



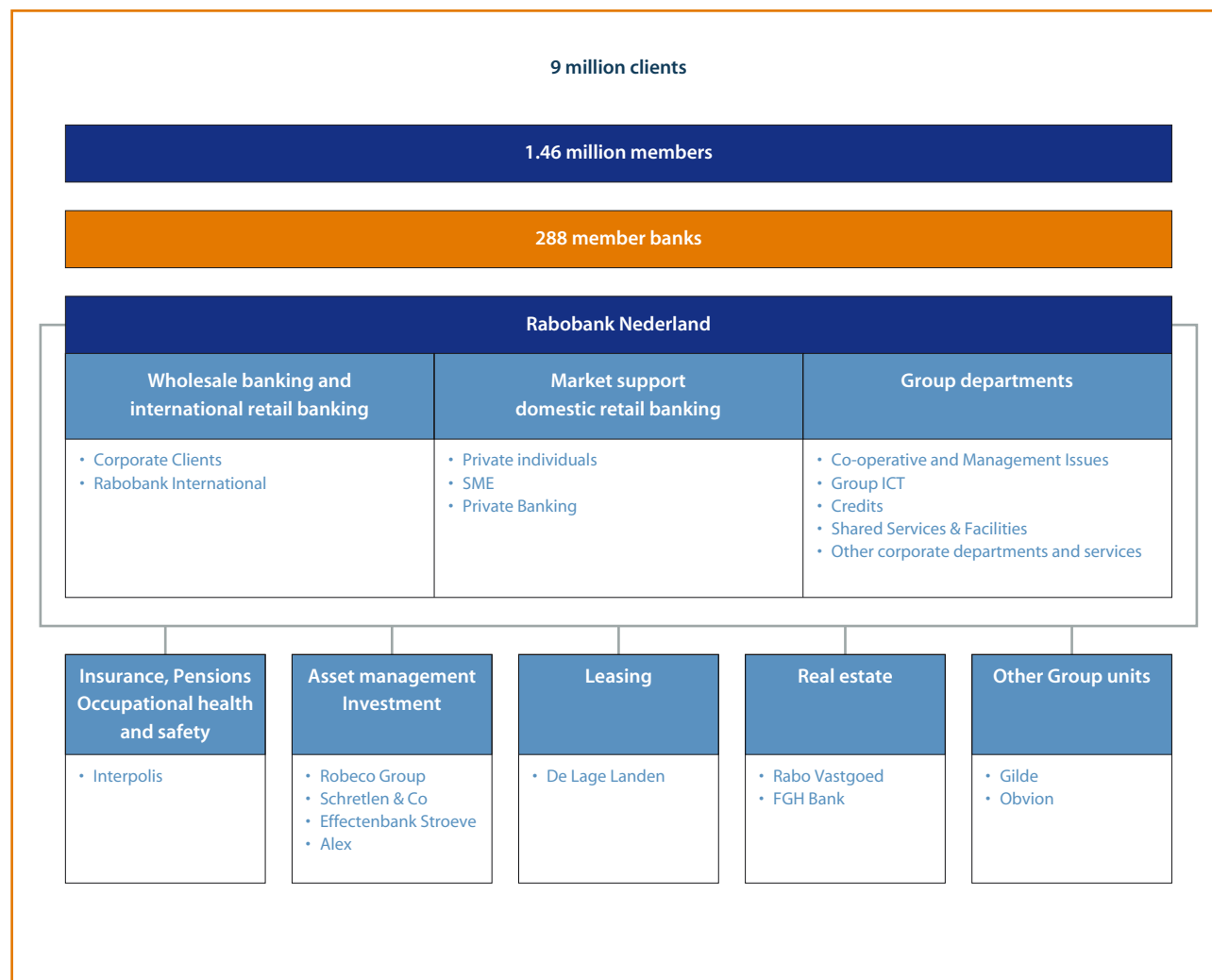
Rabobank Group

Annual Sustainability Report 2004

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Organisation chart



Profile of Rabobank Group

Rabobank Group is a financial services provider operating on the basis of cooperative principles, while offering an extensive range of financial services and products. Its origins are in the local loan cooperatives that were founded in the Netherlands more than a century ago by enterprising people who had virtually no access to the capital market.

The local Rabobanks that evolved from this have a long tradition in the agricultural sector and in small and medium-sized enterprises.

The Rabobank Group comprises 288 independent local cooperative Rabobanks in the Netherlands plus their central organisation Rabobank Nederland and its domestic and international subsidiaries. Rabobank serves more than 9 million private individuals and corporate clients in the Netherlands and a growing number abroad. It employs 56,324 staff and is represented in 37 countries.

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

The local Rabobanks and their clients form Rabobank Group's cooperative core business. The banks are members and shareholders of the supralocal cooperative organisation, Rabobank Nederland, which advises and supports the banks in providing local services. 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.

Ambition

Rabobank Group's ambition is to be the largest, best and most innovative all-finance service provider in the Netherlands. With their cooperative structure and a current membership of almost 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.

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

In addition, the Group wishes to excel in sustainable entrepreneurship and banking throughout the world, as would befit its identity and position in society. In the years ahead, Rabobank Group will further integrate corporate social responsibility in its core activities.

Our values

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 both private individuals and businesses.

We believe that sustainable growth in prosperity and well being requires careful nurturing of natural resources and the living environment. We aim to contribute to this development with our activities. We respect the culture and traditions of the countries where we operate, insofar as these do not conflict with our own objectives and values.

In all our actions, we focus on our clients' best interests. We create 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 figures

	see page 82	2004	2003	2002	2001	2000
Volume of services (in EUR millions)						
Total assets	●	475,089	403,305	374,720	363,679	342,920
Private sector lending	●	252,996	235,425	212,323	197,262	179,137
Funds entrusted	●	192,123	172,571	171,632	172,174	146,705
Assets managed ¹	●	195,000	184,000	168,000	194,400	166,100
Premium income, insurance	●	4,012	3,893	3,660	3,926	3,417
Premium income, occupational health and safety and pensions		266	279	242	223	60
Results (in EUR millions)						
Total income ^{2,3}	●	10,055	9,018	8,518	8,388	7,714
Operating expenses	●	6,732	6,243	5,839	5,965	5,459
Operating profit before taxation	●	2,809	2,348	1,927	1,884	1,834
Net profit	●	1,536	1,370	1,222	1,178	1,166
Tax in the Netherlands	●	762	505	361	417	337
Foreign tax	●	195	207	135	97	152
Ratios						
Tier 1 ratio	●	11.4	10.8	10.3	9.9 ¹	10.3
Return on reserves	●	10.1%	9.2%	9.9%	9.5%	10.1%
Efficiency ratio	●	67%	69.2%	68.5%	71.1%	70.8%
Market shares						
Mortgages		25%	26%	26%	23%	22%
Savings		39%	38%	40%	40%	40%
SMEs (total)		40%	39%	39%	37%	38%
* sole traders		36%	34%	37%	34%	35%
* companies with 2 to 10 employees		43%	43%	41%	41%	41%
* companies with 10 to 100 employees		37%	37%	36%	35%	35%
Agricultural sector		84%	85%	83%	87%	87%
Client base						
Number of members (x 1,000)		1,456	1,360	1,108	825	550
Member-client ratio ⁴		16.7%	16%	13.2%	9.7%	6.1%
Customer satisfaction:						
* corporate clients		7.5	7.4	7.1	7.4	7.4
* private individuals		7.7	7.7	7.4	7.5	7.4
Physical presence						
Local Rabobank		288	328	349	369	397
Offices						
* branches		1,299	1,378	1,516	1,648	1,727
* contact points		2,965	2,800	2,697	2,618	2,693
Cash dispensing machines		3,062	2,981	2,979	2,889	2,676
E-purse loading points		1,883	1,872	1,859	1,821	1,800
Foreign offices		244	222	169	137	142

	see page 82	2004	2003	2002	2001	2000
Workforce						
Employees:						
number		56,324	57,055	58,096	58,120	55,098
FTEs		50,216	50,849	51,867	52,173	49,711
Percentage female employees ⁵		55.6%	55.5%	56.2%	56.8%	55.4%
Female employees in senior positions (grade 7 and above) ⁵		17.8%	16.7%	15.6%	14.6%	13.1%
Part-time employees ⁵						
male		4.5%	5.9%	4.5%	4%	3.3%
female		63.1%	61.1%	57.2%	52.7%	47.2%
Absenteeism due to illness ⁵		3.8%	4.1%	4.7%	5.1%	4.8%
Employee satisfaction ⁷		85%	86%	84.3%	83.1%	82%
WAO intake ⁶		0.7%	0.8%	1.1%	1.1%	1.2%
Training investment in millions of euros		76.7	79.9	78.8	85.4	70
Training investment in euros/FTE		1,527	1,571	1,521	1,637	1,408
Number of courses followed		93,000	51,700	22,000	30,000	-
Number of e-learning participants		55,000	26,000	-	-	-
Specialised sustainable products and services (in EUR millions)						
Rabo Green Bonds (cumulative)		1,984	1,786	1,141	766	623
Robeco CDO Green Bond		30	nvt	nvt	nvt	nvt
Green loans (cumulative)		1,814	1,425	1,100	818	494
Green lease (EIA/VAMIL/MIA) (number of new contracts)		45	10	15	20	5
Rabo Innovatiekapitaalfonds (invested assets)		3.4	1.5	1.5	nvt	nvt
Robeco Duurzaam Aandelen Fund	●	81	98	107	144	152
Robeco Sustainability Private Equity Fund of funds		5.3	nvt	nvt	nvt	nvt
Gilde Biotechnology and Nutrition Fund		37.4	31	35	25	23
Premium income, The Better Work and absenteeism management scheme		306.6	197.6	152.7	nvt	nvt
Premium income, environmental liability insurance		7.1	7	7.4	5.2	1.6
Non-commercial CSR activities						
Rabobank Foundation, loans/donations (in EUR million)		7.4	5	5.1	5.1	5.4
Project funds, donations (in EUR million)		1.6	2.8	1.8	1.62	2.25
Premium income, micro-insurance (in EUR)		6,600	3,100	15,500	12,500	nvt
Business operations						
Electricity consumption (kWh per FTE)		3,352 ⁹	3,744 ⁸	3,139	3,156	-
Proportion of green energy ¹⁰		25%	25%	31%	-	-
Gas consumption (in m ³ per m ² of gross floor space)		8.1 ⁹	10.6 ⁸	11.4	12.4	-
Paper consumption (kg per FTE)		46.5 ¹²	48 ¹¹	53	51	43

General: The sum of the amounts reported for Group entities does not always equal the total for Rabobank Group, due to consolidation effects. Percentage movements may differ because of rounding.

1. The balance of reserves and the calculation of the Tier 1 ratio and the BIS ratio at 31 December 2001 take into account the change in accounting policy for pensions applied with effect from 1 January 2002.

2. The figures are restated for the change in accounting policy regarding the treatment of Trust Preferred Securities.

3. The figures for 2003 are restated for the change in accounting policy regarding the recognition of investment results on the insurance activities.

4. This ratio is based on the number of members/natural persons divided by the total number of adult clients/natural persons.

5. These figures relate to Rabobank Nederland, local banks, De Lage Landen and Schretlen & Co. Alex was included for the first time in 2004.

6. Ditto, but without Alex.

7. These figures relate to Rabobank Nederland and local banks.

8. These figures relate to Rabobank Nederland, Interpolis, De Lage Landen, Schretlen & Co, Effectenbank Stroeve and localbanks. This does not apply to all branches of Interpolis and Robeco.

9. These figures relate to Rabobank Nederland, Interpolis, De Lage Landen, Effectenbank Stroeve, FGH Bank, Robeco and local banks (95%). This does not apply to all branches of Interpolis, Robeco and FGH Bank.

10. These figures relate to units that take part in central energy purchasing (Rabobank Nederland, De Lage Landen, Interpolis, Robeco and local banks).

11. These figures relate to Rabobank Nederland, local banks (concerning the portion purchased centrally), Interpolis, De Lage Landen, Gilde, Schretlen & Co. and Effectenbank Stroeve. This does not apply to all branches of Interpolis, Robeco and FGH Bank.

12. These figures are not related to Rabo Vastgoed, local banks (concerning the portion is not purchased centrally) and some branches of Interpolis, Robeco and FGH Bank.

Guide

Offering tailor-made information

This is the full version, published on the internet, of the Annual Sustainability Report 2004. This internet version enables the reader to choose the amount of text displayed for him or herself. It could be the full report, one chapter, or one specific passage, because this dynamic report allows readers to search by keywords.

This means that the reader can quickly find the passages relevant to him or her.

When publishing this Annual Sustainability Report 2004 on the internet, we also issued a printed version to meet the wishes of various stakeholders for a more concise and thematic CSR publication. The printed version is a summary of the content of this report. The printed report opens by presenting several real-life dilemmas that we have to deal with in practice, in order to shed more light on the decisions we make and the actions we take. These dilemmas can also be found on our website.

Conforming to the GRI guidelines

We have prepared this responsibility and sustainability report in accordance with the 2002 Global Reporting Initiative (GRI) guidelines. The report gives a fair and balanced presentation of our organisation's economic, environmental and social performance, and we hope that it will contribute to the transparency and comparability desired by the outside world. This report was produced for anyone who feels involved or interested in our activities. To maintain readability and allow for the dynamics of the report, the layout of the GRI guidelines was not followed. For the reader's convenience, we have included a GRI indicator table in this report, and separately on www.rabobank.com/sustainabilityreport. This table indicates where the information can be found in the report or on the internet.

Scope

Rabobank Group's Annual Sustainability Report 2004 elaborates further on the Annual Responsibility and Sustainability Report 2003 as well as supplementing our 2004 Annual Report. All Rabobank Group units supplied information for this report, so that - in principle - the Annual Sustainability Report provides information on all those units. However, there are still wide variations between the units in terms of the completeness with which all relevant subjects are presented in the report.

Units acquired in 2004 will be included in the report in the year after acquisition. Units sold off are no longer included in the report from the year of disposal. Where the scope of the reporting is confined to just one or a few group units in the Netherlands or abroad, that is explicitly stated. The subjects discussed under the headings employees and business operations relate only to the situation in the Netherlands.

Comparability with previous reports

This report begins by presenting the principal data for Rabobank Group's performance in terms of sustainability in the social, environmental and economic sphere. These data are brought together in a summary (highlights) which can be compared with the figures from 2000 onwards. Each chapter contains a summary of the results of the 2004 CSR objectives as formulated in the Annual Responsibility and Sustainability Report 2003 and new objectives for 2005 and beyond.

Aspects which remained unchanged in 2004 but are still relevant to the overall picture of Rabobank Group's corporate social responsibility performance may be found on our website: www.rabobank.com.

Preview

In chapter 1 we state why we attach so much importance to corporate social responsibility. In chapter 2 we describe how this aspect of policy is organised at Rabobank Group. The emphasis of the Annual Sustainability Report 2004 is on the incorporation of CSR in the financial services processes (lending, saving, investing, insurance and leasing) and in the business operating processes (purchasing, energy supply, paper consumption, waste management and mobility) throughout the group. Chapter 3 is devoted to the incorporation of the CSR policy in the various Rabobank Group units, chapter 4 deals with the incorporation of CSR in financial services and chapter 10 covers the incorporation of CSR in business operations.

