entities, Interpolis and posting offices.

holding down a job. A helping hand is also extended to the partner finding a new balance between his or her own familiar activities and doing things together.

Developing employees' CSR knowledge

The results of a study held in late 2005 into the knowledge and awareness of CSR among Rabobank managers and employees were announced in January 2007. Its main conclusions were that:

- the basic attitude of employees towards CSR is positive but, owing to a lack of knowledge and a patchy picture of what CSR is, they were not able sufficiently to convey this attitude to others;
- the need for knowledge of and communication about all aspects of CSR, as well as about the significance of Rabobank's CSR policy, is considerable.

Further to this study, we organised an in-house communication programme in 2006. Its main object was to close the gap between CSR and employees using appealing examples. Special attention was directed at facilitating CSR co-ordinators and the management.

One of the activities was the development of the CSR e-learning module. This module deals with the CSR policy areas of financial services, in-house environmental care, and social engagement, incorporating themes such as human rights and the environment. The CSR e-learning module was developed for executives and managers, employees in commercial positions and CSR co-ordinators. In 2006, 177 employees followed the CSR e-learning module. A second CSR e-learning module intended for back-office staff is in preparation. It will be available in 2007.

Another example is the place the CSR theme had in 2006 in the introductory programmes for Corporate Management Trainees. In 2006, the first assignment of seventeen trainees was to carry out an individual in-house investigation into a CSR theme. See also page 37.

Training

Rabobank's training policy is based on three components: an employee's individual (potential) development, career, and training required to perform as well as possible in the position concerned.

In 2006, we upgraded our Intranet to accommodate the educational data files of all Rabobank Nederland's and local Rabobanks' employees. Our training policy is geared to establishing annually which training courses an employee should follow to guarantee a high level of expertise. By linking the contents of an employee's educational data file to the level of training required for the job he holds, we can quickly evaluate whether he meets the appropriate standards of expertise. For more about training see [training](#).

Volunteer work

Rabobank Group stresses the value of volunteer work performed by employees. It is important to society, holds a challenge, and is conducive to the development of personal skills and competencies. It can contribute to personal and management development, and promote rehabilitation or team building. We stimulate our employees through various activities. Since April 2006, we have been the sponsor and a member of Workmate. This is a system linking volunteers to individual and occasional volunteer work in the areas of people, animals and nature. In 2006, 419 Rabobank Group employees enrolled with Workmate. For more examples of volunteer work in the section 'In the thick of society' see page 78. The implementation of the 'Socially Responsible Conduct' competency (see page 82) in performance management will ensure that as an activity, volunteer work will receive more systematic attention in 2007.

Employee satisfaction

The involvement of employees in Rabobank as employer and the work they do are essential for the realisation of our organisational objectives, which is why we periodically carry out an employee satisfaction survey.¹⁹ In 2006, more than 30% of employees participated in the survey.

Our employee satisfaction survey is also an external benchmark contestant. In the employee satisfaction stakes, Rabobank's score of 87% (2005: 81% and 2004: 85%) is distinctly better than the external benchmark of 73%, reflecting the scores of some forty of the larger Dutch companies.

Employees are especially pleased with their training and self-development possibilities, and with the information made available to them. Notably in the field of collaboration within departments our rating is lower than the benchmark. The survey was conducted of at least 90% of Rabobank Group's employees. For more about [employee satisfaction](#) follow the link.

In addition to the in-house survey into Rabobank employee satisfaction, a survey was also conducted by Incompany, a business magazine. We are among the top three businesses with the most satisfied employees. In the survey, our employees give us an average mark of 7.5 in the employee satisfaction categories of terms and conditions of employment, career, corporate culture and position.

Working conditions and occupational fitness / disability

On 29 December 2005, the Occupational Disability Insurance Act (Wet op de Arbeidsongeschiktheids-verzekering or WAO) was replaced by the Work and Income (Fitness for Work) Act (Wet Werk en Inkomen naar Arbeidsvermogen or WIA). A major difference between the WAO and the WIA is that the latter puts the emphasis on what partially occupationally disabled employees can still do, instead of what they can no longer do. In consultation with the employee organisations / trade unions, it was

19. The survey relates to Rabobank Nederland and the local Rabobanks.

decided to place the new occupational fitness / disability policy in a broad employability and mature industrial relations perspective, in which a sound collaboration between manager and employee is pivotal. The new policy has a sequential approach, whereby prevention, sickness absenteeism and counselling, rehabilitation, and income in case of sickness and occupational disability form a single coherent whole. The point of departure is health promotion and prevention. Should an employee fall ill all the same, policy and practice are geared to keeping him at work as long as possible or getting him back to work as soon as possible by means of proper absenteeism counselling and rehabilitation. All of this is combined with an appropriate income supplement in excess of the statutory obligation. The income supplement system is designed in such a way that when an employee works, his total income is higher than when he does not, and that when he returns to work, his income increases as he works more hours. Working pays, and working more pays more. Below is a summary of activities in 2006.

- In 2006, virtually all local Rabobanks, FGH Bank, Obvion and Robeco appointed a prevention officer to assist in assessing occupational health and safety risks and advising on measures to limit these. The Occupational Health & Safety Service provided this assistance to Rabobank Nederland, De Lage Landen, Schretlen & Co and Alex.
- The introduction in 2006 of the Integrated Health Management System has shifted the emphasis on sickness prevention and vitality promotion in respect of both employees and the organisation. This is in line with developments in the organisation, and with changes in society, such as the growing costs of health care, and the debate on the responsibility of government, employer and employee. As part of the Integrated Health Management System, a scan has been developed to help local Rabobanks and Rabobank Nederland entities determine how far they are in integrating health in their business processes. The Occupational Health & Safety Service²⁰ advises and assists them with this. Apart from a drop in sickness absenteeism, Integrated Health Management System activities have boosted the attractiveness of Rabobank as an employer.
- Jobs requiring a monitor and work pressure are major employment risks for us. Through research and interventions, the Occupational Health & Safety Service contributes to curtailing these risks and preventing their negative consequences, such as RSI and work-related stress. In addition, in this context the Occupational Health & Safety Service acts preventively when buying furniture or when building projects. The percentage of employees with an increased risk of sickness due to work pressure and stress has declined from 14% in 2005 to 9% in 2006.
- In collaboration with Zilveren Kruis Achmea, the 'Present' package was introduced in 2006. This is an occupational healthcare package that helps Rabobank create an environment in which working is fun and in which employees feel fit and energetic. Examples of occupational healthcare are: healthcare and waiting list mediation, home care, transport facilities and a stop-smoking course. 'Present' is the link between occupational

health and safety services and the individual health care insurance of employees. 'Present' applications filed in 2006 numbered 591.

- In 2006, the Rabobank Group Occupational Health and Safety Service introduced a programme called BRAVO, which promotes a healthy lifestyle among employees.
 - Sickness absenteeism decreased slightly from 3.7% in 2005 to 3.6% in 2006. The direct costs of absenteeism (no interruption in earnings during sickness) amounted to some EUR 129 million in 2006. Indicator: G3-LA7
- For more about [employment conditions](#).

Inappropriate behaviour in the workplace

Employees confronted in their own job situation with inappropriate behaviour (such as sexual harassment, aggression and violence, discrimination or bullying tactics) can turn to a confidential counsellor.

The employees of local Rabobanks who took part in the satisfaction survey in 2006 reported instances of aggression (5%), threats (2%), bullying (2%) and discrimination (1%), with none reporting any instances of sexual harassment. At Rabobank Nederland these instances were 2%, 1%, 2%, 1% and 1% respectively. For more about measures to prevent [inappropriate behaviour](#) follow the link.

Employment disputes

The Employment Disputes Regulation is included in the Rabobank CBA to deal with disputes between an employee and the bank concerning work, working conditions or the application of employment terms and conditions. The purpose of the regulation is to contribute to good social relationships within the bank by providing employees and the bank with the option of submitting disputes to an independent third party. Disputes guidance can be provided in the form of advice, conciliation (telephonic conciliation or mediation) and requesting the Disputes Committee for a ruling. Albeit not in a quantifiable way, the regulation appears to work preventively in a considerable number of cases because parties invest more energy in finding solutions acceptable to all those concerned.

Unlike Rabobank, which abides by the CBA's Employment Disputes Regulation, De Lage Landen has its own in-house complaints regulation. FGH Bank also put in place a disputes regulation and disputes committee in 2006. Robeco will be implementing its own general disputes regulation in 2007 in consultation with the Works Council.

In 2006, Rabobank's Employment Disputes Regulation considered 178 disputes (2005: 157). In addition, 134 instances of advice, 18 telephonic conciliations and twenty mediations were dealt with (2005: 35 telephonic conciliations and mediations combined). The Disputes Committee issued 6 binding rulings (2005: 7). The disputes regulation of De Lage Landen handled 4 cases in 2006, and at FGH Bank no disputes were reported in the year under review.

20. The Occupational Health & Safety Service Rabobank Group supports Rabobank Nederland, De Lage Landen, local Rabobanks (excepting two local Rabobanks), Schretlen & Co and Alex.

Rabobank has an In-house Abuse Reporting Regulation (Whistleblower Regulation) with the object of fostering integrity. A confidential counsellor has been appointed and a committee put in place to this end. In 2006, the committee handled seven reported abuses (2005: 2).