Evidence of the corporate social responsibility exercised by Rabobank Group can be found mainly in the core business: financial services. Apart from the incorporation of CSR in the service processes, chapter 5 describes current aspects of social responsibility and sustainability in specific areas of financial services. It discusses the new requirements expressed by clients and society, and the resulting new markets and products. Chapter 9 deals with our social policy (human resources management) and chapter 11 reports on our economic performance. Chapters 6 and 8 are typical of Rabobank. In chapter 6 we describe our efforts in developing countries and in chapter 8 we discuss the socially responsible activities which we initiate and support throughout the country. We call this cooperative dividend. Chapter 7 gives a detailed report on our dialogue with various stakeholders.

Foreword

Against the background of a social trend which has enjoyed undeniably broad support, sustainable development has also been high on the agenda at Rabobank Group since the mid 1990s. At that time, we began to ascertain the relevance of sustainable development for a financial service provider such as Rabobank Group and to translate it into our own specific form of corporate social responsibility (CSR).

In a series of decisions, the Executive Board marked out the route for implementing sustainable development - where desirable or necessary - in our business processes, products and services. In other words: we opted to bring sustainable development gradually from the periphery of our business to its core, convinced that this is also in the interests of our performance as a financial service provider with an AAA rating. From that perspective, we defined the outline of the process that - with some ups and downs - has taken shape at Rabobank Group in the past few years, and which we shall develop further in the years ahead. A process that in our view can only be successful if sufficient account is taken of the context in which we operate. Apart from the relevant characteristics of that environment, which are subject to change, our own cooperative culture, structure and management style are, of course, also essential in the further stages of this process. This constantly requires us to make strategic choices.

In the initial years, we concentrated in particular on awareness at all levels of the organisation, and on contributing to the debate on CSR in society. This was typified by the internal focus on products and services

which immediately reflect the economic benefits of corporate social responsibility for Rabobank Group. For example, we worked hard to set up and develop green loans, ethical portfolio investment and investment in the environment, and to encourage and finance applications for various sustainable technologies. As a result of projects of this type, sustainability is now widely recognised within Rabobank Group as a subject which is also important for a financial service provider.

In order to manage the CSR opportunities and risks while allowing for future developments, it is important to focus repeatedly on the essence of CSR for Rabobank Group and the progress achieved by the various group units. This brings us to the second phase. In 2004 we made serious efforts to implement CSR consistently in our business processes. For example, from 2005 onwards almost all the energy we buy will be 'green', and Rabobank Nederland will increasingly give preference to leasing more environment-friendly vehicles. In 2005, each entity will have to include at least two CSR objectives in its annual plan.

One tricky problem is how to deal with CSR aspects in our financial core processes, such as lending, savings, investing and insurance. In the European Union - in contrast to many other countries - there is already effective legislation governing many aspects. However, social developments can give rise to situations for which the law has no solution, but where our staff have to exercise judgement from a CSR angle. On those occasions, our staff may find it difficult to assess the CSR aspects of financial services, confronting us with dilemmas for which we do not always have a ready



answer. It is absolutely vital that we constantly maintain our focus in this broad field in order to determine our priorities. In this publication we have set out our key objectives for 2005 and beyond.

This report has been prepared in accordance with the 2002 GRI Guidelines. It represents a balanced and reasonable presentation of our organisation's economic, environmental, and social performance. We hope that it will contribute to the transparency and comparability desired by the outside world. We do not regard it just as a once-a-year report, but as a standing invitation to enter into dialogue with us. This report has been produced for everyone who feels involved or interested in our activities. It may be that the report does not include all the information desired. A report can never be complete. We will therefore be pleased to answer any relevant questions which have not been covered. The quickest way is by e-mail: jaarverslagen@rn.rabobank.nl

When publishing this Annual Sustainability Report 2004 on the internet, we also issued a printed version to meet the wishes of various stakeholders for a more concise and thematic CSR publication. The printed version is a summary of the content of this report. The printed report opens by presenting several real-life dilemmas that we have to deal with in practice, in order to shed more light on the decisions we make and the actions we take.



Hans ten Cate
Member of the Executive Board
Rabobank Group
Responsible for CSR



Bert Heemskerk
Chairman of the Executive Board
Rabobank Group

Main developments in 2004

Management and policy

- In 2004 much attention focused on the implementation of CSR criteria in routine processes and services. For example, CSR was further incorporated into business management, control and audit activities, the core business of the various units and in corporate branding.

- In our previous reports on sustainability, the verifier's report was intended to provide a limited level of assurance. This time we have gone one step further by including in the 2004 report a more elaborate assurance report that also provides comments based on the findings. This assurance report issued by KPMG Sustainability B.V. is providing the reader a higher level of assurance concerning the reliability of information in some parts of the report, which is expressed in the positive wording of the opinion on these aspects.

- Partly as a result of the constant impetus provided by our CSR monitoring system, all Rabobank Group units have taken action to address CSR and embed it in the organisation. However, the pace at which this is taking place varies between individual group units and departments.

Financial services

- In 2004 Rabobank examined ways of using a specially developed 'CSR tool' in the lending process. The intention is that advisers should be able to draw up a CSR profile of the client on the basis of a few qualitative questions. In 2005 we shall be conducting a pilot scheme which will test this CSR tool exhaustively to see whether it is practical and worthwhile. The final decision on whether or not to introduce this tool will be based on the pilot results.

- In 2004, Rabobank Group paid close attention to the continuing incorporation of CSR into portfolio investments. Key topics were engagement, active use of voting rights and adjustments to the policy for investing pension and insurance premiums. Engagement is a form of active shareholdership whereby, as an institutional shareholder, Robeco enters into a dialogue with the listed companies in which it invests, discussing the quality of their corporate governance and their conduct in terms of CSR. In 2004, Robeco gained its first experience of engagement.

- In recent years, the experience of Interpolis and Rabobank Pension Fund in the area of ethical investment has been disappointing. For instance, the performance of the ethical stocks managed by Interpolis was 9% below the benchmark. As an alternative, Interpolis

is now considering becoming one of the first insurers in the Netherlands to implement ethical investment via the engagement method, or in other words by entering into an active dialogue with the companies in which it invests.

- Rabobank, together with Robeco, launched the Robeco CDO Green Bond on the market in 2004. The underlying credit portfolio for this product consists of corporate bonds and loans issued by companies operating in a socially responsible way. They also developed the world's first sustainable private equity fund: Robeco Sustainable Private Equity Fund of Funds.

- For our clients we launched Climex, an electronic platform for trading in CO₂ emission rights.

- Gross lending by Rabo Groen Bank increased by around EUR 550 million, over 25% more than in 2002 and 2003. Just before the end of the year, total assets passed the EUR 2 billion mark.

Position on social responsibility

- Launch of the Rabobank Development Program, with activities aimed directly at providing access to financial services for farmers, SME entrepreneurs and private individuals in developing countries. The Rabobank Development Program label covers two activities: Rabo Financial Institutions Development B.V., and the foreign activities of the Rabobank Foundation.

- In addition to the commercial objectives, all our sponsorship projects are greatly influenced by our social stance, so that Rabobank Group's sponsorship policy is strongly focused on brand profiling as well as on developing talent and education. Rabobank prefers partnerships with parties who create something permanent. In 2004, this social engagement was extended by setting up a Talent Plan with the equestrian sports association, alongside the existing Cyclists Plan with the cycling association. We also launched an educational programme in collaboration with the Van Gogh Museum.

Business operations

- Rabobank Group's workforce declined further in 2004. Local banks saw a total of 935 net job losses, due mainly to computerisation, electronic banking and mergers. As the local Rabobanks become larger and more professional, that also has implications for the support provided by Rabobank Nederland.

This has led to reorganisation and expected staff cuts of 1,200 FTEs.

- Rabobank aims to increase its share of the ethnic minority market, including as an employer. Rather than reflecting the working population of the country as a whole, we want to reflect the situation in each area of operation and in each region. We still have a long way to go.
- Rabobank Group considers it important to appoint more women to senior positions. Female qualities can enhance teamwork spirit and the bank's performance. The proportion of women in senior positions (grade 8 and above) increased to 17.8% in 2004 (2003: 16.7%).

- We aim to use 100% green energy. In 2004 we concluded a master contract for the Dutch branches of Rabobank Group. As a result, from 1 January 2005 an estimated 93% of total consumption will come from renewable sources (2004: 25%).

- The target of cutting consumption of A4 paper by 10% in 2004 compared with 2003 was more or less achieved by the end of October. However, additional marketing campaigns in November and December aimed at both private and corporate clients brought the end result to a 7% saving.

Results in 2004 and objectives for 2005 and beyond

Objectives for 2004	Results in 2004	Objectives for 2005 and beyond
Management and policy		
● Group-wide participation in CSR monitoring	All group units participate	Launch operational CSR audit
◐ Local banks take part in CSR monitoring	28% of local banks took part in CSR monitoring	50% of local banks take part in CSR monitoring
● Interpolis: launch Ethics Committee	Ethics Committee launched	Launch Ethics workshops
◐ Refine CSR codes and guidelines and monitor compliance	In progress	Refine CSR codes and guidelines and monitor compliance
		Each entity sets at least two CSR objectives which are monitored via the regular quarterly reports
		Include CSR in the local banks' Business Management manual and enforce compliance
Financial services		
◐ CSR criteria form part of assessment of corporate lending	In progress	Decide whether or not to implement CSR criteria in assessment
◐ CSR criteria for Group Treasury fixed-income portfolio	In progress	Decide whether or not to apply CSR criteria
● Robeco: active use of voting rights at shareholders' meetings	Robeco voted more than 4,000 times at 368 meetings	Decide whether or not to extend active dialogue with listed companies (engagement)
● Launch trading platform for CO ₂ rights (Climex)	Climex was launched in mid 2004	Build up a position in trade in greenhouse gases
● Launch Robeco Sustainable Private Equity Fund	This fund has been launched	First 2nd quarter closing
● Rabo Groen Bank's total assets reach EUR 2 billion mark	EUR 2 billion mark passed	Rabo Groen Bank: more diversification in portfolio of green projects
● Launch Money Meets Ideas (MMI)	Finance provided for 8 plans	Double the number of plans financed
		Finance around 500 soil decontamination operations each year from 2006, provided the Ministry of Housing, Spatial Planning and the Environment maintains legislation

- ◐ target not achieved
- ◐ target partly achieved
- target fully achieved

Objectives for 2004	Results in 2004	Objectives for 2005 and beyond
Social engagement		
● Organise periodic stakeholders' dialogue	Interview with stakeholders on dilemmas and survey of responsibility and sustainability reporting	Conduct biennial surveys in order to analyse stakeholders' expectations of responsibility and sustainability reporting
● Outline the work of the Rabobank Foundation	Commercial and travel aspects of the Foundation	Roll out the Rabobank Development Program
		Executive Board members actively encourage staff to hold unpaid additional positions
Business operations		
● More women in senior positions	Percentage of women in senior positions rose to 17.8% in 2004	20% of new senior management appointments is female ¹⁴
○ More diversity in workforce	In progress	Higher percentage of ethnic minority staff
● Agreements in working conditions covenant implemented	Partly still in progress	Reintegrate staff and reduce workload
● Contract for purchase of 100% green energy in the Netherlands	Virtually all energy purchased is green as at 1 January 2005	
● 10% reduction in paper use compared with 2003	7% instead of 10% reduction ¹³	10% reduction in paper use compared with 2003
● Schedules of requirements for service branches and banking outlets	Standards and requirements incorporated into schedules of requirements	Draw up schedule of requirements for head offices
● Formulate policy on mobility	Draft plan completed	Introduce mobility policy (including greener car lease scheme)
○ target not achieved		
● target partly achieved		
● target fully achieved		

13) These figures relate to Rabobank Nederland and local banks.

14) These figures relate to Rabobank Nederland, local banks, Alex, De Lage Landen and Schretlen & Co.

Why implement corporate social responsibility?

We have been used to accounting for our activities for over a century. That goes with the territory of a cooperative bank. Although the topics to be discussed are constantly changing, the principle of transparency and rendering account forms an integral part of our structure and culture. Corporate social responsibility is therefore a pivotal concept in our business, too.

The cooperative Rabobank was set up more than a century ago as a people's bank. The small Rabobank loan cooperatives of those days have developed into broad client cooperatives, together forming one of the largest financial service providers in the Netherlands. The clients' direct influence over the management of the bank ensures that the interests of the clients remain the primary concern. This influence exerted by the clients over the management means that the organisation is strongly focused not just on its clients but also on society.

In the early days, our socially responsible approach was reflected mainly in a high degree of social and economic involvement within our own community. Today, we focus much more specifically on transparency and on social and ecological sustainability in every community in which we operate.

What do we mean by corporate social responsibility?

For Rabobank Group, corporate social responsibility (CSR) means providing excellent financial products and services for members and clients, with due regard for our codes of conduct. Our business activities thus help to create long-term value for people within Rabobank and elsewhere, for the environment in which we live and for the economy. In an open dialogue, Rabobank renders account on this subject to groups of stakeholders in society.

Our code of conduct develops the values in our ambition statement. Together with our cooperative background, the principles in the code of conduct form the foundation of our corporate social responsibility.

What CSR means to us

Businesses are coming under increasing pressure to operate in a sustainable way, and to declare their values and principles, and the results achieved. For the business world, sustainable development can be put into operation via the concept of 'corporate social responsibility' (CSR). With CSR, Rabobank Group as a business aims to ensure the balanced development of corporate performance in 3 different dimensions: social,

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High standards of CSR for ourselves and others	>
CSR offers an insight into trends and dilemmas	>

ecological and economic. That is important not only today, but also for the future. For the past seven years, the promotion of social and ecological sustainability has been an express part of our mission. Since 1999 we have produced an annual report on our CSR policy every year. For us, the principal challenge is and remains to ensure that the sustainability issues relevant to us are firmly embedded at the heart of our business processes. That means continuous updating of both our values and our conduct. It means we must remain constantly receptive to contemporary requirements and views.

Fragment from our ambition statement

"Rabobank Group believes that the sustainable development of welfare and prosperity entails caring for nature and the world we live in. It aims to make a contribution towards this with its activities ..."

CSR in the modern world

Nowadays, businesses are increasingly confronted with a large number of developments in society demanding greater transparency of operation and greater corporate social responsibility. For Rabobank Group, three main developments had a major influence on our handling of CSR.

First: globalisation and the accompanying quest for new management and control structures. Both within the group and outside, people are asking us to re-examine the implications of our operations for ourselves and our environment, and to design our internal organisation accordingly. Second: the recent financial scandals involving major companies.

Abuse of power by managers has fuelled the debate on good corporate governance throughout the world. Trust is no longer granted automatically, but has to be constantly earned.

Third: increased visibility. Owing to the rapid growth of information and communication technology, all the organisation's activities worldwide are constantly in the spotlight.

As a result, Rabobank Group, too, comes in for more frequent and explicit monitoring by stakeholders, and that leads to new expectations, and to demands in respect of the sustainability standards which we apply in our activities.

Stakeholder pressure

In the global village of today's world, we must endeavour to strike a balance between economic, social and ecological dimensions. In recent years, interest groups in society, representing different social issues, have been increasingly vociferous about the impact of globalisation on human rights, the environment and the fair distribution of wealth. They challenge both politicians and international companies and banks on this issue. But it is not only the non-governmental organisations (NGOs) that are calling companies to account. To an increasing extent, our own

staff, clients, rating agencies (e.g. Sustainable Asset Management and Standard and Poor's), institutional investors, academics and politicians are expecting ever higher standards in terms of corporate management methods and transparency, and how businesses deal with sustainability in their core activities.

Stakeholders want to exert influence over Rabobank Group's activities and their implications for the stakeholders themselves and for society. We are prepared to enter into meaningful dialogue with all expert and realistic stakeholders and other interested parties, in order to answer their questions. Openness and honesty in contacts with clients and other stakeholders is what we offer, but we must expect the same of them if the dialogue is to succeed. We believe that a successful dialogue increases our stakeholders' commitment to our organisation and enhances our reputation.

Financial sector's role in promoting sustainability

It is very important for the annual sustainability report of a large financial institution like Rabobank Group to focus briefly on the specific role of the financial sector in the promotion of sustainable development, because that role is very different from the role of, say, a manufacturing company. A manufacturer's production processes and the goods and services produced generally have a substantial direct impact on the environment and on the world in which people live. However, the position of the financial sector is very different. Neither our own administrative processes and production processes leading to the sale of products and services, nor those products and services themselves, have much direct impact on ecological and social conditions, though they may have a significant indirect influence by encouraging and improving CSR activities on the part of third parties, in varying degrees. That indirect effect may operate in two different but connected ways. On the one hand, financial products and services can encourage sustainable development in clients' activities. Examples include the provision of green financing or loans granted via the Rabo Innovatiekapitaalfonds. Both facilitate earlier and larger scale application of sustainable technology. In recent years we have built up a strong reputation with this type of products and services. In addition, the routine financial services processes can include built-in risk management criteria which can promote the CSR performance of clients. One example is the inclusion of CSR criteria in routine lending assessment procedures. In 2004 we defined ways of achieving this, and in 2005 we shall decide whether, and if so how, to implement CSR criteria in credit assessment (see page 30). The capital invested by a financial institution can therefore indirectly exert considerable influence over the pace and direction of sustainable development in society.

Innovation and risk management

Having expressly opted for corporate social responsibility, we are obliged to adopt clear positions. CSR has to fit into Rabobank Group strategy and must be geared to our core activities, such as lending, saving, investing, insurance and leasing. In practice, this means that

CSR should lead to a wider range of sustainable products and services, modified risk management, more sustainable methods of business operation and a stronger corporate identity.

Corporate social responsibility concerns both the culture and the core business of our organisation. They influence one another. A culture focused clearly on CSR is also strongly oriented towards innovation. Innovation requires a proactive attitude, the development of ideas and the exploitation of opportunities. There is a role in this for all group units and all staff. In practice, this is reflected in:

- increased sustainability of existing products and services (e.g. CDO Green Bond and additional lending assessment criteria);
- development of products and services specifically geared to sustainability (e.g. Rabo Innovatiekapitaalfonds, trade in emission rights and soil decontamination);
- more sustainable business operations and purchasing (including reduction of waste and paper consumption, purchase of green energy).

Risk management requires strict adherence to internal and external rules of conduct, receptiveness to stakeholders' views and awareness of the risks which our clients and we ourselves incur by not operating in a sustainable way. For that we need to have a good idea of what the outside world expects of us, now and in the near future. As a cooperative bank, we therefore use various methods to ask our clients for their opinion, e.g. via members' meetings, focus groups and customer surveys. We also ask other stakeholders periodically for their opinion, e.g. on our method of reporting and our degree of openness. From time to time, we also invite experts to advise or update us on particular subjects, as we did in 2004 in regard to genetic modification and ethics. By keeping in step with current issues and ideas, we reduce the risk of overlooking elementary points.

CSR adds value to the group

We are certain that our strong reputation for social responsibility and the continuous acquisition of social legitimacy will increase our vitality, now and in the longer term, and add extra value to Rabobank Group. This added value takes various forms. For instance:

- we hold a strong position in new markets focusing on sustainability;
- Rabobank instruments are highly attractive to investors;
- the pace of innovation in the development of products, services and processes is accelerating;
- greater operating efficiency;
- increasing success in attracting talent;
- high level of commitment among our own staff.

There are increasingly convincing signs of a direct, positive link between the standard of economic performance achieved by listed and unlisted companies and the standard of their CSR performance¹⁵. The leading rating agencies therefore no longer assess businesses purely in terms of their financial soundness, but are increasingly tending to rate them according to their approach to social and ecological sustainability. Rabobank Group is therefore aiming to achieve not only AAA status for financial soundness, but also 'Triple-P' status for corporate social responsibility.

High standards of CSR for ourselves and others

Our intention is that the high standards which we (and our stakeholders) apply to ourselves in regard to sustainability, and which our stakeholders expect of us, should also be applied to the acceptance of new clients, in our lending and in our investment policy. A great many due diligence considerations already form an integral part of our lending operations, and these are gradually being supplemented by more specific CSR criteria.

We also endeavour to apply our own codes of conduct in countries where the law is less rigorous than Dutch or European legislation. We are well aware of the potential conflict between our own strict CSR standards and the attitudes and rules prevailing in other parts of the world. We do not aim to actively impose our standards on others, but we do want to be able to respect our own standards ourselves wherever we may be.

CSR offers an insight into trends and dilemmas

By including social, ethical and ecological aspects in our business deliberations we are increasingly becoming aware at an earlier stage of social issues that could present Rabobank Group with difficult dilemmas. In some cases, we view these as challenges, while in other cases they are presented to us by stakeholders as tricky questions. It is never possible to give an outright answer to such questions, and a great deal of internal and external consultation and thought is often required. By formulating new views on new issues in this way, we are achieving substantial progress in augmenting the sustainability of our business operations and services. Our Ethics Committee performs a key role in examining and assessing dilemmas. We are keen to share with those around us the question of choice inherent in dilemmas, and the deliberations behind our decisions. We have described the issues considered in six dilemmas in the form of case studies, see: www.rabobank.com/sustainabilityreport

15) Study 'Raising the bar', World Business Council of Sustainable Development (2004)

How we organise CSR

CSR demands the continuous attention of all Rabobank Group divisions, because the subjects which are relevant here change over time. In order to ensure that continuous attention, we have given CSR a permanent place in our policy and in our organisation. Not only is CSR permanently on the agenda, we can also produce a fast and appropriate response to the changing needs and wishes of society.

A company's identity imposes rules on its corporate structure, and both have a direct influence on (1) its position in society, (2) decisive qualities of the products and services which it provides, (3) the method of marketing those products and services, and (4) the relationship with corporate and private clients. In a cooperative such as Rabobank, corporate and private members and clients constitute the beginning and the end of the operating cycle. They are involved in both the creation and the consumption of our products and services. In the current debate on the effectiveness of stakeholder dialogues in CSR policy, a distinction is made between stakeholder consultation (the company that 'listens') and the strategic stakeholder dialogue which concerns the company's core processes (the company that is 'partly externally controlled'). This last form of dialogue is seen as essential for shaping an effective CSR policy embedded at the heart of a company. Rabobank's cooperative structure means that a strategic stakeholder dialogue of this type exists in our contact with members and clients. They introduce and share ideas on the direction in which the bank is developing, and on the qualities

they expect current and future products and services to have.

A form of influence regarded as difficult to achieve in a shareholder-based company has already existed for more than a century as a structural characteristic of a cooperative enterprise. In the CSR debate, that fact is increasingly in tune with current ideas.

In Rabobank Group we have organised CSR by:

- striving to develop CSR in four policy areas, including the resulting annual policy priorities (see page 18);
- establishing a practical organisational form for implementing the policy, with clearly defined tasks and responsibilities (see page 19);
- using a CSR monitoring system with indicators to monitor progress and steer our CSR policy (see page 21);
- controlling risks to our reputation via compliance, which is an important requirement for a good CSR performance (see page 21).

The focus of our CSR policy

Incorporating CSR in both the culture and the structure of the group produces good results, as we can infer from our high sustainability rating, at both national and international level. In 2003, Rabobank was proclaimed the 'most sustainable bank in Europe' by the independent Sustainable Asset Management rating agency, based in Zurich. In 2004, SNS Asset Management sustainability analysts accorded the bank a sound rating. We want to maintain our leading position in the field of CSR and reinforce it by pursuing a consistent policy. This means that we must augment the role of CSR in our organisation - from top to bottom - and in our business processes. We maintain constant focus by incorporating CSR in four policy areas, namely by:

- embedding CSR in the policy of the group units (see chapter 3);
- taking CSR considerations into account in new and existing products and services (see chapters 4 and 5);

In this chapter

The focus of our CSR policy	>
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- taking CSR into account in our decisions on social engagement (see chapters 7 and 8);
- incorporating CSR in our business operations (see chapters 9, 10 and 11).

SiRi commends Rabobank

Sustainable Investment Research International (SiRi) is an independent supplier of sustainable investment research and opinions for institutional investors and financial professionals. In 2004, SiRi accorded Rabobank a Corporate Sustainability Score of 74.9 in the Diversified Financials Industry Group (highest score). The average score in this group is 48.3. SiRi considers that Rabobank does particularly well as regards the environment, human resources policy and contribution to society. The rating and the Rabobank corporate profile produced by SiRi contain up-to-date information concerning transparency, policy and management relating to corporate ethics, society, corporate governance, clients, employees, environment and suppliers. For this survey, SiRi used publications issued by Rabobank itself and available to the public, global media and information from societal organisations such as trade unions and environmental organisations.

Priorities for CSR policy

In 2004 the priority was to continue embedding CSR in the operational management (such as purchasing 100% green energy page 70), control and audit activities (see page 21), the core business of the various units (such as the launch of an Ethics Committee at Interpolis, page 27), branding (e.g. the commercial featuring Jochem de Bruin in Cameroon, page 48 and the upgrading of the internal CSR network (CSR coordinators appointed throughout the group, page 20).

In 2005 we shall continue to pursue a number of priorities specified in 2004.

Policy:

- monitor compliance with, and refinement of, CSR codes and guidelines;
- stakeholder analysis of annual responsibility and sustainability report and CSR policy;
- each entity to specify at least two CSR objectives in the annual plan for 2006, to be monitored via the regular quarterly reports.

CSR in financial services:

- incorporate CSR criteria in lending;
- draw up CSR criteria for the Group Treasury fixed-income portfolio.

Social engagement:

- roll out the Rabobank Development Program (banking in developing countries);
- members of the Executive Board to encourage staff to actively perform unpaid ancillary work.

Business operations:

- purchase energy generated from renewable sources;
- cut paper consumption by 10%;

- encourage sustainable construction/renovation of offices;
- adjust mobility policy to reduce impact on the environment, and improve accessibility.

We also want to ensure consistent adherence to the rules which we have undertaken to respect. This applies both to the external guidelines and covenants which we have signed and to internal codes of conduct.

External guidelines and covenants

Rabobank Group has expressly endorsed a number of external guidelines on CSR and concluded covenants on conduct with external parties. A covenant is an agreement whereby a number of parties jointly undertake to achieve a common goal.

Important external guidelines and agreements to which we are committed are the United Nations Environment Programme (UNEP) declaration for the financial sector, the Global Reporting Initiative, the Global Compact, the OECD (Organisation for European Cooperation and Development) guidelines for multinational companies and the International Labour Organisation guidelines. The Global Compact sets out principles on particular subjects, such as human rights, labour laws, environmental protection and the fight against corruption. The more specific GRI guidelines complement these principles from the point of view of reporting on responsibility and sustainability. The Equator Principles (social and environmental guidelines for project finance in excess of EUR 50 million in developing countries), which we signed in 2003, have ceased to be relevant for us. In 2004 we decided to call a halt to project financing in other countries, because in the past few years we have lost money on some foreign project finance accounts and this area has ceased to be a growth market for Rabobank International.

Some of the guidelines which we have endorsed overlap in terms of content. In 2005, to simplify matters, we shall concentrate on selected guidelines which have the widest scope, complement one another most closely in terms of content, and are mutually reinforcing. For example, the Global Compact and the Global Reporting Initiative guidelines meet this criterion. Detailed arrangements are being made for compliance with these guidelines. We shall abandon any other less relevant guidelines.

Some important CSR-centred covenants which we have concluded and which are still current include the covenant with the Dutch Association for Financial Sector Development, the Organic Ornamental Horticulture Covenant, the Organic Catering Covenant, the Multiannual Energy Efficiency Agreement, the Packaging Covenant III and the Covenant on the Multicultural Human Resources Policy.

A list of the most important external CSR guidelines signed, covenants concluded and internal codes of conduct is available at www.rabobank.com (about Rabobank CSR).

Internal codes of conduct

The Rabobank Group code of conduct serves as a guide for our staff on how to behave. In recent years, most of the business units have customised this general group code for use in their own unit. For some issues we have drawn up special rules of conduct alongside the general group code of conduct, e.g. for the palm oil industry, human rights and genetic modification. In 2005 we have refined the code of conduct on genetic modification in line with current developments in society.

A number of subjects covered by external guidelines have led to more detailed internal rules. For instance, the control of corruption is laid down in our code of conduct and further developed in the rules on gifts, and in those on ancillary jobs and nepotism.

Some extracts from the code of conduct relating to CSR:

- Staff must refrain from any activity which could appear to involve a conflict of business and private interests. In internal and external dealings, staff must act impartially, displaying expertise, integrity and reliability.
- Rabobank Group considers it important for all parts of society to have access to financial services. It does not refuse to provide its services to anyone except on grounds of creditworthiness and morality.
- Rabobank Group respects human rights. It does not wish to be involved in circumstances where human dignity is not respected.
- Rabobank Group respects local culture, customs and attitudes and abides by them so long as they are not contrary to its objectives and values.
- Rabobank Group attaches importance to balanced social development; it wants to help foster a sound socio-economic climate and initiatives in the sphere of self-organisation.
- Rabobank Group is aware of the direct and indirect impact of its activities on society. In the light of its efforts to achieve sustainable development of welfare and prosperity, Rabobank Group is committed to caring for nature, animal welfare and the world we live in. That principle applies both to its own operations and to activities with which it is associated as a financier, investor and insurer/reinsurer.
- Rabobank Group is keen to play a role in encouraging investment and transactions which contribute to sustainable development. It will not enter into any commitments which are at odds with that aim.
- Rabobank Group considers it a good thing for staff to engage in socially responsible activities outside their job; it enriches their experience and broadens their horizons.
- Rabobank Group wants its working community to represent a broad cross-section of society. Diversity enhances quality of service.
- Rabobank Group endeavours to ensure the careful management of raw materials, energy and resources in its business operations.

Corporate governance

In the past few years, a series of stock market scandals has fuelled a global social debate on corporate governance. This debate has led to the development of more stringent legislation and regulations, such as

the Corporate Governance Code issued by the Tabaksblat Committee for listed companies in the Netherlands. However, this code does not apply to the management of Rabobank Group because of our co-operative basis. Nonetheless, we shall implement the code where possible. Management, supervision and the application of the Tabaksblat code by Rabobank are described in detail in the general annual report and on our website.

In 2004 the local Rabobanks management models were modified, and two new models were introduced: the executive management model and the (refined) partnership model. We explain both management models in our general annual report (see: www.rabobank.com).