See [whistleblower regulation](#) for more details.

Staff turnover

Rabobank Group's total headcount at year-end 2006 was 56,209, up by 5,221 on the 2005 figure of 50,988. For the most part, this increase is the result of various acquisitions the bank made in the year under review. Growth is further most noticeable in international retail banking, asset management and investing, leasing, and the real estate division. At the local Rabobanks there was an increase of 1% in the number of employees. For the first time since 2002, the inflow at local Rabobanks (9%) was greater than the outflow, which has remained at around 8% for all these years.

Differences

Dutch society is changing from a monocultural to a multicultural one, with new target groups and markets. Rabobank Group is set to significantly expand its market position in the international food and agri sectors and in international retail banking. This calls for a forward-looking, state-of-the-art HRM policy that appeals to highly educated people of different origins, ages, and cultural and religious backgrounds.

In our human resources policy, we emphasise the importance of approaching differences in people in a positive manner. Diversity among people stimulates enterprising conduct and prompts employees to use their qualities to best advantage. Varied team mixes are conducive to quality and creativity.

Attracting and developing talent

The tightening labour market and the growing number of vacancies Rabobank has to fill call for a pro-active approach to the market. In early 2006, Rabobank Nederland established a new job marketing department to promote the inflow of talented people. We want to strengthen our profile as a business offering an attractive working environment and plenty of career opportunities. To boost our presence in the labour market we took part in 2006 in national and regional career happenings and started several nation-wide recruitment campaigns, including some especially for jobs at local Rabobanks.

Talented people with a multicultural background received extra attention. The percentage of Corporate Management Trainees with a multicultural background has been showing steady growth in recent years, rising from 0% in 2003 to 10% in 2006. The target of 20% was not reached in 2006. For the work-placement desk, too, allocating more placements to people with a multicultural background was a focal objective, witness the increase from 12% in 2005 to 21% in 2006.

For more about [recruiting trainees and work-placement candidates](#) follow the link.

Promoting women to top positions

Rabobank Group aims to appoint more women in top jobs. Apart from a mentor network for women in top jobs, and lunch meetings with talented female colleagues and members of the Executive Board, we encourage the nomination of female candidates as much as possible whenever higher positions become vacant. Alternative strategies are developed and new models are investigated in workshops to facilitate the appointment of more women to higher positions. In 2000, 4% of the executive management positions in our organisation were held by women, compared to 7% at the end of the year under review. The target was for 15% of Rabobank Group's executive management to consist of women in 2008. This target was adjusted to 10% in 2006. It remains quite a challenge to come a step closer each year to achieving this 2008 target.

Gay employees' network

Another development in 2006 in the field of diversity is the establishment of a Rabobank Group network for gay, lesbian and bi-sexual employees.

Cultural diversity

Rabobank's strategy is to achieve greater diversity in its workforce by means of small-scale awareness activities serving as in-house examples. The activities in 2006 were geared to developing and professionalising competency in diversity. We did this by holding seminars and giving training to HR professionals on themes such as cultural diversity in recruitment and selection, and using other recruitment channels (websites, magazines and tertiary education institutions with large student populations with multicultural backgrounds). In early 2006, a diversity tour was organised during which 25 HR professionals visited a number of organisations and a school to broaden their understanding and awareness of the changing complexion of the population and its implications for the service we provide. Rabobank Nederland, moreover, introduced the diversity scan in 2006.

Diversity scan

The scan gave departments a good understanding of the make-up of their personnel analysed into gender, ethnic minority employees and original Dutch inhabitants. The diversity scan revealed that 81% of Rabobank Nederland's employees come from an original Dutch background, and 13% are from ethnic minorities (the background or origin of 6% of the employees on record is not known, possibly because they did not wish to provide this information). Of the group of people from ethnic minorities, 8% is western and 5% non-western. For each group entity participating in the scan, a sketch was made of the desired future situation. Arrangements were made with the management teams on ways to improve the situation in 2007. The diversity scan will again be applied in 2007, and the results discussed with the management team of each entity.

Labour market survey of minorities

Since 2004, Rabobank has been participating in a survey covering minorities in the labour market (LMSM). This survey shows us how Rabobank is perceived by minorities. The survey also provides an understanding of the wishes of highly educated young people of Turkish, Moroccan, Surinamese, and Aruban or Netherlands Antillean origin, including wishes relating to employment terms and conditions, and how they find their bearings in the labour market. The 2006 LMSM suggests that salary (including an incentive bonus and Xmas gratuity – so-called 13th month) and a company car (or a proper public transport allowance) are important aspects for this target group when selecting an employer.

Ensuring the employability of older staff

Population demographics in the Netherlands point to a steadily increasing number of old and elderly people in the next decade. It is also becoming increasingly clear that bottlenecks will be plaguing the labour market as a consequence of a shrinking working population. For a considerable time, Rabobank's career policy has been based on the assumption that, in time, its employees' continuous professional development (CPD) will be of major importance for their continued, effective employability, as well as continued enjoyment of the job they do. This assumption claims a prominent place in HR's vision. This implies that:

- The development of employees continues to be necessary also in the later phases of their career, hence making training and in-house job switching essential, even after their 45th birthday;

- Older people in entities and teams will be forming a greater part of our personnel, so that we have to ensure a good balance of young and old in the teams;
- Employment terms and conditions should be geared more to variation in workload and remuneration through the years, both upward and downward. Job switching and periods of adjustment in working hours are helpful in this respect.

The personal budget and the individualised pension schemes referred to earlier support his vision.

In 2006, the Knowledge and Economic Research entity of Rabobank published two theme reports on this topic:

- Ageing: Good for us, we are growing older, and now? September 2006
- Lengthen your career. OK, but how? November 2006

Our knowledge in this field is being used in this way outside the organisation as well.

See [key personnel policy data](#)

Employee data

Key employee data²¹

amounts in EUR millions	2006	2005	2004
Total wages and salaries	2,792	2,637	2,596
Total staff costs	4,117	3,880	3,683
Staff and other administrative expenses	6,546	5,826	5,856
Number of FTEs	50,573	45,580	50,216
amounts in EUR millions			
Wages and salaries per FTE	55,207	57,911	51,697
Staff costs per FTE	81,407	85,209	73,343
Staff and other administrative expenses per FTE	129,437	127,946	116,616
Training expenses/wages and salaries	2.8%	2.6%	2.7%

Key employee development policy data²²

in %	2006			2005			2004		
	LB	RN	Total	LB	RN	Total	LB	RN	Total
Rabobank offers sufficient opportunities for personal development	74	66	73	68	64	67	71	65	70
Rabobank offers sufficient training opportunities to support me in my current work	86	75	84	81	76	80	81	76	80
Total number of employees who have a Personal Development Plan	69	72	69	64	53	62	73	73	72

21. These data relate to the entire Rabobank Group.

22. These data relate to local Rabobanks and Rabobank Nederland and are the outcome of a sample survey.

Number of employees

	The Netherlands	Abroad	Total 2006	Total 2005	Difference 06-05
Domestic retail banking					
Member banks	33,936		33,936	33,618	345
Obvion	208		208	179	29
Rabo Onroerend Goed	51		51		51
	34,222		34,222	33,797	425
Wholesale and international retail banking					
Rabobank International	1,629	2,395	4,024	3,649	375
RI foreign equity interests		2,711	2,711	2,340	371
	1,629	5,106	6,735	5,989	746
Asset management					
Robeco Groep	1,050	569	1,619	1,512	107
Schretlen & Co	281		281	241	40
Alex BV	213	2	215	207	8
Bank Sarasin ²³	-	1,121	1,121	-	1,121
IPB	-	-	-	1	(1)
Rabo Trust	-	-	-	1	(1)
Orbay	37		37		37
	1,581	1,692	3,273	1,962	1,311
Leasing					
De Lage Landen (including Athlon)	1,346	2,981	4,327	3,143	1,184
Real estate					
Real estate	137	-	137	108	29
Bouwfonds	846	489	1,335	228	1,107
FGH Bank	288	-	288	-	288
	1,271	489	1,760	336	1,424
Other					
Corporate staff departments and Services					
Rabobank Nederland support units	5,695		5,695	5,716	(21)
Rabo Financial Institutions Development B,V,	18		18		18
VRN	11		11		11
Other Rabobank Nederland	168		168	45	123
	5,892	-	5,892	5,761	131
Total	45,941	10,268	56,209	50,988	5221

23. Conform the 2006 annual report, Sarasin Bank has been included in this table.

Workforce of Rabobank Group: developments in 2002-2006

	No. of employees at 31 Dec.	Increase/decrease in number of employees compared with previous year	Percentage increase/decrease compared with previous year
2002	58,096	(24)	0%
2003	57,055	(1,041)	(2%)
2004	56,324	(731)	(1%)
2005	50,988	(5,336)	(9%)
2006	56,209	5,221	9%

External inflow and outflow Rabobank Group ²⁴

	2006	2005	2004
inflow from outside Rabobank Group	10%	8%	5%
outflow to outside Rabobank Group	8%	9%	8%

Male/female salary ratio by age category ²⁵

	Male	Female
age 24 and below	20,444	20,073
age 25 to 34	32,396	26,998
age 35 to 44	47,782	30,646
age 45 to 54	49,511	27,006
age 55 and above	46,899	26,025
Average	43,103	27,800

Male/female ratios in each salary band ²⁵

	Male	Female
Executive staff	148,297	132,490
Senior management	103,136	102,736
Bands 8 to 11	51,461	48,403
Bands 1 to 7	32,178	26,794
Average	43,103	27,800

Breakdown of employees according to salary band ²⁵

	% female	% ethnic minorities	% part-time	% with a full time contract	% employees age 24 and below	% employees age 25 to 34	% employees age 35 to 44	% employees age 45 to 54	% employees age 55 and above
Total number of employees	56	9	38	91	4	31	37	21	7
Employees in bands 1 to 7	71	9	49	89	5	36	34	19	6
Employees in bands 8 to 11	21	8	11	98	0	20	45	26	8
Members of senior and executive management	9	8	9	99	0	1	38	43	18

Breakdown of Corporate Management Traineeship

	2006	2005	2004	2003
Females	11	13	6	5
Males	28	23	11	8
Number	39	36	17	13
Percentage of ethnic minorities	10%	8%	6%	0%

Breakdown of payroll total by management level ²⁵

Executive staff	2%
Senior management	6%
Middle management	37%
Other (pay scales 1 to 7)	55%
Total	100%

* Based on gross full-time annual salary

24. These data relate to Rabobank Group Netherlands, excluding Robeco, FGH Bank, Athlon and Bouwfonds; the data for 2006 include Robeco and FGH Bank.

25. These data relate to Rabobank Group Netherlands, excluding Robeco, FGH Bank, Athlon and Bouwfonds.

	Male %		Female %		Total%	
	inflow	outflow	inflow	outflow	inflow	outflow
age 24 and below	88	26	60	23	69	24
age 25 to 34	19	11	11	8	14	9
age 35 to 44	7	8	5	6	6	7
age 45 to 54	3	4	4	5	3	4
age 55 and above	1	16	2	13	2	16
Total	11	9	10	8	10	8
					2005	2005
					8	9
					2004	2004
					5	8

	2006	2005	2004	2003	2002
Rabobank Group ²⁷	3.6	3.7	3.8	4.1	4.7
Local Rabobanks	3.6	3.7	3.7	4.0	4.6
Rabobank Nederland ²⁸	-	-	-	-	-
Corporate staff departments and services	3.0	4.0	4.2	-	5.5
Rabobank International	3.3	3.3	-	-	3.8
Wholesale banking	3.2	3.3	2.9	2.9	
Rabobank Nederland support units	4.0	-	4.3	4.4	
Asset management	2.9	3.0	2.5	3.2	
FGH Bank	3.3				
De Lage Landen	3.1	3.1	3.3	3.8	4.2
Schretlen & Co	2.8	3.5	2.6	3.3	5.2
Robeco NL	2.5				

	2006	2005	2004	2003	2002
Absenteeism rate	3.6	3.7	3.8	4.1	4.7
Frequency of absences	1.4	1.5	1.5	1.6	1.7
WIA influx	74				
Inflow chance WIA	0.2				

28. As a result of restructuring in recent years, the subdivision of Rabobank Nederland by business unit has changed. Some figures are therefore not fully comparable with those of prior years.

Breakdown of workforce in the Netherlands

	number of employees	% female staff	% part-time	% female staff part- time	% male staff part-time	% female staff in senior positions	average age	% aged 55 and over
total								
2005	43,560	56	38	64	5	19	39	6
2006	45,941	56	38	64	5	20	39	7
per unit in 2006 ²⁹								
Retail banking								
Local Rabobanks	33,987	62	43	67	5	19	39	7
Obvion	208	51	31	57	4	26	41	9
Wholesale banking								
Rabobank International	1,629	30	13	35	3	19	38	4
Asset management								
Robeco Groep	1,050	31	25	53	13	10	39	3
Schretlen & Co	281	32	22	48	5	12	37	5
Alex BV	213	19	48	64	44	13	31	1
Orbay	37	27	16	30	11	0	37	5
Leasing								
De Lage Landen (Athlon excluding)	876	39	20	44	4	19	38	5
Real estate								
Rabo Real estate	137	32	7	21	0	15	40	6
FGH Bank	288	31	20	41	7	10	38	9
Other								
RN support units	5,695	36	20	48	4	24	41	8

29. These data relate to Rabobank Group Netherlands, excluding Athlon and Bouwfonds.

For more information

www.rabobank.com/csr

10 CSR integration into our internal operations

While it is true that the impact Rabobank's operations have on society is smaller than that of our financial services, indirectly we certainly also use raw and auxiliary materials, cause emissions and produce a substantial amount of waste ourselves. It follows that reducing the impact our business operations have on people and the environment is high on our list of priorities. In 2006, we worked on this principally by further embedding CSR in our day-to-day procurement practices, broader implementation of energy management throughout the organisation, more fuel-efficient company cars, FSC paper and combined waste disposal. The next step is to make our business operations climate neutral by voluntary CO₂ emission compensation.

In this chapter

- Our management approach to in-house environmental management policy
- Sustainable procurement
- Energy
- Sustainable mobility
- CO₂ emission / climate neutral
- Paper consumption
- Waste
- Sustainable building
- Organic catering



Our management approach to in-house environmental management policy

To Rabobank, in-house environmental management is more than compliance with laws and regulations. We see it as an elementary part of operating a business based on sustainability principles. We therefore want to set a good example, and even be the trendsetter ourselves where possible. Guts, innovation, endurance and broad employee involvement are essential prerequisites.

Dynamic attention to in-house environmental management serves several purposes and, thanks to our scale (more than 56,000 employees) has a worthwhile impact. It contributes to climate improvement and a better living environment (less and cleaner use of energy and transport, etc.) and limits the extraction of key raw materials from nature (e.g. logging for paper pulp). In addition, it strengthens our reputation as an organisation that attaches great importance to sustainability in business, and reduces the risk of fines and claims for non-compliance with national and international regulations. Lastly, it provides opportunities for interesting cost savings.

Collective approach

In our in-house environmental policy we opted for a central and combined approach whenever possible, so that environmental opportunities and risks can be better used and managed respectively, and the various entities are able to concentrate on their core business. Policy is formulated, training and communication resources provided and tools developed centrally by Rabobank Nederland. These are then broadly distributed throughout the organisation (including subsidiaries and local Rabobanks). Procurement is also supported from the centre as much as possible. Whenever feasible we enter into combined framework agreements (for instance for green electricity and waste disposal) that all group entities can join. Environmental criteria play a part in concluding these and other procurement contracts.

ISO 14001

To ensure that our environmental management policy is in line with quality assurance standards, we increasingly opt for a management approach in conformity with ISO 14001. In 2005, our energy management was accordingly organised in conformity with ISO 14001, and in 2006 we started organising our paper management on a similar basis. Working with specific in-house environmental management targets per group entity and with internal benchmark data also contributes to further embedding in-house environmental management within the group. Key players in the design, implementation and quality assurance of our in-house environmental management policy are the CSR Department, Shared Services & Facilities (including Rabobank Group Procurement) and Group ICT.

Challenge: centralising sustainability in business operations

So far we have consistently managed year after year to take major steps towards continued improvement of our in-house environmental care. Initiatives such as the use of FSC paper, the ABC energy-efficient company car policy and the sustainable demolition and construction process of Rabobank Nederland's Croeselaan premises are being increasingly copied by other Dutch Rabobank Group entities. That said, enough challenges remain. For example, we would like to see the various group entities aligning themselves even better and more closely with the environmental policy, tools, monitoring activities and combined procurement initiatives. We would like to see still more co-ordination, especially on the part of our establishments abroad. We have to ensure that all our employees are and continue to be aware of their influence and personal responsibility when it comes to the environmental impact of our in-house business operations.

Sustainable procurement

In 2006, Rabobank Group Procurement (RGP) purchased goods and services worth EUR1.8 billion for Rabobank Group's Dutch establishments. Apart from Rabobank Nederland, RGP also purchases a significant part of the goods and services needed by De Lage Landen, Obvion, FGH Bank

and Robeco. Rabobank Nederland buys mostly from Dutch suppliers. This is good for the Dutch economy and limits transport distances. It is estimated that nearly 100% of the invoices we receive are from Dutch-based businesses³⁰. It goes without saying that the situation at Rabobank International is different.

Implementation of webtool

The webtool developed in 2005 to better unlock the CSR information of certain product groups was implemented in mid-2006 as part of the group-wide procurement site. Rabobank specifications for twenty commodity product groups have now been drawn up and incorporated into this tool. The rest follows in the course of 2007.

In 2007, we will also be testing to what extent all new contracts entered into after 1 April 2006 actually meet CSR requirements. In mid-2006, we began testing the CSR criteria of some 4,000 RaboShop products. This labour intensive process continues until early 2007, after which follow-up actions will be agreed on.

Training of procurement staff

A 'Sustainability and Procurement' theme day was held for all procurement staff in November 2006. The 'Purchaser's Code of Conduct' was comprehensively discussed during a theme day on procurement and ethics. As a follow-up to this day, some generic boilerplate rules were drawn up for RGP, which were distributed to all parties concerned. All RGP staff have signed Rabobank Group's in-house code of conduct, Nevi's Professional Code for Purchasers, and RGP's own rules of conduct. These deal with matters such as integrity, openness, objectiveness and transparency, client focus, checking working methods against these codes, and how to deal with gifts and business presents. A sustainable-paper procurement course is planned for the spring of 2007. The incorporation of CSR and its measurability has now been incorporated into the job description of procurement officers. As from 2007, procurement staff will also be assessed on this.