Whistleblower's regulation to maintain integrity

An instrument that contributes towards transparent management is the Whistleblowers' Regulation. This regulation, officially known as Rabobank Internal Notification of Abuses, has been in operation since July 2002. The aim of the regulation is to encourage the maintenance of integrity. Employees of local banks, Rabobank Nederland and subsidiaries can notify the ombudsman of any abuse, thus helping to avoid any detrimental effects on our image. Whistleblowers can count on protection of their rights and confidentiality. Examples of abuses are failure to comply with internal and/or external rules, fraud or the withholding of information. Abuses are dealt with in confidence by a committee. Apart from the ombudsman, the heads of Legal and Tax Affairs, Supervision and Rabobank Group Health & Safety Service have a seat on the committee. The ombudsman monitors compliance with the committee's recommendation. In 2004 the ombudsman handled nine reports of abuse, the same number as in 2003.

How we organise CSR

As Rabobank Group, we are committed to embedding CSR as broadly as possible in our existing decision-making and administration structures. Here are examples of how we achieve this:

- the express involvement of the Executive Board;
- CSR input in Executive Board decisions;
- a Corporate Social Responsibility department;
- the existence of an Ethics Committee;
- CSR coordinators in all Rabobank Group entities.

Express involvement of the Executive Board

The Rabobank Group Executive Board consists of six members under the chairmanship of CEO Bert Heemskerk. CSR is expressly embedded in the portfolios of various members. The specific CSR portfolio is assigned to Hans ten Cate. Piet Moerland is responsible for the Rabobank Development Program label, which covers the Rabobank Foundation and Rabo Financial Institutions Development B.V.. Piet van Schijndel is in charge of activities relating to soil decontamination, urban policy and

the bank's accessibility, including for vulnerable client groups. Bert Bruggink has the job of managing the accounting and auditing process; this expressly includes monitoring and verification relating to socially responsible activities. Finally, as well as being chairman of the Executive Board, Bert Heemskerk also chairs the Ethics Committee. Rik van Slingelandt is chairman of the managing board of Rabobank International and is also a member of the Ethics Committee.

The Executive Board exerts significant influence in determining the importance which group units attach to CSR. If necessary, during the discussion of the annual budgets, explicit questions are asked concerning the place accorded to CSR in the policy of the units. Apart from influencing policy, the Executive Board regularly stresses the importance of CSR for Rabobank Group when attending internal and external meetings.

CSR input in Executive Board decisions

Every month the CSR portfolio holder receives a report on the progress of specific CSR activities. During a meeting between the director of the CSR department and the portfolio holder, the report is presented on the basis of policy statements and reports prepared by the department. Depending on the subject, other business units may also participate.

Other business units can also submit reports to the Executive Board containing CSR information and points for decision. For example, in regard to operational risk management, the Rabobank Group Control unit reports every quarter on incidents resulting from operational risks and the associated losses. These also include risks and incidents relating to CSR. Such incidents may arise, for example, in the event of non-compliance with the arrangements agreed in covenants and rules set out in codes which we have endorsed. No CSR incidents were reported in 2004.

In 2005, the Rabobank Group Audit department will produce a thematic report stating the extent to which CSR is embedded in the routine business processes of the various group units. The survey will also check how the codes of conduct which have been endorsed are respected in practice.

Corporate Social Responsibility department

Originating as the Sustainable Development group department in 1998, the Corporate Social Responsibility department (DMVO) has now developed into the central driving force promoting corporate social responsibility at Rabobank Group. The department aims to encourage sustainability both in financial products and services and in internal business operations. In consultation with the Executive Board, the CSR department formulates the corporate CSR policy of Rabobank Group at strategic level. At tactical level, it supports our marketing and operating units, e.g. by translating the strategic policy into operational policy, which in turn is the starting point for carrying out concrete CSR activities. The department also provides the local banks and other group units with advice on the assessment of loan applications, for example, and new products and services designed in-house on the basis of financial, ecological and

social criteria. The department represents Rabobank Group in external networks concerned with CSR, such as the World Business Council for Sustainable Development (WBCSD), European Partners for the Environment (EPE), European Centre for Nature Conservation (ECNC), United Nations Environment Programme (UNEP) and MVO-Nederland (Dutch CSR association). We are working jointly with ECNC to set up biodiversity projects in Europe. These networks are also available to our operating and marketing units.

Ethics Committee

In Rabobank Group, the Ethics Committee is an advisory body set up for the Group as a whole which advises on the application of our corporate values to moral dilemmas. Any employee can submit real-life issues or ethically sensitive topics to this broadly based committee, whose importance is further underlined by the fact that the chairman of the Executive Board of Rabobank Nederland is also the chairman of this committee. The committee deliberates on the basis of our own code of conduct and the internal rules of conduct derived from that, but also expressly considers the external rules of conduct which the bank has agreed to respect, such as the Universal Declaration of Human Rights, the OECD guidelines, the ILO covenants and the UNEP statement. The Ethics Committee issues recommendations which are aimed at creating informal case law, helping the line management to take decisions on financing and other matters. By publishing its rulings, the committee promotes ethical awareness within the organisation. Identical cases can be handled in line with its rulings.

The committee's advisory duties were extended in 2004, and it can now be asked for advice on subjects relating to CSR. Fourteen actual cases were submitted to it in 2004, including questions concerning duty of care for the elderly, the financing of an entertainment hall, the acceptability of new business commission in the event of bodily injury, and the appropriate way of dealing with the identification of clients wearing veils.

By discussing actual dilemmas and publishing the recommendations of our Ethics Committee, we are responding to the request from a number of stakeholders who were not so interested in a review of individual CSR achievements but did want to know about the points we considered. The Global Compact also sees arrangements for discussing dilemmas as a way of instilling CSR in a company. Interpolis set up its own Ethics Committee in 2004.

The role of the CSR coordinators

Since the beginning of 2004, all Rabobank Group entities and many local banks have appointed CSR coordinators. These part-time CSR coordinators are responsible for placing CSR on the policy agenda of their business unit. They also arrange the collection of data for the annual CSR monitoring exercise. Given Rabobank's governance structure, it is logical that the business units themselves should take responsibility for CSR. The appointment of CSR coordinators establishes the basis, but above all provides the impetus, for specifying and working towards

company-specific objectives and activities relating to CSR within the organisation. There are over 166 CSR coordinators in the organisation, and they form small committees in which they can discuss best practices and benefit from one another's experience.

CSR management and reporting

In 2003 we gained our first experience in formulating specific objectives and measuring the results achieved by means of the monitoring system. In 2004 we made substantial improvements both to the monitoring system itself and to its use throughout the group.

CSR monitoring system

The Rabobank Group policy is based on the principle that all entities include specific CSR objectives in their business plans and annual plans, with an accompanying action plan. Indicators have been developed to facilitate measurement of the results; together, these indicators form the CSR monitoring system. The system and the indicators are based on the GRI guidelines and the derived indicators EPI-finance 2000 and SPI-finance 2002. The system comprises over 140 indicators which are considered relevant to Rabobank Group. These indicators cover eight topics: (1) CSR ambitions and management, (2) organising CSR, (3) incorporating CSR in core activities, (4) sustainable products and services, (5) social engagement, (6) customer value, dialogue and market focus, (7) impact on the environment and (8) social policy.

With the entry into use of the CSR monitoring system, corporate social responsibility has become more firmly embedded in the provision of services and business operations. Moreover, the information produced by the system makes it easier for us to measure the results of the CSR policy adopted, to tighten up on certain aspects and to inform our stakeholders of the outcome.

The system is being phased in throughout the organisation. The Annual Responsibility and Sustainability Report 2003 was based on the systematic provision of data by 23% of the local banks (74 banks) and all Rabobank-labelled units and subsidiaries. This 2004 report is based on the systematic data provided by an improved monitoring system. Apart from the other group units, 28% of the local banks (80 banks) took part, which is a rather disappointing number.

Coordination and audit of data

The Rabobank Group Control department and the Corporate Social Responsibility department coordinate, collect and analyse the relevant CSR information on the basis of the CSR monitoring system, assisted by the CSR coordinators. The Annual Sustainability Report is compiled on the basis of the CSR data supplied by the monitoring system. Responsibility for checking this information in the report rests internally with the Rabobank Group Audit department and externally with KPMG Sustainability B.V. Our previous reports on sustainability were accompanied by a verifier's report intended to provide a limited level

of assurance. This time we have gone one step further by including an more elaborate assurance report in the 2004 report that also provides comments based on the findings. This assurance report issued by KPMG Sustainability B.V. is providing the reader a higher level of assurance concerning the reliability of information in some parts of the report, which is expressed in the positive wording of the opinion on these aspects.

CSR reporting by individual units

The Corporate Social Responsibility department conducts a central analysis of the data supplied by all the reporting group units. Based on the outcome of this analysis, all group units receive their own CSR report. From the 2004 reporting year onwards, all local Rabobanks will gradually receive a benchmark report each year on their CSR performance. This will enable corporate social responsibility to become a permanent element of the management cycle of the local Rabobanks and the other Rabobank Group units.

Blueprint for a CSR action plan

A number of indicators in the CSR monitoring system are eminently suitable for specifying CSR goals for the ensuing year. On the basis of the indicators, a department or group unit can therefore sharpen its focus on the various spheres concerning CSR: policy, financial services, social engagement and business operations. The goals specified in these spheres then form part of the annual plan of that business unit. The focus is determined in the following three stages:

- reviewing the CSR activities current at the time;
- determining which policy areas should get priority in the annual plan;
- specifying the goals.

In 2004 we presented this 'three-stage plan for CSR policy' to our local Rabobanks as an initial exercise for determining CSR goals in routine banking policy. In 2005, this phased plan will be followed by a broader programme. In addition, CSR objectives are included in the annual plan for Affiliated Banks (ABB) for 2005 (see page 26). This annual plan forms the basis for the annual plans of the local banks and Rabobank Nederland departments.

Controlling reputational risks

Alert supervision and efficient management, supported by units such as audit, legal affairs and compliance, are meant to safeguard our integrity and protect our reputation worldwide. This begins with the systematic listing of relevant legislation and regulations, and monitoring developments relating to social standards for integrity. Where necessary, we convert these into internal guidelines, procedures and codes of conduct, or make adjustments to them. Once they have been implemented, and the staff which have to apply them have been trained, compliance is supervised. If deviations are found, e.g. by the audit or compliance departments, a report is submitted to the management concerned. In the case of failure to comply with the regulations, checks are conducted to ensure that the management takes the necessary corrective action.

It is also important for staff to have the right attitude towards compliance with regulations. For that reason, they are regularly reminded of the importance of respecting internal and external codes and legal rules.

Within this structure, the compliance officer performs a role in key areas, particularly in cases where Rabobank cannot and will not cooperate in improper activities by clients, such as money laundering, the financing of terrorism, insider trading, price manipulation, tax offences and the evasion of reporting obligations.

The bank's own conduct and that of its staff is also an important topic for the compliance officer. This concerns such matters as failure to exercise due care, misleading communication, conflicts of interest, and also insider trading and price manipulation. Every group unit, every local Rabobank and every foreign branch has a compliance officer to support the management in these areas. The compliance officers come under the functional management of the Rabobank Nederland Supervision department and submit periodic reports on their findings. They also report to the local management.

Principles such as the duty of care and Customer Due Diligence ('know your client') play an important role in the supervision of a financial institution.

Duty of care

In the autumn of 2004, the Lower House of the Dutch Parliament approved the draft *Wet Financiële Dienstverlening* (WFD) (Financial Services Act). This law provides safeguards for consumers, letting them take responsibility for themselves. One example is the requirement for financial service providers to supply proper information on themselves and their products.

The WFD is developed further in the *Besluit Financiële Dienstverlening* (BFD) (Financial Services Decree), which the government submitted to

the market for consideration - somewhat belatedly - at the beginning of 2005. In anticipation of the final WFD, Rabobank Group was already making preparations in 2004 in the form of three working groups on specific aspects. The first working group was concerned with licences, the second with the development of certified training courses and expertise, and the third working group dealt with the duty of care in personal lending. In 2005, we shall translate the requirements which the BFD imposes on financial institutions in regard to the duty of care into measures for the Group.

In 2004, Rabobank had discussions with clients on several occasions on the subject of compliance with the duty of care. One example is a case concerning a client's legal capacity. The local Rabobank refused to effect a funds transfer, invoking its duty of care or responsibility for taking proper account of the client's interests. The court found in the bank's favour. This case is also described on our website www.rabobank.com/sustainabilityreport.

'Know your customer'

On 1 January 2004, the 'Regulation on Customer Due Diligence for credit institutions and insurers' issued by De Nederlandsche Bank (Dutch central bank) came into effect. This regulation specifies measures which banks must take to manage the risks inherent in the service provided to clients. If Rabobank does business with clients whom it does not know sufficiently well, it runs a number of risks which may lead to serious tangible and intangible damage. The latter includes damage to its reputation: hence the procedures to help safeguard the bank's integrity. During 2004 we developed policy and procedures for dividing our clients into categories. Some combinations of clients and products present higher risks than others. Procedures for such matters as client acceptance and identification are designed to cater for this. Employees are being given proper training in this matter.

Summary of results for 2004 and 2005 objectives for the organisation of CSR

Objectives stated in 2003 report	Results in 2004
● Group-wide participation in CSR monitoring in 2004	Largely implemented
● Decision on new management model for local Rabobanks in 2004	New management model introduced
○ From 2004 onwards, all local banks should gradually receive an annual report on their CSR performance, supported by figures	Participation in monitoring is being phased in, all local banks receive a report
○ Detailed CSR information to be provided on Rabobank Group website	Large amount of direct information, improvements needed in the tapping of underlying sources
● Social issues to be given a more central position in corporate communications and advertising	Corporate commercials and advertising campaigns launched

Key objectives for 2005 and beyond

Policy:

- check compliance with and refinement of CSR codes and guidelines ¹⁶;
- periodic surveys to analyse what stakeholders expect by way of CSR reporting and policy;
- every entity to set at least two CSR objectives in 2005 which are monitored via the regular quarterly reports.

CSR in financial services:

- incorporate CSR criteria in the assessment of corporate lending;
- draw up CSR criteria for Group Treasury's fixed-income portfolio ¹⁶.

Social engagement:

- roll out Rabobank Development Program (banking in developing countries);
- Executive Board members to actively encourage staff to carry out unpaid ancillary work.

Business operations:

- purchase energy generated from renewable sources;
- cut paper consumption by 10%;
- encourage sustainable construction/renovation of offices;
- adjust mobility policy to reduce impact on the environment and improve accessibility.

Reporting

- positive declaration (verification) on particular aspects of the Annual Sustainability Report 2004.

● target fully achieved ○ target partly achieved ○ target not achieved

16) Although this objective for 2004 had already been set in 2003, it was not explicitly mentioned in the Annual Responsibility and Sustainability Report 2003.

Incorporating CSR in all areas of our business

While corporate social responsibility may chime with the culture and structure of Rabobank Group, the existence of a plan setting out objectives greatly increases the effectiveness of our activities in this area. By adhering to a plan and monitoring progress, we can more effectively integrate CSR into the core business and ensure that the impetus is maintained. That is the goal for which we strive, and our performance here is subject to ever more critical appraisal by a growing number of rating agencies and stakeholders.

This chapter deals with the situation in 2004 as regards the incorporation of CSR in our various group units. We begin with a summary of the performance of the group units on the various policy aspects of CSR before proceeding to a more detailed account for each group unit.

Varying pace of embedding CSR throughout the group

Partly as a result of the constant impetus provided by our CSR monitoring system, all Rabobank Group units have taken action to address CSR and embed it in the organisation. However, the pace at which this is taking place varies between individual group units and departments.

Just as in society in general, we have some who are in the lead, some following along and some lagging behind. The front runners have long been active in all areas of CSR (policy, financial services, social engagement and business operations). Although the laggards have made a start on organising CSR, 2005 was the first year for which they set specific objectives. The variations in the speed of introducing CSR are due to differences between the group units in their susceptibility to market influence, and variations in corporate governance and culture. As the parent company, Rabobank attracts far more attention from stakeholders than most of its subsidiaries. Robeco is also frequently scrutinised by market players examining how the company, as an institutional investor, implements corporate governance. Group units such as De Lage Landen, FGH Bank, Gilde, Stroeve and Obvion are rarely challenged about their conduct and therefore feel less subject to external pressure. The variations in the speed of introduction are also due to Rabobank's culture and structure, which gives managers ample scope for exercising their own initiative. It is therefore possible that units which were relatively far back in the field may suddenly jump into the lead. Nonetheless, we want to reduce the discrepancies within the group in the pace of embedding CSR. We are doing this by giving feedback on the results of the CSR monitoring in the form of thematic reports, by organising meetings with CSR coordinators and by developing a blueprint for a CSR policy plan for all group units.

The chart on the next page shows the extent to which various aspects relating to CSR have already been addressed within our organisation.

In this chapter

Varying pace of embedding CSR throughout the group >

Embedding CSR in each unit >

CSR with and without a plan

Analysis of the monitoring report data shows that many Rabobank Group units are still describing CSR activities in general terms in their annual plans, rather than as part of a strategic plan. These business units are tackling CSR activities where there is a specific need to do so. The units which do have concrete objectives could still do better in quantifying their targets. In 2005, all group units will be required to formulate at least two specific CSR objectives for their 2006 annual plans. In their regular quarterly reports they will have to state the progress of their efforts to achieve these objectives.

The code of conduct as a framework for ideas

The Rabobank Group code of conduct introduced in 1999 forms the basis for embedding CSR in the organisation. The code provides a frame of reference for the content of manuals and assessment forms. In 2004 we checked whether the code of conduct was up to date, and found that it still fulfils its purpose in the current social context.

The code is not yet used as a guide throughout the group in everyday operations. For example, staff appraisal reviews and induction interviews take place in the spirit of the code of conduct, but the code itself is often not explicitly mentioned. Active checks on compliance with the

code of conduct, carried out by compliance officers and via audits, are still not widespread at Rabobank Group. One reason is that responsibility for applying the code has hitherto rested entirely with the business units themselves. In 2005, the Corporate Social Responsibility department will examine further ways of implementing the code.

Embedding CSR in each unit

SAM (Sustainable Asset Management), the agency based in Zurich, has assessed Rabobank as the most sustainable bank in Europe and ranked it second in the world. Rabobank Group has the declared aim of remaining among the best in the world in the future. To achieve that aim, we are working to incorporate CSR in our financial core activities, such as lending, investment and insurance, as well as in all business management processes. We aim to achieve that with an identifiable policy, stringent implementing conditions and management focused on targets and performance.

By always giving a separate account of the main developments in the various business units, we keep an eye on progress. We shall now proceed to state how the local banks, Rabobank Nederland, Rabobank International, Robeco, Interpolis, De Lage Landen and Schretlen & Co performed on this point in 2004.

Approach of policy aspects in our organization

	Rabobank Nederland	Rabobank International	Locale Banks ¹⁷	Interpolis	Robeco	De Lage Landen	Schretlen & Co	Gilde	Stroeve	Obvion	FGH Bank	Rabo Vastgoed	Alex
CSR embedded in policy documents	●	◐	◐	●	●	○	◐	○	○	○	○	○	○
CSR coordinator appointed	●	●	●	●	●	●	●	●	●	●	●	●	●
Specific objectives in annual plan for 2004	◐	◐	◐	●	●	○	◐	○	○	○	○	○	○
Code of conduct integrated into staff appraisal/induction	◐	◐	◐	◐	●	○	○	◐	●	◐	●	◐	○
Active testing of compliance with codes of conduct (by compliance department, audits etc.)	◐	◐	◐	○	◐	○	○	◐	◐	●	◐	◐	◐
Management systems for the environment, quality and health & safety	◐	○	◐	◐	◐	◐	○	○	○	◐	○	○	◐
Sustainable purchasing policy	◐	◐	◐	◐	◐	◐	○	◐	◐	◐	○	○	○

● (almost) fully achieved

◐ partly achieved

○ not achieved, or only to a very limited extent

17) Of the total number of local banks, 28% submitted reports. This information therefore relates to that 28% of the banks.

Local Rabobanks

The local Rabobanks are the cornerstone of our organisation, and they are the ones who can make a major contribution to our sustainable operating methods. The local banks are closely involved in their local community. When discussing CSR, many local bank managers and staff conclude that their cooperative bank already had a strong CSR focus, long before the term itself was invented. But corporate social responsibility means more than the commitment to society that epitomises our cooperative approach. Contemporary aspects of CSR will only be integrated into the local banks when CSR considerations become a visible element of their policy and hence of their identity. A growing group of local banks is aware of this. They are gradually moving towards a contemporary CSR policy and consider CSR monitoring to be a permanent part of that. In their annual plans and other policy documents, CSR is attracting increasingly serious attention.

It is therefore disappointing to find that in 2004 only 28% of the local Rabobanks took part in CSR monitoring (2003: 23%). Although that is 5% more than in 2003, it is still not enough. There are three reasons for this. First, many banks are in the process of merging. In that process, other strategic priorities often take precedence. Moreover, merged banks consider that the data on responsibility and sustainability relating to the former, separate banks are no longer relevant. Another reason for the disappointing participation rate was the timing of the CSR monitoring, which coincided with the time-consuming year-end procedures at the local banks.

To accelerate the integration of CSR at the local banks, a specific programme will be launched in 2005. The programme sets out four priorities that were specified in December 2004 in the ABB 2005 Annual Plan:

- Positioning CSR within operational management.
- Reinforcing our 'sustainable market position' by making optimum use of the market for sustainable products.
- Demonstrating social commitment in the form of voluntary work, corporate citizenship and active exploration of our field of activities.
- Providing programmes aimed at sustainable business operations: 100% green energy, 10% cut in paper consumption, sustainable new buildings and cost economies.

Rabobank Nederland

The various Rabobank Nederland units that report on their CSR policy and activities concentrate primarily on the CSR aspects that influence their expertise and activities. They are also interested mainly in aspects relating to the management of their department, such as energy and paper consumption, and the welfare and development of their staff. In view of the specific character of each unit, a standardised approach to CSR is neither possible nor desirable. However, subjects such as in-house concern for the environment, health & safety provisions and performance management do lend themselves to a more general set of rules.

Every Rabobank Nederland unit must constantly ask itself which specific CSR objectives it wants to adopt as part of the annual plan. In 2004, some departments had still not formulated any specific objectives, while others had done so. For instance, in 2004 the Rabobank Group Audit (ARG) department made a substantial contribution to the verification of the Annual Responsibility and Sustainability Report 2003. The intention is that, in 2005, ARG carries out the bulk of the verification work and that KPMG Sustainability B.V. conducts the final audit. The purpose of verification is to progress from providing a limited level of assurance to offering a reasonable level of assurance concerning the reliability of the information in particular areas covered by the annual report (positive opinion) (see also page 21). In 2005 ARG will also launch a thematic CSR survey, dealing with the following questions.

- To what extent are the CSR policy principles specified in group unit policy?
- How are these principles respected?
- To what extent is CSR embedded in the routine business processes of the various units?
- What are the lines for reporting on the embedding of CSR?
- How reliable are these reports?

Rabobank Nederland has also analysed the extent to which we conform to the Tabaksblat and Sarbanes-Oxley guidelines on good governance. This analysis showed that Rabobank Group already largely adheres to these guidelines. As in 2001 and 2003, the Sustainable Asset Management Group (SAM) rating agency will accord the sustainability rating in 2005.

Market-oriented units have also explicitly included CSR in their annual plans for 2005. Specific attention is paid to linking our urban policy to urban renewal and the development of small (inner city) districts. That also means increasing diversity in the local bank management boards.

Rabobank International

Rabobank International's activities range from advising on mergers and acquisitions to equity transactions, lending and arranging structured finance. Rabobank International serves corporate and retail clients in other countries and supplies structured products to both corporate and professional clients at home and abroad.

The Netherlands

The Dutch business units of Rabobank International are embedding CSR in their organisation in a variety of ways. For instance, at Corporate Finance a good management model function forms an important guide for incorporating CSR in the business unit where socially responsible activities are concerned. At Complex Trade Structures, CSR forms one of the underlying principles of the business plan, reflected primarily in the selection of products and in product development.

Australia

Within Rabobank International, Rabobank Australia and New Zealand takes the lead as regards embedding CSR in the organisation. Here, sustainability is seen as a key central value of the bank, and is actively mentioned in both internal and external communications. There is a high level of management commitment on this subject. For example, the Sustainability Steering Committee, consisting of senior managers, meets regularly to discuss developments and determine the direction of local CSR policy, receiving advice from the CSR project manager who is also responsible for the proper implementation of the policy. The project manager is supported by various working groups. The CSR policy is always tested against best practices, CSR performance is measured on the basis of the GRI guidelines, and the company makes a point of involving employees in the definition of CSR priorities. In 2004 a specific policy was laid down for supporting voluntary work and donations by employees, and for improving the recording, analysis and reduction of our internal impact on the environment. Another point considered in 2004 was the optimisation of HR policy. In 2005, some of the efforts will be devoted to extending social partnerships.

Europe, Asia and America

In the other Rabobank International regions, the embedding of CSR is less far advanced, and in some cases has not yet been explicitly adopted. However, the subject is clearly attracting more attention. Most of the foreign branches have appointed CSR coordinators, but the degree to which they are actively implementing CSR varies from one country to another.

In North America, CSR has been partially incorporated in the codes of ethics and conduct and in the manuals. In the UK and Italy, too, elements of the CSR policy have been explicitly documented. In 2004, Rabobank Italy extended its compliance method by adding 'Know your client' principles, in which it also expressly considers background factors and the client's expansion aims. At both Rabobank New York and Rabobank Canada, an Ethics helpdesk has been part of the CSR policy since 2004. A Whistleblowers' regulation was introduced in New York, Canada and South America in 2004. In 2005, Rabobank Brazil will present a policy and concrete procedures based on international CSR guidelines, such as the UN Human Rights Norms for Business.

Although Asia is currently still lagging slightly behind the other regions with regard to corporate social responsibility, we are seeing the first deliberate moves towards CSR there, too. For example, Rabobank Indonesia is working with a consultant to review the Rabobank code of conduct for the palm oil industry. At Rabobank Hong Kong, CSR themes have now become an element of the quarterly management briefing, and Rabobank India has financed wind farms and a project for converting polluted industrial gas into clean gas. It has also demonstrated its commitment to CSR by contributing to the publication 'Who's Who of CSR in India', which is published by the Indian organisation Corporate Social Monitor and is used as a reference framework by many NGOs.

Robeco

CSR has been firmly established at Robeco for some time now. For instance, Robeco has its own code of conduct, it announces its CSR results internally via the intranet, and actively draws the attention of its employees to the code of conduct. Robeco considers that every employee bears responsibility in this area. Robeco has also vested the responsibilities at a low level in the organisation.

The focus on CSR was further intensified with the changes to the Robeco senior management structure in mid 2004. It was announced that the subject of social engagement, in particular, must receive more explicit attention. Robeco set up a working group which is to produce a proposal on how Robeco views its position in society, and which activities correspond to that. The practical results will be apparent in 2005. Also, from 2005 Robeco will engage in a more active dialogue with companies on corporate governance and subjects relating to sustainability.

Interpolis

In the case of the insurer, Interpolis, the main developments in 2004 were the implementation of the Insurers' Code of Conduct and the launching of the internal Ethics Committee. At the end of 2004 it was also decided to develop an internal code of conduct for all staff. The intention is that this new code of conduct will also be incorporated in the staff appraisal and performance system, where relevant, in 2005.

The Interpolis Ethics Committee consists of various Interpolis representatives, an external member and a member of the Rabobank Ethics Committee. In 2004 the committee advised on seven ethical dilemmas raised by the business units. Some examples of the dilemmas are given below.

- Whether or not to develop viatical schemes. These are schemes concerning the sale to a third party - an investor - of rights to an existing (term) life insurance policy taken out on the life of a terminally ill patient. Interpolis Private Life Insurance has decided not to develop any viatical schemes, primarily for fear of damaging its reputation. However, Private Life has decided to examine whether an early partial pay-out can be developed instead. In-depth ethical discussion will be needed here, because there are a number of ethical dilemmas involved. The Ethics Committee fully endorses both decisions.
- Whether or not to terminate relations with construction companies which commit fraud. This case was not prompted by a specific request for advice, but by a press report stating that Ikea wanted to end all contractual relations with construction companies which commit fraud. This was therefore not a case specific to Interpolis, but a statement of principle on whether Interpolis should terminate relations with any construction company suspected of fraud. The Ethics Committee considered that suspicion of fraud was insufficient grounds for termination.
- Whether or not to terminate relations with a private client who blackmailed a particular food company. Once again, this case did not concern a specific request for advice, but a general question prompted by a report on the blackmailing of a dairy product company.

If a Rabobank client insured by Interpolis were guilty of this, then the Interpolis Ethics Committee considers that, in the first place, it is for the local Rabobank to terminate the relationship. If the local Rabobank fails to do so, the Interpolis market organisation concerned must decide on possible termination of the policy. In case of doubt, the local bank and the market organisation can consult the Ethics Committee.

As well as setting up the Ethics Committee, Interpolis developed ethics workshops for its staff in 2004. The aim of the workshops is to encourage all employees to watch out for ethical dilemmas in their everyday work, and to teach them to discuss these dilemmas with one another. This will gradually create a broadly-based ethical framework, and employees will also find it easier to submit ethical dilemmas to the Ethics Committee. At the beginning of 2005, the ethics workshops will be launched for all staff, initially in five pilots and subsequently throughout the group.

In policy terms, there will be much stronger emphasis on the incorporation of CSR in the core processes at Interpolis in 2005 and the ensuing years than in 2004. In its Business Plan for 2005-2008, Interpolis stipulated that it wants to operate in a way which those around it see as socially responsible. In so doing, the insurer aims to be among the front runners in the Netherlands. Interpolis expresses this at two levels: in its choice of activities and clients, and in its method of working. Interpolis is developing value propositions to enable clients to deal effectively with the uncertainties of living, working and running a business. It distances itself from activities which are harmful to clients or society. Interpolis respects the individual character of clients, partners and employees and the things that they value.

De Lage Landen

In December 2004 the management of the leasing subsidiary, De Lage Landen, announced that it recognised the importance of CSR and its proper embedding in the organisation. It decided to place CSR permanently on the agenda from 2005, and to incorporate it in a useful and practical way in the activities of De Lage Landen. The emphasis will be on creating broad support for this among the staff. The board members will be actively promoting CSR. It was also decided to develop an internal code of conduct in 2005. This code will be based on the Rabobank Group code of conduct, but supplemented by De Lage Landen's own mission, values, ambition and core competences.