Agreements with suppliers

In late 2006, a start was made on a draft 'Suppliers' code of conduct', as an offshoot of Rabobank Group's code of conduct. This code of conduct will be forwarded to existing suppliers for signing in 2007. The code will also be forming part of new contracts.

In October 2006, we also started a project mapping the CSR performance of suppliers based on self-assessments. It will serve to rate suppliers and determine which actions would be appropriate to lift their performance to Rabobank levels. This procedure includes reviewing suppliers' sub-contracting chains. We consider to carry out a suppliers' satisfaction survey in 2007.

30. As far as purchased centrally by Rabobank Group Procurement

Energy

It hardly needs emphasising that Rabobank Group is committed to reducing its own CO₂ emission and hence its impact on our climate.

A significant measure in this area is the use of green energy from renewable sources: wind, sun, water or biomass. The use of green energy by Rabobank Group in the Netherlands and abroad, amounted to 86% in 2006 (excluding countries abroad it amounted to 97%). Another important measure for limiting climate change is energy savings. The implementation of an energy savings and management programme contributes to this.

Energy program and energy management system

Following the successful 2005 pilot project, the so-called energy program has been operational at Rabobank Nederland and participating local Rabobanks since January 2006. This program, which also covers payments, enables energy consumption per location to be linked to the number of square meters (and/or the number of employees), so that comparisons can be made. Locations consuming relatively much energy are called to account, on the one hand to show them their excessive consumption or costs, and on the other to find the cause. Rabobank Nederland also supplies aids such as energy surveys. The energy program's objective is to achieve energy savings of 10% in 2010 compared to 2006. Combined purchasing of energy also forms part of the program. In 2006, some 93% of all local Rabobanks and 100% of Rabobank Nederland's establishments participated; 45% of local Rabobanks participate in the energy programme as a whole. In 2007, we will be taking various actions to increase the number of locations participating in the energy program as a whole to around 80% in 2007 and 95% in 2008.

Water saving action in 2007

In 2007, we will be adding the subject of water to the energy program so that we can further encourage water savings if appropriate.

Energy management system

An ISO14001-compliant energy management system was developed for the establishments of Rabobank Nederland in 2005. The object of the system was to meet SenterNovem's Energy Management Guideline. We did not fully manage this yet.

The energy management system includes options to record measures and generate reports for each building individually and broken down by energy aspects. While the system itself is complete, the envisaged goals must still be defined. In 2007 we will be giving priority to further implementing the energy management system and its auditing.

Energy savings and buying green electricity

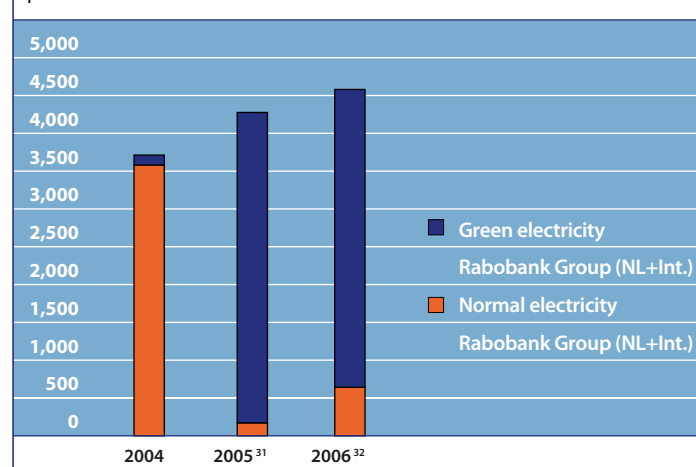
In 2006, we managed to tighten our grip on the energy figures of the group as a whole. Branches abroad also supplied figures on their energy consumption, as a result of which our total electricity consumption figures now cover 92% of Rabobank Group in terms of the number of FTEs. Our gas consumption figures cover 88%. The figures show that we consumed 2,444 TJ in 2006, of which 2,201 TJ was consumed by the Dutch establishments. This means that total energy consumption per FTE in the Netherlands was the same as in 2005.

Electricity consumption

For Rabobank Nederland, the electricity consumption per FTE increased by 6%. For Rabobank Group as a whole, total electricity consumption averaged 4,580 kWh per FTE.

The share of green electricity in the Netherlands increased slightly to 97%. Some of our branch offices abroad also go for green electricity, including those in Brazil, Spain and France. The share of green electricity in Rabobank Group's total consumption accordingly came to 86% in 2006.

Figure 36: Electricity consumption Rabobank Group per FTE in kWh



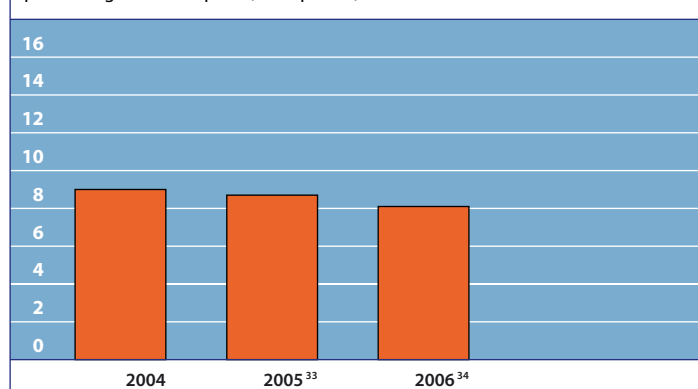
Gas consumption

Gas consumption per m² in the Netherlands decreased by 9% compared to 2005. A trend in the gas consumption of establishments abroad cannot be discerned as yet because reliable figures for previous years are unavailable. On average, energy data for the group as a whole are about constant, but at the group entity level there are fluctuations. Follow the link [group entities' energy consumption](#) for more details.

31. The figures, based on FTEs, relate to 92% of Rabobank Group (excluding Rabobank International) and 96% of the local Rabobanks.

32. The figures, based on FTEs, relate to 92% of Rabobank Group.

Figure 37: Gas consumption Rabobank Group in the Netherlands per m² of gross floor space (in m³ per m²)



Energy Efficiency Index

Although the Long-Term Energy Efficiency Agreement expired at year-end 2005, Rabobank decided to continue using the Energy Efficiency Index. For 2006, it came to 93%, which means that, compared with 1995, the improvement in energy efficiency achieved by Rabobank Nederland and local Rabobanks was 7%. The 10% drop in the EEI compared with 2005 is due to an upgrade of the Zeist computer centre, which involved the installation of new ICT hardware and cooling facilities. Together, this led to a significant increase in electricity consumption. A covenant between Rabobank Group and the Ministry of Housing, Spatial Planning and the Environment about energy efficiency is currently under preparation.

Sustainable mobility

Given its scale, Rabobank triggers a sizeable number of transport operations on a daily basis. Day in day out, some 56,000 employees are on their way to or from work, or go on a business trip. Not only does this contribute to clogging up the road network, it also has a significant impact on the environment through the emission of CO₂, among other things. In 2006, we continued with our endeavours in various fields to diminish this impact, especially in respect of company cars. These activities stem from the traffic plan that was drawn up in 2005 and of which the implementation started in 2006. Other small-scale sustainable mobility initiatives in 2006 were the further stimulation of telephone and video conferencing (including FGH Bank), carpooling (including Robeco) and the company bicycle (including FGH Bank).

Measures to reduce company cars' CO₂ emission

The ABC regulation introduced in 2005, which allows users of company cars to choose only from the most fuel-efficient cars (categories A, B and C of the Department of Road Transport fuel guide) widened its following in the Group in 2006. At Obvion, category D is still an option in 2007, but it is being considered in 2007 to make only categories A, B and C available for selection as from 2008.

Of the local Rabobanks, 45% are now pursuing the ABC policy. Our aim is for 65% of the local Rabobanks to be in line with the ABC regulation by the end of 2008, so that we would appear to be on schedule. At the end of 2006, 55% of Rabobank Nederland's car fleet consisted of category

A, B or C cars. For Schretlen, FGH Bank and Robeco, the figures were 87%, 88% and 55% respectively. Robeco introduced the ABC regulation in early 2007 and accordingly expects a significant rise in the percentages of ABC cars. Schretlen goes a step further. It not only introduced the ABC regulation, it also took the initiative to neutralise the emission of its car fleet. To compensate for the 558 tonnes of annual CO₂ emission, CO₂ credits were purchased from sustainably managed forests and energy projects that prevent CO₂ emissions.

De Lage Landen adapted its company car scheme as follows: the cleaner the car an employee drives, the smaller his contribution to the company car scheme. The adaptation concerns cars with lease contracts closed after the 1st of May 2006.

The initiatives taken by Rabobank Nederland and the local Rabobanks in 2006 resulted in a reduction in car fleet CO₂ emission of 1,100 tonnes compared to 2005.

As a result of the pressure due to the recovery of the labour market, the number of company cars at Rabobank Nederland and the local Rabobanks increased slightly, by 3.5% to 5,674 cars. The targeted reduction of 15% at the end of 2008 has appeared to be unfeasible, given the pressure due to the economic upturn and the associated tight labour market. This objective was abandoned as at year-end 2006.