Schretlen

In 2004, Schretlen, Rabobank Group's specialist asset manager, devoted specific attention to giving its own staff better access to information relevant to CSR. For example, the system now permits easier labelling of the funds classed as sustainable and socially responsible, and relevant policy documents and guidelines have been made available on the intranet. The planned survey of potential reductions in the use of materials will be launched in 2005. The same applies to the further structuring of the purchasing process.

Other group units

The other group units did not formulate any concrete CSR objectives for 2004, nor were there any significant developments concerning the embedding of CSR in the organisation. However, Obvion, Alex and FGH Bank did specify express aims in this area for 2005, ranging from the drafting of a plan for incorporating CSR to the performance of specific activities, such as the reduction of paper consumption by using a new system of sending out statements of account.

Summary of results for 2004 and 2005 objectives for embedding CSR in group units

Objectives stated in 2003 report

Results in 2004

Interpolis:

- | | | |
|---|--|--|
| ● | Implement Code of Conduct for Insurers | Code of Conduct for Insurers has been introduced |
| ● | Launch own Ethics Committee | Ethics Committee has been launched |
| ○ | Develop and launch ethics workshops | Developed in 2004, but not yet launched |

De Lage Landen:

- | | | |
|---|--|--|
| ● | Put CSR on the management agenda and define scope for CSR in more specific terms | At the end of 2004 management decided to launch CSR policy |
|---|--|--|

Key objectives for 2005 and beyond

- Incorporate CSR in the operational management of the local banks
- 50% of the local Rabobanks to participate in CSR monitoring and receive a thematic report
- Rabobank Nederland: launch operational CSR audit
- Robeco: continue to develop the existing CSR organisation
- Rabobank International: introduce UN Human Rights Norms for Business
- Interpolis: implement own code of conduct and launch ethics workshops for all staff
- De Lage Landen, Obvion and FGH Bank: define CSR policy and launch implementation

● target fully achieved

○ target partly achieved

○ target not achieved



Incorporating CSR in our financial services

By nature, Rabobank takes social considerations into account in its financial services processes. As a general rule, clients are implicitly assessed in terms of specific CSR aspects. The task for the future is to see that more and more CSR aspects are recognisably and systematically embedded in our processes.

In this chapter we describe the situation in 2004 as regards incorporating CSR in the principal financial services processes and the accessibility of our services. We shall cover the following topics:

- incorporating CSR in lending;
- incorporating CSR in portfolio investment;
- incorporating CSR in investor relations;
- incorporating CSR in insurance;
- incorporating CSR in leasing;
- the accessibility of our services from a CSR angle;
- responsibility for our products and services.

In this chapter

Incorporating CSR in corporate lending	>
Incorporating CSR in portfolio investment	>
Investor relations: emphasise PPP rating as well as AAA	>
Incorporating CSR in insurance	>
Incorporating CSR in leasing	>
Accessibility of our services	>
Responsibility for our products and services	>

Incorporating CSR in corporate lending

In the routine process of lending, our advisers consider qualitative aspects as well as financial ones. These include the client's integrity and management quality, and the characteristics of the market in which a potential client operates. CSR aspects are also playing an increasingly explicit role in our processes. The credit manuals refer to various codes of conduct and guidelines, and the Sector Information System (BIR) offers advisers sector-specific information. Advisers who cannot resolve the problem themselves can submit their dilemmas to the Ethics Committee. In this way we are building up an informal body of 'case law'.

In 2004, Rabobank examined ways of using a specially developed 'CSR tool' in the service process. We hope that this tool will enable employees to deal with sustainability in the financial services processes in a more conscious and explicit way, and with greater confidence. The intention is that advisers should be able to draw up a CSR profile of the client on the basis of a few qualitative questions. The tool uses the best-of-class method, giving the advisers an insight into best and worst practice in the sector. Advisers can use the profile to tailor their advice more specifically to the client, thus enabling the bank to obtain a better understanding of possible risks and opportunities facing the client's business and concerning social and ecological developments. In 2005 we shall be conducting a pilot scheme which will test this CSR tool exhaustively to see whether it is practical and worthwhile. The final decision on whether or not to introduce this tool in the assessment of corporate lending will be based on the pilot results.

Incorporating CSR in portfolio investment

In 2004 Rabobank Group paid close attention to the continuing integration of CSR into portfolio investment. Key topics were engagement, or active shareholdership, active use of voting rights, and adjustments to the strategy for investing pension and insurance premiums.

Summary of results for 2004 and 2005 objectives for incorporating CSR in corporate lending

Objectives stated in 2003 report	Results in 2004
○ Introduce CSR tool in assessing corporate lending	In progress
Key objectives for 2005 and beyond	
Choose whether or not to introduce CSR tool in lending by local banks, Rabobank International and Corporate Clients Nederland	
● target fully achieved	○ target not achieved
◐ target partly achieved	

Engagement: active and committed shareholdership

As a shareholder, the institutional investor Robeco intends to increasingly enter into a dialogue with the companies in which it invests, discussing the quality of their corporate governance and their conduct in terms of CSR. Robeco expects sustainability to become an increasingly important element of the strategy adopted by investors in the allocation of financial resources. Robeco will enter into active dialogue with businesses on the basis of the mandate accorded by its clients. In 2004 the asset manager gained its first experience of engagement, and is considering extending these activities in 2005. In principle, opting for engagement will not alter the underlying investment portfolio. Unlike in the case of a sustainable equity fund, no companies are ruled out on the basis of absolute criteria (exclusion) or relative criteria (best in class), so that engagement does not reduce the size of the investment universe. In the coming years, engagement will attract more and more attention from institutional investors in the Netherlands and elsewhere. We can expect the Tabaksblat code combined with the Council for Annual Reporting Guideline 400 to have the same effects as were previously achieved by similar measures in the UK, where engagement is already applied to 98% of sustainable institutional investment, and exclusions total only 2% ¹⁸.

Exercising influence at shareholders' meetings

Robeco expects that good corporate governance will lead to higher share prices in the longer term. By making active use of its voting rights, it aims to influence the quality of the companies' corporate governance. Here, Robeco uses the services of an American company, Institutional Shareholders Services (ISS), which issues voting recommendations on the basis of pre-set criteria concerning corporate governance. In 2004 Robeco actively exercised its voting rights, thus becoming the first Dutch asset manager to use those rights on a large scale. Since the beginning of 2004, Robeco has voted more than 4,000 times at 368 shareholders' meetings. Examples of corporate governance topics on which Robeco voted include transparency about management remuneration, shares with disproportionate voting rights, and activities in countries with controversial regimes. The value of the shares for which

Robeco exercised its voting rights from the Netherlands (Robeco funds and institutional mandates) totalled EUR 10 billion in 2004. In 2005 this figure will increase sharply to EUR 16 billion. The corporate governance principles are available on the Robeco website, together with an explanation of those principles and reports by Robeco on how it used its votes.

Adjustments to the investment strategy

Interpolis and the Rabobank Pension Fund invested for a number of years in sustainable stocks in the form of two pilot projects. However, in 2004, on the basis of that experience, they decided to stop investing in sustainable stocks as from 31 December 2004. One of the main reasons for this decision was that the financial results of both pilot projects were disappointing, with no clear signs of any improvement in the near future. For Rabobank Pension Fund, disposals of sustainable investments totalled around EUR 16 million, and for Interpolis the figure was around EUR 50 million.

During the period July 2001 (launch of the pilot) to September 2004, the yield achieved by Interpolis on the pilot came to -30.2%, while the performance of the benchmark was -21.1%; a difference of 9.1%, of which 7% was due to sustainability effects. As an alternative to the sustainable investment pilot, Interpolis is considering becoming one of the first insurers in the Netherlands to implement sustainable investment by the engagement method, i.e. by means of an active dialogue with companies in which it invests. This will strike a practical balance between social responsibility and financial responsibility towards policyholders. Interpolis has entrusted the implementation of the investment strategy to the asset manager, Robeco. At present, the Rabobank Pension Fund is also considering whether to opt for the engagement method.

Sustainable investment by individual Interpolis clients

Individual clients can still opt to invest the savings element of their life insurance premiums in Robeco DuurzaamAandelen. At the end of 2004, premiums invested in this way totalled EUR 2,732,000, roughly the same as the 2003 figure.

18) Source: Eurosif, Socially Responsible Investment among European Institutional Investors, 2003 Report, page 23

Summary of results for 2004 and 2005 objectives for incorporating CSR in portfolio investment and Investor Relations

Objectives stated in 2003 report	Results in 2004
● Robeco: make active use of voting rights at shareholders' meetings	In 2004 Robeco voted over 4,000 times at 368 shareholders' meetings
○ Rabobank Pension Fund Foundation: evaluate whether sustainable investment pilots achieved target returns	At the end of 2004 we decided to pull out of sustainable investing owing to disappointing returns
○ Schretlen & Co: launch portfolio investment in wind energy	Not yet done
Key objectives for 2005 and beyond	
- Robeco: chose whether or not to expand active dialogue with listed companies (engagement)	
- In relations with institutional investors, devote more attention to how Rabobank puts sustainability into practice	
- Rabobank Pension Fund and Interpolis intend to apply engagement method in investment strategy	
● target fully achieved ○ target partly achieved ○ target not achieved	

Management of sustainable stocks

Robeco offers a number of explicit sustainable products: Robeco DuurzaamAandelen, Robeco CDO Green Bonds and Robeco Sustainable Private Equity Fund of Funds. In 2004, the total assets under management in equities came to EUR 44 billion, of which EUR 147.7 million was invested in sustainable stocks. In 2003 the figure was EUR 200.6 million. The assets invested in sustainable equity products declined in 2004 because a number of institutional investors (including Interpolis, as described above) withdrew capital, the principal reason being the disappointing results of the sustainable universe.

Investor relations: emphasise PPP rating as well as AAA

In 2004 Rabobank once again organised Road Shows for institutional investors. During these visits, Rabobank introduces itself to potential bond buyers. In the presentations we highlight not only our AAA rating but also our PPP status, citing the favourable external assessment of our sustainability activities by the Zurich-based Sustainable Asset Management (SAM) rating agency. In 2005 we shall devote even more attention to sustainability and to how we, as a bank, can put that into practice in our relations with clients who buy our bonds.

Incorporating CSR in insurance

At Interpolis, the focus of CSR is gradually shifting to the core processes. Implementation of the Code of conduct for Insurers is the main way in which this is being put into effect. Compliance with the code of conduct can lead to ethical dilemmas in insurance operations. Dilemmas require alertness and careful handling on the part of employees. Workshops are intended to raise staff awareness; also, by setting up the Ethics Committee, Interpolis has institutionalised the handling of dilemmas.

Rules represent CSR framework for effecting insurance policies

Since 1 January 2004 the Code of Conduct for Insurers has also applied to Interpolis. This code consists of 31 rules divided into the categories Reliability, Professionalism, Solidarity, Social Responsibility

and Transparency. Clients and stakeholders can submit complaints relating to the code. No such complaints were received in 2004.

One of the most important rules in the code, and the most difficult to apply, is the one which states that Interpolis must not do business with persons, institutions or businesses engaging in activities which are prohibited by law or are considered socially unacceptable. Examples of such unacceptable behaviour include blackmail by individuals and fraud by construction companies. This rule is applied to both new and existing clients, though there is no obligation to conduct active investigations into the entire existing portfolio. The Ethics Committee set up by Interpolis in 2004 can be asked to give advice.

Incorporating CSR in leasing

In 2004 De Lage Landen did not take any specific action on the further integration of CSR aspects into leasing products and services. However, at the end of 2004 the management of De Lage Landen did decide to incorporate CSR in the leasing company's activities from 2005.

Accessibility of our services

Rabobank's distribution policy is designed to ensure a balanced combination of physical and virtual banking. Since more and more clients are using the virtual facilities (internet banking, electronic payments), visits to bank branches have declined steeply. In the past five years, just over 400 branches have closed down on the grounds of security, social policy and profitability. Often, these former bank branches are used for a new socio-economic function, in consultation with clients and members. Although most of our clients nowadays want to deal with their financial affairs themselves at their own convenience, we also accept social responsibility for those clients who have difficulty in keeping up with these rapid changes. Rabobank therefore devotes much attention to ensuring that its services are as accessible as possible for vulnerable groups such as the elderly and disabled. In the coming years we shall therefore actually expand the number of client interface points, thus

creating tailor-made local solutions. For vulnerable clients, such as the elderly and the disabled, the bank provides special services, e.g. the mobile banking bus, a taxi service to the bank and cash deliveries to the home.

Rabobank also wants to boost the vitality of thinly populated rural areas, in the interests of society. By offering supplementary forms of service we are responding to new local and social needs arising in various regions. Examples include the development of service outlets in collaboration with other operators in rural areas, and the introduction of the cash-back service. In 2005, Rabobank will remain very active in its quest for partners and for ways of contributing to the quality of life in small villages.

Modified cash dispensers for the elderly and the disabled

In 2004, in collaboration with the other large banks, associations for the elderly and interest groups representing people with physical disabilities, Rabobank produced a plan to make the use of cash dispensers in the Netherlands easier and more standardised, thus helping the elderly and physically disabled to continue withdrawing cash for themselves as long as possible. In 2004, Rabobank already took account of a number of the plan's guidelines when replacing or siting cash dispensers. Examples include an orientation point on the key pad, commonly recognised tactile symbols on the stop, correction and OK keys, a larger type face and user-friendly wording. Some guidelines have not yet been implemented, such as voice-activated cash dispensers, and the siting of one cash dispenser at wheelchair height in the case of two or more machines located side by side. In the years ahead we shall also implement these guidelines whenever modifying or replacing cash dispensers.

Aids for the visually impaired

Rabobank wants people to be able to deal with their banking affairs independently wherever possible. A number of aids are available for the visually impaired. Examples include current account statements in braille, leaflets in large print, and information in braille and on audio CDs. Since the end of 2004, local banks have been able to convert a braille current account statement into a braille statement to be used for a savings account. Rabo Telebankieren Extra enables the blind and partially sighted to arrange their banking affairs electronically. With the telebank card plus pin code and the telebank card scanner they can establish a secure link to the Rabobank website. With the aid of the braille reader, the screens are converted to braille or speech. In 2004, the Rabobank Foundation funded the development of a course on how to use Telebankieren Extra.

We deploy around 75 volunteers, often ex-employees, who visit care homes to explain how to use e-purse payment devices and loading points. The original target was to introduce e-purse systems in over 800 of the 1,600 care homes in 2005. By the end of 2004, 360 care homes

had e-purse facilities. Owing to mergers of care homes, this target has been adjusted to 600 care homes in the next two years.

We have also installed the first 25 talking e-purse loading points for the visually impaired and the elderly. A voice leads the user through the procedure, making it a great deal easier for many elderly and disabled people to load their e-purse. By the end of 2005, around 250 e-purse loading points in care homes and local Rabobanks should be equipped with a talking module.

Showing the mentally handicapped how to pay

In 2004, Rabobank developed interactive learning modules for Steffie.nl, a website where mentally handicapped people are shown how to go about making payments. The cartoon character Steffie gives a simple explanation of how to use the e-purse, cash dispenser and payment terminal.

Service outlets

The Service Outlet is a new type of location giving access to Rabobank services. These 'one-stop-shops' offer a wide range of basic facilities, including basic payment services, and thus represent an important step towards boosting the vitality of small villages and urban districts. Apart from Rabobank - which initiated the idea - and the local authority, various partners offer services relating to work, energy supplies and health. Every Service Outlet is tailored to the needs of local residents. In 2004 there were 16 Service Outlets altogether.