In addition to expanding the ABC regulation in 2006, we tested the program [Swaying Car Users](#). All employees who enter into a new car lease contract are given a voucher entitling them to participation in the [Driving Today training course](#) and, together with Netherlands Railways (NS), Rabobank launched the [NS Business Card](#) initiative. As from 2006, all new company cars with a diesel engine have been fitted with a [soot filter](#).

With these initiatives we honour our agreements with Foundation for Nature & the Environment (Stichting Natuur & Milieu) and Friend of the Earth Netherlands concluded in 2005.

Transport of goods by third parties

Not only our employees require transport, so do goods, such as cash in transit. For the most part, transport is outsourced. In terms of our sustainable procurement programme, these services will also have to be CSR compliant when the contracts come up for renewal. For the transportation of our mail and parcels we started a joint project with TNT Post to identify savings in transport and packaging cost in the logistics processes.

Air traffic

In 2006, personnel of the Dutch establishments of Rabobank Nederland and of the other group entities travelled more than 36 million kilometres by air. Our aim for next year is to present the distances travelled by air by personnel of the local Rabobanks and of the large establishments

33. The figures, based on FTEs, relate to 92% of Rabobank Group (excluding Rabobank International) and 96% of the local Rabobanks.

34. The figures, based on FTEs, relate to 88% of Rabobank Group.

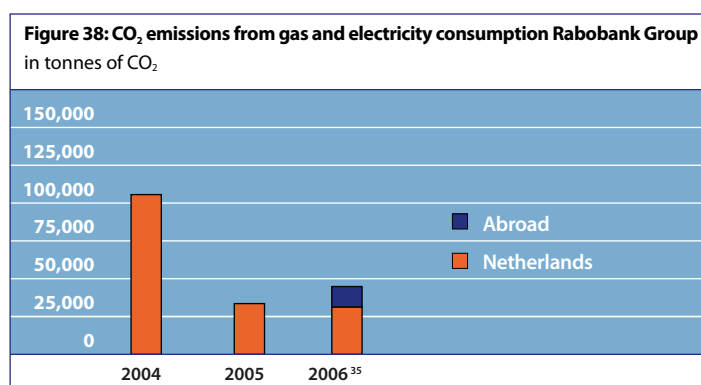
abroad as well. Robeco (Harbour Capital Advisors, Toledo) and De Lage Landen already made a start on this. Together they reported air travel of 1.6 million kilometres by personnel of their establishments abroad. Based on 2005 estimates, and due to the nature of their operations, it is expected that the foreign establishments of Rabobank International will add significantly to the total number of kilometres travelled by air. As soon as all data are available, the number of kilometres travelled by air will be included in Rabobank Group's CO₂ records.

CO₂ emission / climate neutral

The environmental policy pursued to date was geared to reducing the quantity of raw materials and energy required for our business operations. Compensating the unavoidable impact on the environment is the next logical step. In terms of CO₂, this compensation would make this impact 'climate neutral'.

In 2007, Rabobank Group is to decide when it wants to be climate neutral. We believe that compensation can be more than planting trees. Rabobank will accordingly invest in CO₂ reduction elsewhere, for example in developing countries. The garnering of data for CO₂ recordkeeping will have to be organised in 2007. These data will supplement the CSR monitoring data already being collected. Independent testing of the CO₂ footprint will also be required. In 2007, Rabobank will investigate the possibility of calculating the CO₂ emission of all RGP projects (as from 2007), in order that CO₂ becomes a significant procurement policy criterion. This will give suppliers with a lower CO₂ emission in their production chain a better chance, and lower Rabobank's indirect CO₂ emission.

Our 2006 gas and electricity consumption resulted in a CO₂ emission of 31,305 tonnes in the Netherlands and of 27,909 tonnes abroad, or some 41,400 tonnes in total.



Other aspects of our business operations also result in CO₂ emission. Our Dutch company car fleet, for instance, caused a CO₂ emission of about 33,000 tonnes. The planned CO₂ records will bring more clarity on other aspects as well.

Paper consumption

In an office organisation, paper consumption is especially relevant. Paper production requires felling many trees and a lot of energy.

In addition, waste consists mostly of paper. Rabobank Group accordingly aims to reduce its paper consumption and to take care of qualitative aspects, such as the origin of the raw materials and the production method. This year we focused mostly on the further

[introduction of FSC paper](#). At Rabobank Nederland and the local Rabobanks, the use of A4 paper per FTE was down 5% on 2005.

At the [group entities](#), too, paper consumption was lower. In order to save on A4 paper, we take specific measures, such as

[double-sided printing and copying](#) and reducing [statements, bills and giro collection cards](#) by means of digital applications.

Paper management

In order to improve paper management, Rabobank Nederland took a first step in 2006 in the direction of an ISO 14001-based environmental management structure. This standard focuses especially on the management and improvement of environmental performance. To this end, the ISO 14001 requirements were translated into a paper management benchmark against which our situation is charted. A target level is then determined and a plan of approach drawn up. This plan of approach will be ready in the spring of 2007, followed by decision-making.

Waste

Dealing responsibly with waste is something we at Rabobank Group find completely natural. We therefore also work on waste prevention, for instance via our sustainable procurement operations. Activities in this field are:

- the Rabobank Nederland [EcoSmart total waste management system](#), which significantly improved our waste division and recycling. Recyclable waste streams amounted to 73% in 2006 (2005: 70%);
- standardisation of [waste management at local Rabobanks](#).

Sustainable building

Natural moments such as new-build and renovation projects are ideal moments for Rabobank Group to implement measures in the construction and outfitting of buildings. By taking sustainability aspects into account right from the design stage, such as the use of sustainable materials and future light energy consumption, we can achieve a great deal. Sustainable building methods should of course go hand in hand with sustainable use of the building.

The use of timber from sustainably managed forests and plantations (FSC certified timber) is an example of the use of sustainable materials. These matters are recorded in written agreements between Rabobank Nederland and FSC Nederland. Of the local Rabobanks that undertook building or renovation projects in 2006, 25% reported that they used

35. These figures are based on the energy figures, which cover 92% of electricity consumption and 88% of gas consumption of Rabobank Group.

FSC timber. Among the norms Rabobank applies to energy consumption is the energy performance coefficient (EPC) of the building, which has to be at least 10% below the statutory norm. The objective for the [construction of new Rabobank head office](#) continues to be a GreenCalc+ score of more than 300.

Establishment real estate company 'Eigen Steen'

A significant development for Rabobank's real estate (and sustainable building) is the establishment of the real estate company Eigen Steen. Eigen Steen is to become part of Rabobank Nederland, and owner and manager of the real estate of the local Rabobanks who have opted for this. As the owner, Eigen Steen will assume the role of principal in new-build and renovation projects. In the spring of 2007, the company will be determining its sustainable-building objective, and how it proposes, in practice, to go about achieving this objective per project. In the longer term, sustainable building methods will thus become a systematic and measurable part of the real estate portfolio.

Organic catering

For 2006, Rabobank Nederland had set the ambitious target of 15% organic products in the range served by company canteens (in 2005 this was only 9%). The caterer has accordingly taken measures for the following product groups.

- All milk and buttermilk milk served in the canteens to be organic.
- Part of the pre-baked rolls, fruit, salads and vegetable components of hot meals to be organic.

As a result of these adaptations, the share of organic products rose to 11% of the total products on offer. Follow the link for more information about [Organic catering](#).

For more information

www.rabobank.com/csr

Assurance report

To the readers of Rabobank Group's 2006 Annual Sustainability Report.

Introduction

We have been engaged by the Executive Board of Rabobank Group (hereinafter referred to as 'Rabobank') to provide assurance on the information presented in the 2006 Annual Sustainability Report (the Report). The Executive Board of Rabobank is responsible for preparing the Report, including the identification of stakeholders and material issues. Our responsibility is to provide an assurance report.

Context and scope

Our procedures were designed to provide reasonable assurance on whether the Report is reliable in all material respects, based on the reporting principles set out on page 8.

With regard to the financial data included in the key figures that are marked with ●, our procedures were limited to verifying that they were correctly taken from Rabobank Group's audited financial statements. To obtain a thorough understanding of Rabobank's financial results and financial position, the 2006 audited financial statements should be consulted.

Standards and criteria

We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. Furthermore, we applied the principles laid down in AA1000AS, which are materiality, completeness and responsiveness.

Among other things, ISAE 3000 requires that the assurance team members possess the specific knowledge, skills and professional competencies needed to understand and review the information presented in the Report and that they satisfy the requirements of the IFAC Code of Ethics for Professional Accountants to ensure their independence.

In the absence of generally accepted guidelines for corporate sustainability reporting, Rabobank applies its own internal sustainability performance

reporting criteria, which are derived from the GRI Sustainability Reporting Guidelines v3.0 (G3) and are in line with the AA1000AS principles as detailed in the sections entitled 'Reporting principles' and 'A dialogue with our stakeholders'.