The cash-back service

In small village communities, the closure of bank branches and removal of cash dispensers can cause problems for certain clients (especially the elderly and the disabled). With the cash-back service, Rabobank offers its clients a way of drawing cash via a local shopkeeper. When paying by debit card, the client can request a higher figure than the amount payable, and receives the 'excess' paid out in cash (subject to a limit of EUR 150). At the end of 2004, there were 30 such outlets with a neon sign on the wall drawing attention to this service. In addition, over 100 shops have agreed to provide this service, though without any sign advertising the fact.

Customer satisfaction and dealing with complaints

Customers' satisfaction with the service provided says something about the importance which an enterprise attaches to its environment, its commitment to clients and hence to others, and the responsibility which it assumes in that respect. We go into this in detail in our general annual report. See www.rabobank.com.

Summary of 2004 results and 2005 objectives for the accessibility of our services

Objectives stated in 2003 report		Results in 2004
●	50 service outlets in the next few years	A total of 16 service outlets in 2004
○	Rabobank aims to introduce e-purse facilities in over 800 of the 1,600 care homes in 2005	Facilities available at 360 care homes by the end of 2004; target adjusted on account of mergers in the market
●	Introduce braille statements for savings accounts	Statements introduced
Key objectives for 2005 and beyond		
- Rabobank wants to continue expanding the service for vulnerable client groups in the coming years by opening around 50 service outlets, installing 250 talking e-purse loading points, introducing e-purse facilities at 600 care homes and modifying cash dispensers.		
●	target fully achieved	○ target not achieved
○	target partly achieved	

Responsibility for our products and services

It befits our socially responsible approach that Rabobank Group devotes full attention to providing our clients with the best possible financial services. Our responsibility begins with the development and marketing of products and services and ends with the points of sale and distribution. We pay close attention to privacy and security here.

Principle of prudence in product development and launch

At Rabobank Group, a committee chaired by Piet Moerland, a member of the Executive Board, is responsible for the principle of prudence in the development and launch of products for distribution via the local Rabobanks. The aim of this committee is to establish a set of standards, a process description and process planning for the development and launch of products. The committee has delegated to the Private Clients, Private Banking and SME market departments the authority for testing and evaluating products developed and launched for distribution via the local banks. The 'General Rules on Approval for Serving Private Clients 2004' specify that local banks must obtain the prior written approval of Rabobank Nederland before offering products and services which they have developed themselves, or products and services supplied by third parties (organisations not belonging to Rabobank Group).

Banking confidentiality

Eight complaints were received in 2004 regarding non-compliance with the privacy rules (breaches of banking confidentiality). All the complaints were found to be groundless.

Security and privacy for clients in the banking premises and on the internet

Banking and trust must go hand in hand. Since more and more people have a subconscious feeling of insecurity, Rabobank is paying ever increasing attention to security and to making its clients feel safe.

Safeguarding privacy in the banking premises

Privacy in the banking premises is safeguarded by the layout, the way people are routed through the branch, and the instructions to staff. In the case of cash dispensers, we protect clients' privacy by careful siting of the machines and by the user instructions presented on the cash dispenser screen. In 2004, we received 12 complaints regarding privacy on banking premises.

Security in and around the banking premises

Last year, Rabobanks were the target of 25 raids, which is six fewer than in 2003. The total number of raids on all financial institutions in the Netherlands came to 92 last year, just one less than in 2003. Over a quarter of all bank raids occur at a Rabobank. But unfortunately, that is bound to be the case in view of the large number of branches that we have. Even so, the risk of a raid on a Rabobank branch is only one in 53, compared with one in 36 for all bank branches in the Netherlands. A total of 17 clients were present during the raids in 2004 (2003: 38). They can ask for counselling to deal with the emotional trauma of the raid, as can the staff concerned.

Outside the banking premises, there were a few incidents in which clients were threatened, but these incidents were beyond the control of the bank.

We safeguard the security of staff and clients in our banking premises by means of the alarm buttons, which alert the police in the event of a raid, and the installation of camera systems (usually digital).

The procedures to be followed by our employees put the safety of clients and colleagues first in the event of an emergency. Outside the banking premises we try to protect client safety through a good choice of location, lighting, instructions on the screen and cameras.

Advertising

If an advertisement is thought to violate the Dutch Advertising Code, a complaint can be submitted to the Advertising Code Committee.

In 2004, three complaints were submitted. The Advertising Code Committee ruled against one complainant, while the other two complaints were found to be justified.



New markets and sustainable services

Rabobank Group considers it important to keep up with what is happening in society, and wants to have a share in that. Initiatives and new developments in society often stem from the need for change, improvements and progress. This actually gives rise to new sustainable markets with new client groups. By maintaining a close involvement, we obtain a large amount of interesting information which we can use in developing innovative services.

In 2004, Rabobank Group continued to take significant steps in various new markets. We also identified the needs of private and corporate clients in terms of sustainable products and services, and developed new activities in that area. In this chapter we shall examine:

- new markets;
- research on client attitudes towards sustainable products and services;
- sustainable investment funds and bonds;
- green loans;
- insuring social risks;
- financing sustainable projects;
- leasing environmental technology;
- products and services for new businesses initiating sustainable ideas.

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New markets with their own specific products and services

Rabobank is receptive to social change and the resulting new requirements among clients. It is constantly tapping new markets. A new market may consist of a group of clients, such as the growing ethnic minority market in the Netherlands, which is becoming steadily more important for Rabobank. But a new market can also comprise specific products and services which respond to a new client need. One example is the obligation on many European businesses to limit their greenhouse gas emissions. For ideas on new markets, see www.rabobank.com (About Rabobank, CSR).

The ethnic minority client market

In the four large cities in the Netherlands, ethnic minorities represent almost 30% of the population. Access to good financial services is vital for their emancipation in Dutch society. Rabobank wants to make a contribution here. In view of demographic and economic trends, it is also of strategic importance for us to enlarge our share of the ethnic minority market. In 2004 we made the provision of services to the ethnic minority market a spearhead of our urban strategy.

To facilitate contact with ethnic minority clients, we set up the Diversity Network, which operates partly as the Rabobank Group's intermediary for dealing with networks of people from Turkey, Morocco, Surinam and the Netherlands Antilles. By consulting these networks we become more familiar with the wishes and expectations of these target groups. This change in the clientele will have to be matched by corresponding changes in the bank's management bodies, the product range, communication and personnel.

Testing of Islamic savings product

Rabobank wants its service to take maximum account of clients' cultural and religious views which influence their financing requirements. In 2004 we investigated whether there is a need for an Islamic savings product. This is a product on which no interest is paid out; instead, the earnings are paid to a good cause specified by the client. To gain practical experience in this field we are launching a pilot in 2005, in the form of a 'charity account' at the local Rabobanks in Utrecht and Boskoop. This account is also intended for clients who, for reasons other than religion, wish to transfer the earnings on their savings account to a good cause.

Developments in the market for climate products in 2004

Climate change will have a major impact not only on the environment but also on the economy. Businesses increasingly have to contend with regulations intended to restrict their emissions in order to limit the effects of climate change. These developments represent a risk to a growing number of businesses. As a global financial service provider, Rabobank wants to contribute towards greenhouse gas reduction and risk management. For that purpose we are developing new products and services for our clients. We inform them of these at meetings, and are also working actively to help set up a market in emission rights. Some of our current climate products and services are listed below.

- Purchase of emission rights (via the Carbon Procurement Department).
- New Values, an electronic trading platform for emission rights (CO₂ and NO_x) and Certificates of Origin for energy from renewable sources. New Values is a Joint Venture set up by Rabobank and TenneT.
- Management of CO₂ compliance risks and the risks of increasingly volatile weather via the Environmental Financials Products unit at Rabobank International.

Carbon Procurement Department for buying and selling emission reductions

By signing the Kyoto Protocol, the Dutch government has entered into an international agreement on the reduction of greenhouse gas emissions. Rabobank and the Dutch government concluded a master contract in 2003 for the purchase of 10 million tonnes of greenhouse gas emission reductions. We are acting as the agent for the Dutch State in identifying, monitoring, certifying and purchasing CO₂ emission rights (Certified Emission Reductions or CERs) in developing countries. In some cases, the additional income from the sale of emission rights means that

projects which would otherwise be difficult to finance can go ahead after all. As well as reducing harmful emissions, these projects also directly or indirectly strengthen the local economy, e.g. by infrastructure improvements and job creation.

Rabobank has set up a special department for buying and selling emission rights: the Carbon Procurement Department (CPD). CPD analyses project proposals in terms of greenhouse gas reduction and financial feasibility, and enters into negotiations with project owners on contracts for the purchase of CO₂ rights. In 2004, CPD had 12 projects in progress, aiming to arrange contracts for 10 million tonnes of emission reductions in 2005. In three of these projects, our regional branches in India, Mexico and Brazil stated that they wished to participate in the underlying project financing. Rabobank India has already provided financing for one project: this concerns the processing of industrial greenhouse gases, whereby 99.99% of the emissions are converted to harmless gas. CPD is also in talks with a number of project developers for an additional 2-4 million tonnes of CO₂ emission rights, to cover any shortfall or supply risks in the present portfolio. In 2005 the project proposals are to be developed into actual purchase contracts. CPD regards the period from 2005 to 2007 as a transitional phase: trading in CERs will not really take off until 2008, as stated by the Kyoto Protocol.

New Values launches trading platform for CO₂ emission rights

Rabobank is one of the shareholders of New Values, alongside TenneT, the manager of the Dutch high voltage network. Market players can use this electronic trading platform to trade in emission rights and certificates of origin. New Values is an organisation to which a number of parties contribute expertise. We took the initiative in setting up New Values because our clients in the corporate market are increasingly facing statutory emission limits. Businesses can respect these by reducing their own emissions, or by buying emission rights from businesses which can cut their emissions more cheaply. In mid 2004, New Values launched an electronic platform for trading in CO₂ emission rights: the European Climate Exchange (Climex). In the autumn of 2004, Climex carried out a trial run in advance of CO₂ emission rights trading, which was officially launched on 1 January 2005. New Values has set itself a target for 2005 of attaining a trading volume of 6 tonnes of NO_x, 6 megatonnes of CO₂ and green certificates for 1,000 GWh (i.e. one billion kWh of energy from renewable sources).

Managing the risks of extreme weather variations

Our climate is noticeably changing. The weather is becoming less predictable, and that entails significant financial risks for various sectors, such as energy, agriculture, the food industry, and tourism, but also for governments. Rabobank can help businesses and governments to improve their management of the financial risks presented by climate change and fluctuations in the weather. Rabobank International has set up the Environmental Financial Products (EFP) department in London for this purpose. EFP is concerned with products specifically designed

for businesses and governments, to mitigate the risks which they face as a result of more volatile weather and the regulations relating to emissions. Five derivative deals were concluded in 2004.

The market for cleaning up contaminated soil

Over the years, industrial activities have caused soil contamination at thousands of industrial sites in the Netherlands. The changes to the law which the government is planning will make the industrial site owners and tenants responsible for solving the soil pollution problem, rather than the parties causing the pollution. In anticipation of this, Rabobank has conducted research into a comprehensive solution for businesses faced with soil decontamination. In 2004, as a result of that research, Rabobank acting jointly with a number of parties from industry prepared a new service for tackling soil pollution at industrial sites. In January 2005 we signed a letter of intent in that connection with the umbrella and industry organisations (Bovag, Netex, Koninklijke Metaalunie, FME-CWM (Employers' organisation for the metal and electrical engineering industry), MKB-Nederland (the Dutch SME association) and VNO-NCW (the Confederation of Netherlands Industry and Employers)). The initiators are jointly establishing a new organisation under the name of Stichting Bodemcentrum (the Soil Centre), which will act as a subcontractor, taking over the entire problem of soil pollution and decontamination for companies. The Soil Centre wants to relieve companies of the risks and uncertainties and offer them cost and quality benefits. Rabobank is in charge of the project and is developing all the associated financial aspects, including a special credit facility. The Ministry of Housing, Spatial Planning and the Environment will provide policy and financial support for the initiative.

The aim of the centre is to decontaminate the soil at 12,000 to 15,000 industrial sites before 2030. That amounts to around 500 soil decontamination projects per annum. The total cost of the industrial decontamination is estimated at EUR 2 billion. Companies which carry out decontamination often qualify for a government subsidy.

What do our clients want in terms of sustainable products?

Rabobank Group conducts regular surveys of society's requirements, e.g. via customer satisfaction surveys, group discussions, and panels of clients and members. In the process, we also check what sustainable products are required by consumer groups. In 2004 we conducted various surveys to gain a better idea of what clients know about sustainable savings and investment products, and of their opinion of such products.

One of the surveys consisted of discussions with private clients of two local banks which had taken part in two pilot projects with special savings accounts launched in 2002 and 2003: the Pingu-account offered by Rabobank Emmen (in collaboration with Noorder Dierenpark (zoo) in Emmen) and the Koffiespaarrekening [Coffee Savings Account] offered by Rabobank Leiden and Oegstgeest (in collaboration with organisation Café de Origen). These discussions revealed that clients like the idea

of explicitly earmarking savings for a particular socially responsible or sustainable project. One dilemma which we face in connection with such earmarked accounts is that the central organisation objects to offering this product on the grounds of efficiency and product standardisation, while at local level this product can offer something extra for the positioning and marketing strategy of local Rabobanks. This choice will be a factor whenever this form of account is proposed.

Another survey which we conducted in 2004 concerned individuals' knowledge of green investment and their attitude towards it. The study showed that the general public is still basically unaware of and unclear about green portfolio investment and green loans. The study also indicated that they become much more enthusiastic once they know more about it. Private investors with experience of green investment attach less importance to the tax advantage, but take a greater interest in the content of the green projects to be financed. The survey revealed that there are still ample opportunities for Rabobank in green portfolio investment. We are using targeted campaigns to get more private investors interested and involved in our environmental efforts.

In 2004 Rabobank also commissioned a survey of clients' intentions and behaviour with regard to sustainability and the purchase of sustainable savings products. The survey showed that people as citizens exhibit more consistent behaviour because they act more in accordance with their civic responsibility. In contrast, as consumers people are very sensitive to their own image, and that has a great influence on their conduct. It seems that citizens and consumers are often two different people in one. However, it is the person in his role as a consumer who actually buys the product. Consumers want to be offered a product which they see as fashionable and trendy. The results of this survey gave us a better idea of what various consumer groups want by way of sustainable products. This is useful information for product development and marketing.

Stocks of sustainable listed companies

Robeco screens 2,300 companies worldwide against more than 40 criteria relating to socially responsible business practices. For this purpose, the asset manager relies mainly on the global research capacity of the firms EIRIS and Innovest. EIRIS specialises in collecting data on the ethical nature of companies. Innovest supplies analyses of social responsibility at sector level. Robeco's Socially Responsible Investing team deals with the interpretation of all these data. The team uses sophisticated software to check all the corporate data supplied by EIRIS against the above criteria and thus awards a score for social responsibility to all the companies being researched by Robeco. The score achieved is used to decide whether to admit a company to the universe of socially responsible organisations. From these, Robeco selects the shares to be included in the Robeco DuurzaamAandelen Fund or the Robeco CDO Green Bond Fund.