Procedures

For all the information in the Report, we performed the following procedures:

- holding interviews with relevant staff at corporate and business unit level about strategy, policy, communication and management in relation to CSR for the purposes of reviewing the information contained in the Report;
- reviewing the design, existence and operation of the systems and methods used to collect and process the information reported, including the aggregation of data into information as presented in the Report;
- verifying the information presented in the Report, using internal and external documents, among other things by determining in detail whether the information presented in the Report corresponds to the information in the relevant underlying sources and whether all the relevant information contained in such underlying sources has been included in the Report;
- with regard to the financial data included in the key figures that are marked with ●, verifying that they were correctly taken from or calculated on the basis of Rabobank Group's 2006 audited financial statements.
- testing the application of the principles of materiality, completeness and responsiveness of AA1000AS by:
 - reviewing the results of Rabobank's stakeholder consultation processes and determining whether the issues that are material for its stakeholders have been addressed;
 - performing a media analysis and an Internet search for references to Rabobank during the reporting period;
 - performing a peer comparison between the Report and other CSR reports in the financial sector;
 - reviewing whether the information presented in the report matches our overall knowledge of and experience with Rabobank's CSR management.

During our investigation, we discussed the necessary changes to the Report with Rabobank and verified that these changes were adequately incorporated into the final version.

Conclusions

Based on our procedures, we conclude that the Report is reliable in all material respects, based on the reporting principles set out on page 8.

Comments

Our engagement to provide assurance on the information presented in the Report identified a number of areas that are important for improving future reporting. Without prejudice to the conclusions presented above, we believe the following matters require attention:

- In 2006, Rabobank defined its CSR objectives in further detail and incorporated their monitoring into its standard planning and control cycle. The link between the Strategic Framework, the objectives and the key performance indicators could be improved. Making line management more responsible for the objectives formulated at group and entity levels will contribute further to the embedding of CSR in the organisation and its operations. This will also support the further improvement of internal controls relating to the information collected and reported, as recommended last year.

- The scope of the information presented in the Report varies within and between subjects. Over the past year, Rabobank made further steps towards increasing the number of group entities that report on the various subjects, including their reports on quantitative information. We recommend that Rabobank investigate potential obstacles to increasing the scope in 2007 and take action in good time to ensure a full view and comparability with previous reports.

KPMG Sustainability B.V.



W.J. Bartels RA (Director)
Amsterdam, 27 March 2007

Executive Board and Supervisory Board of Rabobank Nederland

Executive Board (with responsibility areas)

Bert Heemskerk (H.), Chairman

- Group Audit
- Communication
- Legal and Tax Affairs
- Personnel (Corporate)
- Supervision & Compliance
- Knowledge and Economic Research
- Executive Secretariat

Hans ten Cate (J.C.)

- Rabobank International (RI)
 - Management Board Rabobank International (MBRI), Chairman
 - Regional management Americas/Asia/Europe
 - Chief Financial and Risk Officer (CFRO) RI domain
- Special Management
- Corporate Social Responsibility
- Real Estate
- Robeco

Bert Bruggink (A.)

- Control Rabobank Group
- Group Risk Management
- Credit Risk Management
- Treasury
- Investor Relations

Piet van Schijndel (P.J.A.)

- Private Individuals
- Private Banking
- Group ICT
- Leasing

Piet Moerland (P.W.)

- Cooperative & Management Member Banks
- Personnel (Member Banks)
- SME
- Shared Services & Facilities

Sipko Schat (S.N.)

- Rabobank International (RI)
 - Managing Board Rabobank International (MBRI), Deputy Chairman
 - Chief Operating Officer (COO) RI domain
 - Corporate Clients Netherlands
 - Financial Markets
 - Corporate Finance
 - Trade & Commodity Finance
 - Private Equity

Secretary to the Executive Board

Rens Dinkhuijsen (L.A.M.)

Supervisory Board

Lense Koopmans (L.), Chairman

Antoon Vermeer (A.J.A.M.), Deputy Chairman

Sjoerd Eisma (S.E.), Secretary

Leo Berndsén (L.J.M.)

Bernard Bijvoet (B.)

Teun de Boon (T.)

Louise Fresco (L.O.)

Rinus Minderhoud (M.)

Paul Overmars (P.F.M.)

Hans van Rossum (J.A.A.M.), Deputy Secretary

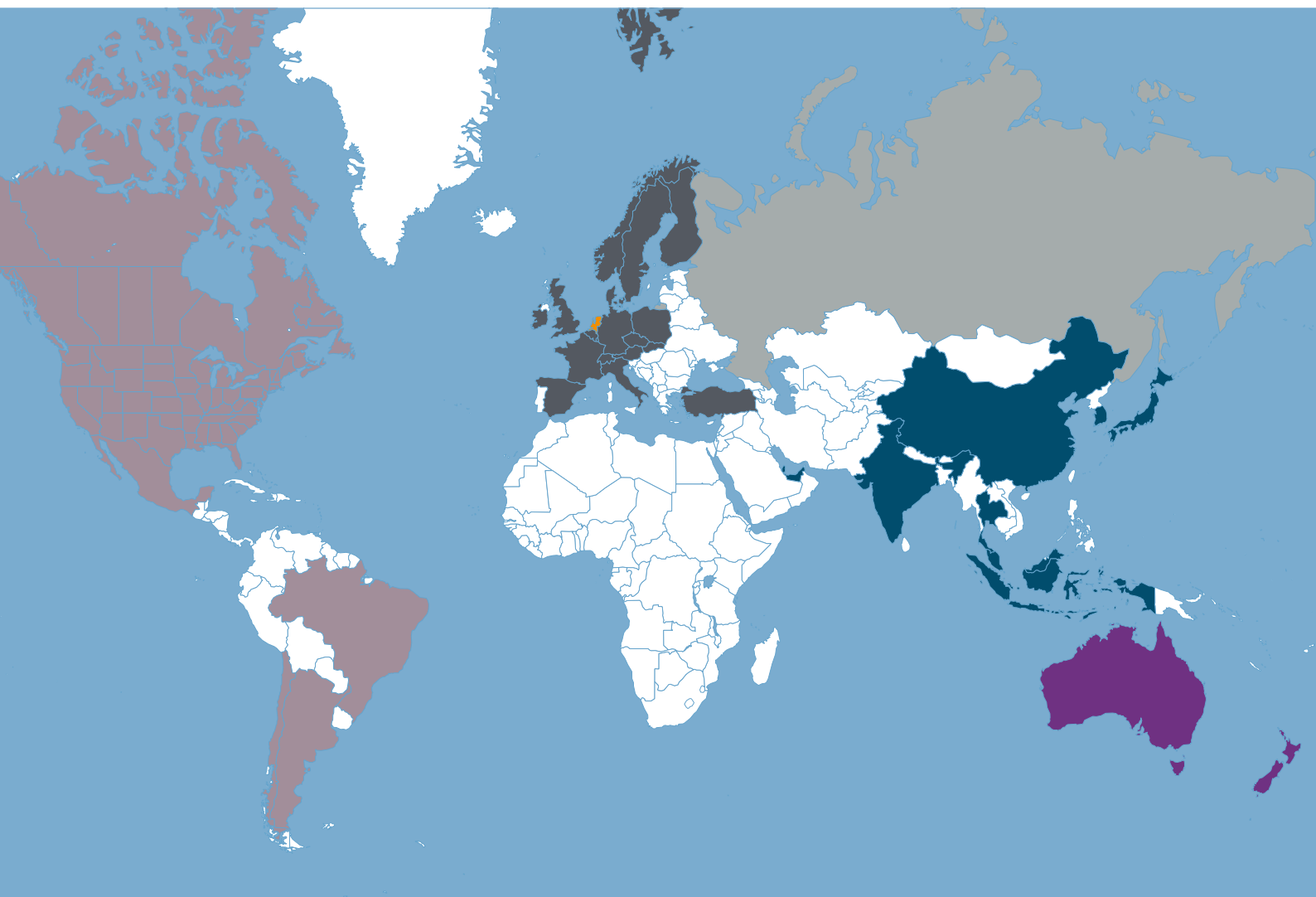
Herman Scheffer (H.C.)

Martin Tielen (M.J.M.)

Aad Veenman (A.W.)

Arnold Walravens (A.H.C.M.)

Rabobank Group all over the world



North America

Canada
United States

Latin America

Argentina
Brazil
Chile
Curaçao
Cayman Islands
Mexico

Europe

Austria
Belgium
Czech Republic
Denmark
Germany
Finland
France
Great Britain
Guernsey
Hungary
Ireland

Italy
Luxembourg
The Netherlands
Norway
Poland
Russia
Slovakia
Spain
Turkey
Sweden
Switzerland

Asia

Bahrain
China
India
Indonesia
Japan
Korea
Malaysia
Singapore
Thailand
United Arab Emirates

Australia

Australia
New Zealand

For more information on our offices, including location and contact details, please visit www.rabobank.com

Profiles Rabobank Group



Rabobank Group is a full-range financial services provider founded on cooperative principles. The Group is comprised of 188 independent local Rabobanks in the Netherlands, Rabobank Nederland and a large number of specialised subsidiaries. The Group's core objective is to generate the highest possible customer value. To this end, the organisation offers its clients all financial products and services they require. Rabobank Group provides services to more than half of the Dutch population (16 million) and Dutch companies. In the Netherlands, Rabobank has dominant market positions in almost all financial services areas: home mortgages, savings, small and medium-sized businesses, and the food & agri sector. It has also significantly strengthened its position in the large corporate market. Throughout the world, Rabobank Group, through Rabobank International, focuses primarily on financing the international food & agri business, a niche market in which it has a leading position. Rabobank Group has been awarded the highest credit rating (Triple A), and has 330 offices in 41 countries outside the Netherlands. www.rabobank.com

Rabo Bouwfonds

Rabo Bouwfonds is an international real estate company with three core activities focused on real estate: development, finance and investment management. Rabo Bouwfonds operates in the private and corporate markets and is one of Europe's largest real estate companies. At year-end 2006, Rabo Bouwfonds had around 1,900 employees, with almost 500 working abroad. Bouwfonds Property Development and Rabo Vastgoed are responsible for real estate development. FGH Bank and its brands Nederlandse Hypotheekbank and Rijnlandse Bank perform the real estate finance activity. Bouwfonds Asset Management and FGH Asset Management operate in real estate investment.



Alex has evolved from a sophisticated trading system to a digital investors' bank. Alex Beleggersbank, which now has over 100,000 investor accounts, started life in 1999 and leads the market in the field of on-line investing. It is also the largest source of orders from private individuals on both the Euronext stock exchange and the Euronext derivatives exchange. Alex aims to provide the best possible services to a growing number of investors who prefer to invest in line with their own individual objectives, either wholly independently or relying on advice. In addition, Alex offers a whole range of support and educational services, including professional analyses, news reports, investment specialists, seminars and the Alex Academy training institution, which was recently accredited by Maastricht University.

www.alex.nl



De Lage Landen offers high-quality programmes in the area of asset financing in the international market. De Lage Landen has branches and collaborative ventures in more than 25 countries in Europe, North and South America, Southeast Asia, Australia and New Zealand. It is an international specialist in asset financing and Vendor Finance, focusing on the Food & Agri, Healthcare, Office Equipment, Information Technology, Telecommunications, Financial Institutions, Trucks & Trailers, Public Finance and Materials Handling & Construction Equipment sectors. In the Netherlands, it offers a broad range of leasing and trade financing products, including equipment lease, car lease (both commercial and non-commercial vehicles), ICT lease, consumer finance and trade finance. Athlon Carlease joined De Lage Landen Group in 2006.

www.delagelanden.com



Obvion is a provider of mortgages and simple financial products, operating through selected, high-quality independent agents. Obvion offers attractively priced products, high-quality product options and support for independent agents. In addition, Obvion has opted for fast and smooth processing, with reliability as a key element. The cohesion between these aspects makes Obvion stand out in the market. Obvion is the largest moneylender that exclusively serves the broker channel. Since its beginnings in 2002 as a joint venture between Rabobank and ABP (the Dutch civil service pension fund), Obvion's market share has more than doubled, to 5.2% in 2006. Obvion has its head office in Heerlen, the Netherlands.

www.obvion.nl



Founded in 1929, Robeco is a thoroughbred asset manager.

Worldwide, Robeco provides investment products and services to approximately 700 institutional clients and some 1.5 million private individuals. The services to private individuals are provided both through banks and other distribution partners, and through direct channels. Robeco's product range includes fixed-interest and equity investments, as well as alternative investments. In addition to its home markets in the Benelux and the US, Robeco also has branch offices in France, Switzerland, Germany, Spain, Poland, the Middle East and Japan. Assets managed amount to some EUR 142 billion (at year-end 2006).

Robeco has approximately 2,000 employees worldwide, spread over ten countries.

www.robeco.com



A leading Swiss private bank, Bank Sarasin was founded in 1841.

Its sustained success is based on trust, discretion, expertise and dedication. Bank Sarasin's core activities comprise investment advice and asset management services to both private and institutional clients, as well as investment funds. Corporate finance, brokerage and financial analysis complete its range of services and products. Sarasin has more than 1,100 employees. The Sarasin Group has its headquarters in Basel and its other Swiss offices are in Zurich, Geneva and Lugano. Internationally, the Sarasin Group has offices in Dubai, Guernsey, Hong Kong, London, Luxembourg, Munich, Paris and Singapore. Bank Sarasin is listed at the Swiss stock exchange SWX.

www.sarasin.com







Schretlen & Co is the asset management specialist within Rabobank Group. Its mission is to support high net-worth individuals in achieving their ambitions in terms of managing their assets. Schretlen & Co focuses in particular on (very) high net-worth individuals and medium-sized institutional investors. Its core activities are asset management and advice, combined with asset planning.

Its close contacts and collaboration with local Rabobanks have resulted in activities including Rabobank Beheerd Beleggen and Rabobank Effecten Advies Desk, both of which are joint ventures between Schretlen & Co and local Rabobanks in the area of securities services. In addition to its head office in Amsterdam, Schretlen & Co has branches in Apeldoorn, Heerenveen, Maastricht, Rotterdam and Waalre, all located in the Netherlands.






www.schretlen.com

List of GRI indicators for Rabobank Group

Type				Where to find			Not reported	
				<i>EPI Finance 2002</i>	<i>SPI Finance 2002</i>	<i>G3-indicators</i>		
				<i>Page</i>	<i>Related information (link)</i>	<i>Website (link)</i>	<i>Extent of reporting</i> <div><div>● Fully</div><div>○ Partially</div></div>	
Strategy and analysis								
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	x		11			<div><div>● Fully</div></div>	
1.2	Description of key impacts, risks, and opportunities. Section 1: organization's key impacts on sustainability and effects on stakeholders, including rights as defined by national laws and relevant internationally agreed standards. Section 2: the impact of sustainability trends, risks, and opportunities on the long-term prospects and financial performance of the organization.	x		13-22 27-30	x	link	<div><div>● Fully</div></div>	
Organisational profile								
2.1	Name of the organization.	x		4			<div><div>● Fully</div></div>	
2.2	Primary brands, products, and/or services.	x		4			<div><div>● Fully</div></div>	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	x		3, 4 and 104			<div><div>● Fully</div></div>	
2.4	Location of organization's headquarters.	x		4			<div><div>● Fully</div></div>	
2.5	Number of countries where the organization operates, (that are specifically relevant to the sustainability issues).	x		103			<div><div>● Fully</div></div>	
2.6	Nature of ownership and legal form.	x		4			<div><div>● Fully</div></div>	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	x		6 and 103			<div><div>○ Partially</div></div>	
2.8	Scale of the reporting organization.	x		6			<div><div>● Fully</div></div>	
2.9/	Significant changes during the reporting period regarding	x		8			<div><div>● Fully</div></div>	
3.8	size, structure, or ownership.							
2.10	Awards received in the reporting period.	x		24			<div><div>● Fully</div></div>	
Report parameters								
Report profile								
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	x		8			<div><div>● Fully</div></div>	
3.2	Date of most recent previous report.	x		101			<div><div>● Fully</div></div>	

	Type			Where to find			Not reported
	G3-indicators	EPI Finance 2002 SPI Finance 2002		Page	Related information (link)	Website (link)	Extent of reporting Fully  Partially 
3.3 Reporting cycle (annual, biennial, etc.).	x			8			
3.4 Contact point for questions regarding the report or its contents.	x			115			

Report scope and boundary

3.5 Process for defining report content, including: determining materiality, prioritizing topics within the report and identifying stakeholders the organization expects to use the report.	x			8			
3.6/ Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	x			8			
3.7							
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	x			8			
3.10 Explanation of the effect of any re-statements of information provided in earlier reports (if any).	x			8			
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report (if any).	x			8			

GRI content index







3.12 Contents.	x			<u>2</u>			
----------------	---	--	--	----------	--	--	---






Assurance

3.13 Policy and current practice with regard to seeking external assurance for the report.	x			8 and 100			
--	---	--	--	-----------	--	--	---




Governance, commitments and engagement

Governance





4.1 Governance structure of the organization, including committees under the highest governance body.	x			37-39 and 102	x		
4.2 Indicate whether the Chair of the highest governance body is also an executive officer.	x			102	x		
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	x			37	x		
4.5 Linkage between compensation for members of the highest governance body and senior managers and the organization's (CSR)-performance.	x			82			
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.	x			39 and 40	x		
4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's CSR strategy.	x			37			

	Type			Where to find			Not reported
	G3-indicators	EPI Finance 2002 SPI Finance 2002		Page Related information (link)	Website (link)	Extent of reporting Fully  Partially 	
4.8 Internally developed statements of mission or values and codes of conduct relevant to CSR performance and the status of their implementation.	x			17,37 and 49	x		
4.9 Procedures of the highest governance body for overseeing the identification and management of CSR performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards and principles.	x			36 and 37	x		
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to CSR performance.	x			37	x		

Commitments to external initiatives






4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization.	x			65	x		
4.12 Externally developed economic, environmental, and social charters principles or other initiatives to which the organization subscribes.	x			14 and 73	x		
4.13 Memberships in associations (such as industry associations) and/or (inter)national advocacy organizations.	x			30 and 31			

Stakeholder engagement

















4.14 List of stakeholder groups engaged by the organization.	x			26			
4.15 Basis for identification and selection of stakeholders with whom to engage.	x			24-26			
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	x			23-33			
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded.	x			29 and 30			

Management approach and performance indicators




















Economic performance-indicators

Disclosure on management approach (DMA) economic aspects.	x			44			
EC1 Economic value generated and distributed, including revenues, operating costs, employee compensation, donations etc.	x			46			
EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change.	x			15 and 61			
EC3 Coverage of the organization's defined benefit plan obligations.	x			81			
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	x			95			

	Type			Where to find				Not reported
	G3-indicators	EPI Finance 2002 SPI Finance 2002		Page	Related information (link)	Website (link)	Extent of reporting Fully  Partially 	
EC 7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	x							x
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	x			63, 64 and 77				
Environmental performance-indicators								
Disclosure on management approach (DMA) environmental aspects.	x			94				
EN1 Total amount of paper consumption (Most relevant material used by Rabobank Group) by weight or volume.	x			98	x			
EN3 Direct energy consumption by primary energy source.	x			96	x			
EN4 Indirect energy consumption by primary source.	x			97				
EN8 Total water withdrawal by source.	x			96				
EN16/ Total direct and indirect greenhouse gas emissions EN17 by weight.	x			50, 61 and 98				
EN22 Total weight of waste by type and disposal method.	x			98	x			
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	x			98				
Social performance-indicators: labor practices and decent work								
Disclosure on management approach (DMA) social aspects: employment, labor/ management relations, occupational health and safety, training and education and diversity and equal opportunity.	x			79				
LA1 Total workforce by employment type, employment contract, and region.	x			90				
LA2 Total number and rate of employee turnover by age group, gender, and region.	x			91 and 92				
LA4 Percentage of employees covered by collective bargaining agreements.	x			81	x			
LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	x				x			
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	x			92				
LA10 Average hours of training per year per employee by employee category.	x			85 and 89	x			
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership.	x			91 and 102	x			
LA14 Ratio of basic salary of men to women by employee category.	x			91				

	Type			Where to find			Not reported
	G3-indicators	EPI Finance 2002 SPI Finance 2002	Page	Related information (link)	Website (link)	Extent of reporting Fully  Partially 	
Social performance-indicators: human rights							
Disclosure on management approach (DMA) human rights.	x		31				
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	x		51 and 52				
HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	x		95				
HR4 Total number of incidents of discrimination and actions taken.	x		86 and 87	x			
HR5/ Operations identified as having significant risk for incidents HR6/ of (1) no exercise freedom of association and collective HTR7 bargaining(2) child labor, (3) forced or compulsory labor and measures taken to contribute to the elimination of the incidents.	x		31, 51 en 52		x		
Social performance-indicators: community							
Disclosure on management approach (DMA): act in society and community.	x		71 and 76				
SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities.	x		72-75 and 77-78	x			
SO3 Percentage of employees trained in organization's anti-corruption policies and procedures.	x			x			
SO4 Actions taken in response to incidents of fraud/corruption.	x			x			
SO5 Public policy positions and participation in public policy development and lobbying.	x		77	x			
Social performance-indicators: product responsibility							
Disclosure on management approach (DMA) product responsibility: customer health and safety, product and service labeling, marketing communications, customer privacy; and compliance.	x		65-68				
PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement.	x		67				
PR3 Type of product and service information required by procedures.	x		65-67				
PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing (advertising, promotion, and sponsorship).	x						x
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	x		67	x			
PR9/ Monetary value of significant fines for non-compliance SO8 with laws and regulations (concerning the provision and use of products and services).	x		46				

		Type		Where to find			Not reported	
		G3-indicators	EPI Finance 2002 SPI Finance 2002	Page	Related information (link)	Website (link)	Extent of reporting Fully Partially	
Sector supplement: financial services (EPI-finance)								
Environmental performance-indicators								
F1	Description of environmental policies applied to core business lines.		x	51-56 and 57-65			●	
F2	Description of process(es) for assessing and screening environmental risks in core business lines.		x	51-56 and 59			●	
F3	State the threshold(s) at which environmental risk assessment procedures are applied to each core business line.		x	51-56			●	
F4	Description of processes for monitoring clients' implementation of and compliance with environmental aspects raised in risk assessment process(es).		x	51-56			●	
F5	Description of process(es) for improving staff competency in addressing environmental risks and opportunities.		x	11, 36 and 85			●	
F6	Number and frequency of audits that include the examination of environmental risk systems and procedures related to core business lines.		x	39	x		●	
F7	Description of interactions with clients/investee companies/ business partners regarding environmental risks and opportunities.		x	55				
F8	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has engaged on environmental issues.		x	53 and 54			●	
F9	Percentage of assets subjected to positive, negative and best-in-class environmental screening.		x	59 and 60			●	
F10	Description of voting policy on environmental issues for shares over which the reporting organisation holds the right to vote shares or advise on voting.		x	60			●	
F11	Percentage of assets under management where the reporting organisation holds the right to vote shares or advise on voting.		x	60			●	
F12	Total monetary value of specific environmental products and services broken down according to the core business lines.		x	7			●	
F13	Value of portfolio for each core business line broken down by specific region and by sector.		x	49-65			●	
Social performance-indicators (SPI-finance)								
Management system								
CSR1	CSR policy.		x	13	x	x	●	
CSR2	CSR organisation.		x	37	x	x	●	
CSR3	CSR audits.		x	39	x		●	
CSR4	Management of sensitive issues.		x	39	x		●	
CSR5	(Non)-compliance.		x		x		●	
CSR6	Stakeholder dialogue.		x	23	x		●	

Type				Where to find			Not reported		
				Page	Related information (link)	Website (link)	Extent of reporting Fully  Partially 		
Internal performance									
INT1	Internal CSR policy.		x		34	x	x		
INT2	Staff turnover and job creation.		x		87 and 91	x			
INT3	Employee satisfaction.		x		85	x			
INT4	Senior management remuneration.		x		82	x			
INT7	Employee profile.		x		80 and 81		x		
Society									
SOC1	Charitable contributions.		x		76				
SOC2	Economic value added (gross salaries (including social security payments, etc.), taxes, depreciation and gross profits.		x		44				
Suppliers									
SUP1	Screening of major suppliers.		x		95				
SUP2	Supplier satisfaction.		x		95				
Retail banking (SMEs and private individuals)									
RB1	Retail banking policy (socially relevant elements).		x		55-56				
RB2	Lending profile.		x		47				
RB3	Lending with high social benefit.		x		55, 58				
Investment Banking									
IB1	Investment Policy (socially relevant elements).		x		53-55				
IB2	Customer Profile: global transaction structure.		x						x
IB3	Transactions with high social benefit.		x		53 and 54				
Asset Management									
AM1	Asset management policy (socially relevant elements).		x		59				
AM2	Assets under management with high social benefit.		x		60				
AM3	SRI Oriented shareholder activity.		x		33				

Application of GRI indicators

This table of indicators is based on the Global Reporting Initiative (GRI) sustainability reporting guidelines. In this annual sustainability report we adhere to the new guidelines and indicators formally adopted by the GRI in October 2006, referred to as the G3 Guidelines. The table lists the G3 key indicators; the additional indicators have been disregarded in order to guarantee proper applicability of the indicators in our reporting.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

*Sector supplement in final version



In addition to the G3 key indicators relevant to Rabobank Group, the table also includes the main indicators from the supplement (SPI Finance and EPI Finance 2002). These are complementary to the G3 indicators. The table also mentions the principal reporting elements from the standard GRI table of contents.

Rabobank Group is of the opinion that the A+ level of the G3 guidelines of the Global Reporting Initiative (GRI) applies to its 2006 Annual Sustainability Report. This was checked with and confirmed by the GRI.

A number of G3 indicators do not apply to Rabobank Group as a financial institution. The following indicators apply mostly to industrial manufacturing environments: EC4, EN2, EN11, EN12, EN19, EN20, EN21, EN23, EN27, EN 28 and LA8.

Notes to the indicators not reported on

A small number of indicators are not reported on, namely:

- G3 4.3: does not apply to Rabobank Group because Rabobank does not have a single-tier management structure.
- G3 SO2: the information this indicator requests relates to business information that Rabobank Group regards as sensitive. It accordingly treats this information with the necessary reticence.
- The SPI insurance indicators INS1 to INS4 are not reported on because Interpolis no longer forms part of Rabobank Group.

Colophon

Editors

Richard Piechocki, Bouwe Taverne, Hubald van Ark,
Ineke Tacq, Hans Biemans, Wim Lange, Christel Renkema
Pieter Noorman, Geoffrey van Diessen en Sybren de Hoo

Contextual advice

Beco Groep, Rotterdam

Art direction and design

Eden Design & Communication, Amsterdam
Borghouts Design, Haarlem

Photographs

Cover: Tjeerd Fonk, Amsterdam
Portraits: Edwin Walvisch, Heemstede and
Frans Jan Fortunati, Breda

English translation

Ernst & Young translation bureau, The Hague

Internet

C&F Report, Amsterdam

Annual Reports

Rabobank Group publishes the following Annual Reports:

- Annual Report 2006 (in Dutch and in English);
- Consolidated Financial Statements (in Dutch and in English);
- Annual Sustainability Report (in Dutch and in English).

For copies of these reports please contact Rabobank Nederland,
Communications.

Croeselaan 18, 3521 CB Utrecht, The Netherlands

P.O. Box 17100, 3500 HG Utrecht, The Netherlands

Telephone +31 (0)30 - 216 22 98

Fax +31 (0)30 - 216 19 16

E-mail annualreport@rabobank.com

More reports on internet

www.rabobank.com/csr

More information on CSR and Rabobank:

Department CSR

Telephone +31(0)30 - 216 49 37

E-mail csr@rn.rabobank.nl