Although the results of ethical investing fell short of expectations in 2004, society is still very interested in the concept. Rabobank and Robeco duly responded in 2004 by launching a number of new products and

Summary of 2004 results and 2005 objectives for new markets with their specific products and services

Objectives stated in 2003 report	Results in 2004
● Launch CO ₂ rights trading platform	Climex trading platform launched in mid 2004
○ Continue to develop Sustainable Water Facility proposal	Not achieved, not feasible
● Detailed plan for Diversity Network activities	Several internal and external meetings were organised
○ Development of Sustainable Water Facility	The proposal offered insufficient opportunities
Key objectives for 2005 and beyond	
<ul style="list-style-type: none"> - Serving the ethnic minority market is a spearhead of the urban strategy - Set up a pilot 'charity account' at Rabobank in Utrecht and Boskoop - In the carbon market, Rabobank wants to strengthen its position by concluding contracts for the purchase of 10 million tonnes of emission reductions, attaining a trading volume of 6 tonnes of NO_x, 6 megatonnes of CO₂ and 1,000 GWh in certificates of origin via the New Values trading platform and by concluding around 15 weather derivatives deals - Rabobank expects to finance an average of 500 soil decontamination projects each year from 2006 	
<p>● target fully achieved ○ target partly achieved ○ target not achieved</p>	

services in the ethical investment segment. We expect to achieve an attractive return on these products. Apart from the existing Robeco DuurzaamAandelen and the IRIS advisory service, we have set up the Robeco Sustainable Private Equity Fund of Funds, and Rabobank has issued the Robeco CDO Green Bond.

CSR scan of investment portfolios and stocks by IRIS

IRIS, the research institution of Rabobank and Robeco, issues Triple P opinions, containing advice on sustainability for clients of Robeco Direct, the local Rabobanks and Schretlen, among others. IRIS compiles the Triple P opinion - made up of components concerning People, Planet and Profit - on a sector-neutral basis. The unique element of the IRIS Triple P opinion is that it adds a profit score to the usual sustainability scores for People and Planet accorded by the main rating agencies. This creates a balance, while at the same time providing a transparent overall picture of a company's conduct in terms of sustainability. IRIS arrives at the People and Planet scores on the basis of data from the highly respected agency EIRIS. The profit score is awarded by IRIS itself. Apart from the Triple P opinion, IRIS also awards 10 negative screens (e.g. for alcohol, fur and tobacco) which clients can use as a basis for determining the ethical direction of their investment strategy.

Disappointing results on Robeco DuurzaamAandelen

In 2004 Robeco DuurzaamAandelen underperformed the benchmark. The fund gained 0.8% (on the basis of net asset value) against 2003, while the benchmark, the FTSE 4 Good Global Index, rose by 3.2%. On 31 December 2004, the assets invested in Robeco DuurzaamAandelen totalled almost EUR 81 million. Last year, small company shares performed better than those of large companies. Also, investors preferred companies with low valuations and below average earnings growth, rather than companies with higher valuations aiming at above-average earnings growth in the long term. Research by Robeco shows

that sustainability is often associated with above-average earnings growth and higher valuations in the long term. Robeco expects these funds to do better in 2005. The investment strategy therefore remains unchanged.

The disappointing results prompted the Interpolis Pension Fund and Rabobank Pension Fund to adjust their sustainable investment strategy and switch to engagement, i.e. raising CSR issues in an active dialogue with listed companies (see also chapter 4).

Link-up with Alliance of Religious Conservation

Religious organisations are becoming much more aware of the need to manage assets in accordance with principles which conform to their beliefs. In this connection, Rabobank and Robeco support the Alliance of Religious Conservation (ARC). ARC has set up the International Interfaith Investment Group (3iG) to assist international religious organisations in the development of asset management plans incorporating not only financial criteria but also criteria concerning sustainability, such as environmental and social policy and corporate governance. Investments in the Robeco DuurzaamAandelen fund and the Robeco Sustainable Private Equity Fund of Funds satisfy the criteria and have a role to play here.

Launch of Robeco Sustainable Private Equity Fund of Funds

In 2004, Rabobank and Robeco developed the world's first sustainable private equity fund: Robeco Sustainable Private Equity Fund of Funds. The fund is not listed on the stock exchange and is intended mainly for institutional clients, foundations, charities and wealthy individuals. The fund achieves sustainable investment by a two-pronged approach. On the one hand, it invests in funds which in turn invest in companies in sustainable sectors such as sustainable energy, water and environmental technology. The Robeco Sustainable Private Equity Fund of Funds

also invests in the best ordinary funds. As part of this, the Investment Adviser (the Rabobank Group Corporate Social Responsibility department) assists the fund managers in improving the CSR performance of the companies in order to boost the investment performance, e.g. in terms of good management and supervision models and transparent reporting on activities and results. The fund has a target volume of USD 200 million. Robeco and Rabobank have each issued a commitment for USD 40 million in the fund. The first closing is expected to take place in the second quarter of 2005.

Launch of Robeco CDO Green Bond

For the future development of CSR it is important to augment the range of sustainable products and services. One important way of achieving that is to increase the sustainability of popular financial products. The Collateralised Debt Instrument (known by the Dutch acronym: CDO) is one example. CDOs are bonds in which money is invested indirectly via a loan portfolio comprising corporate bonds and loans to international companies. Investors are paid a risk premium for this indirect investment, the premium being offset in the yield on the CDO. The yield on these bonds is higher than on ordinary bonds, though investors do run the risk that one or more companies in the portfolio may go bankrupt; that would affect the yield on the CDOs and their redemption.

Last year there was keen interest in the current range of CDOs, so that Rabobank Group together with Robeco launched a sustainable variant on the market in 2004: Robeco CDO Green Bond. The underlying credit portfolio for this product consists of corporate bonds and loans issued by companies operating in a socially responsible way. These companies are selected on the basis of Robeco's social responsibility criteria: absolute criteria entailing the exclusion of certain sectors such as tobacco, weapons and gambling, and relative criteria leading to selection of companies that rank among the 10% most socially responsible businesses in their sector. The funds raised by issuing the CDO Green Bond are used by Rabo Groen Bank to finance environment-friendly investments. The initial interest rate is roughly 2% above that on the ordinary Rabo Green Bond. Under the Green Investment Regulation, private investors are eligible for tax concessions in respect of the Robeco CDO Green Bond, just as in the case of the ordinary green bond. The composition of the product and the application of the funds raised therefore both represent an increase in sustainability applied to a current investment product.

Future developments in the design of the green CDO will take particular account of the duty of care towards investors. For instance, the Robeco label was used to indicate that this product is different from the usual Rabo Green Bonds offered by Rabobank. A separate leaflet was produced together with a prospectus in Dutch, whereas it is normal market practice to produce prospectuses in English. We also aim at a high standard of transparency. The underlying portfolio of sustainable companies, based on the DJ Sustainability index, can be found on the Robeco website (www.robeco.nl). The first issue raised a total of around EUR 30 million - a pleasing result bearing in mind that this is an entirely new product.

Rabo Groen Bank

With Rabo Groen Bank B.V., Rabobank is the clear market leader in green loans, with a market share of around 50%. In particular segments, such as organic farming, wind energy and Green Label Glasshouses, Rabo Groen Bank is the leading green company in the Netherlands. The same applies, particularly since 2004, to the financing of agricultural nature conservation. Our strong market position is due largely to the local Rabobanks, while alliances with other group units such as Rabobank International, Corporate Clients and De Lage Landen are also a contributory factor. More than three quarters of the local banks are involved in the provision of green loans. Also, virtually all the Rabobanks are involved in the sale of green bonds to private clients.

Tightening up the Green Scheme and encouraging eco-innovation

The Green Scheme has proved indispensable for facilitating projects which yield substantial environmental benefits in the Netherlands. Since the scheme was launched in 1995, Rabobank has provided green loans for over 2,100 projects. The Green Scheme is based on a tax concession for private investors. Rabo Groen Bank can therefore pay a lower nominal interest rate on green bonds, since that lower interest is offset by tax concessions. On that basis, Rabo Groen Bank can offer a reduced rate of interest to entrepreneurs investing in environment-friendly projects, making it attractive to opt for such investments. Rabo Groen Bank invests at least 70% of the 'green' funds raised in projects which the government has approved for the Green Scheme. These are projects relating to woodland and nature, and sustainable innovations in business processes, such as organic farming and horticulture, sustainable construction, renewable energy and other types of environment-friendly investment.

Summary of results for 2004 and 2005 objectives for investing in sustainable stocks

Objectives stated in 2003 report

Results in 2004

- | | |
|--|--|
| <ul style="list-style-type: none"> ● Launch Robeco Sustainable Private Equity Fund of Funds for institutional investors and wealthy individuals | <p>The Robeco Sustainable Private Equity Fund of Funds was developed in 2004</p> |
|--|--|

Key objectives for 2005 and beyond

- First closing of the Robeco Sustainable Private Equity Fund of Funds in the second quarter
- First investments in Robeco DuurzaamAandelen via Alliance of Religious Conservation (ARC)

- target fully achieved
 ◐ target partly achieved
 ○ target not achieved

We expect the government to modify the Green Scheme in 2005, the main outcome being more stringent criteria for Green Label Glasshouses. Tightening up the Green Scheme will ensure that it remains an up-to-date, powerful and effective method of encouraging ecological innovation.

It will be some time yet before the Green Scheme is introduced throughout Europe. An initial survey of the application of the scheme outside the Netherlands has already begun, at the instigation of Rabobank together with European Partners for the Environment in Brussels, and the French and Dutch governments. A key reason for our involvement is that it ensures strong political support for the Green Scheme in the Netherlands. Also, we consider that this form of sharing expertise between organisations and governments from several countries can boost our knowledge of sustainability and offer us opportunities for developing new sustainable products.

Asset growth of EUR 512 million

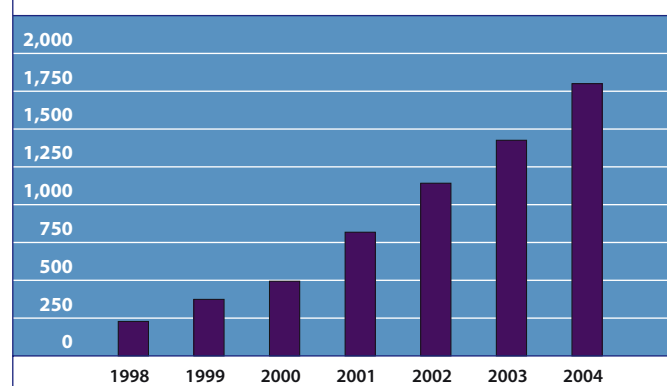
Just before the end of 2004, Rabo Groen Bank's total assets passed the EUR 2 billion mark. Gross funding had thus increased by around EUR 512 million, including EUR 482 million from 13 issues of Rabo Green Bonds maturing after 3, 5 and 7 years. The bank raised almost EUR 30 million by issuing Robeco CDO Green Bonds.

Substantial increase in lending

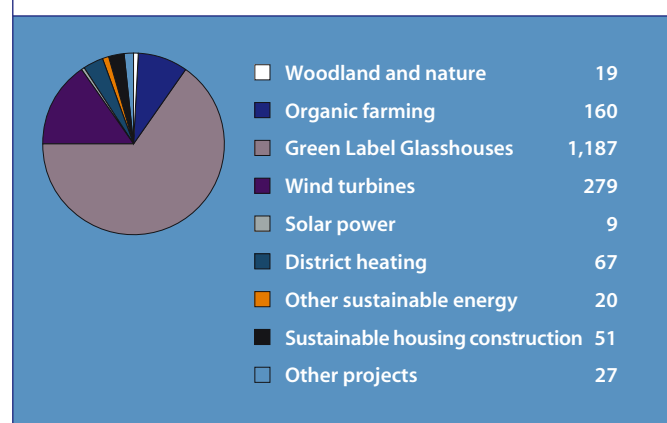
Rabo Groen Bank had an extremely good year in the provision of green loans. Gross lending increased by around EUR 534 million last year, over 25% more than in 2003. The total green loan portfolio grew to over EUR 1.8 billion. The number of outstanding projects increased by 269 (18%) against the previous year to reach 1,803. The Green Scheme comprises various categories of projects for green loans. The main growth areas for Rabo Groen Bank lending were Green Label Glasshouses (36%), wind turbines and wind farms (24%) and agricultural nature conservation. Although there was a large percentage increase (77%) in agricultural nature conservation, the amounts involved (EUR 14 million) are still modest in view of the nature of the activities.

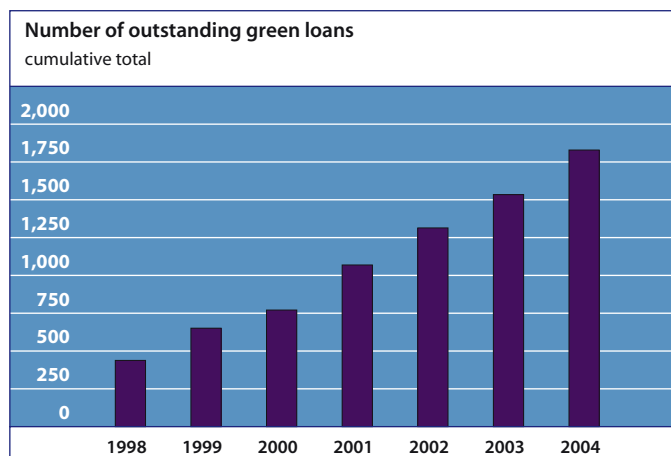
The large increase in lending was generated by additional marketing campaigns conducted by Rabo Groen Bank and the changes to the Agricultural Nature Conservation Subsidy Scheme (known by the Dutch acronym: SAN) in line with EU legislation, giving a substantial boost to the financing of nature conservation carried out by individuals and farmers. There was a small - 4% - increase in green loans to organic farmers, despite the difficult market conditions in this sector.

Volume of outstanding green loans
in EUR millions, at year-end



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





Sustainable project financing by Rabobank International

Via Project Financing, Rabobank International is involved worldwide in the financing of projects with a significant sustainability aspect.

For example, in recent years Rabobank International has been involved in wind energy projects generating over 2,900 megawatts: enough to supply electricity for over 1.9 million Dutch households. In the Netherlands, Rabobank finances roughly 40% of the existing installed capacity of 1,000 megawatts. Since 2004, Project Financing has concentrated entirely on Dutch projects, dropping international projects because of the risks involved. In the past few years we have lost money on some foreign project financing accounts. Moreover, foreign project financing is not a growth market for Rabobank International. In the Netherlands, we are the market leader in financing wind turbines and in the field of environment-friendly projects such as horticultural glasshouses. Apart from existing projects, Project Financing funded six new projects in 2004, while the total volume of lending came to EUR 200 million.

Insuring social risks

Insuring social risks entails responding to social trends. Interpolis does this with the environmental damage insurance policy, for example.

Environmental damage insurance at Interpolis

The environmental damage policy is intended mainly for the agricultural sector and for small and medium-sized enterprises. With this policy, businesses can cope with the effects of environmental damage caused, for example, by polluted water, contaminated soil, fires or explosions. It also gives entrepreneurs an idea of the risk of causing environmental damage as a result of their business operations. The number of policies in the portfolio increased from 50,300 at the end of 2003 to 51,990 at the end of 2004. 57% of these policies are sold to the agricultural sector and 43% to the SME sector. Premium income totalled EUR 7.1 million. In 2004 we received 216 claims, compared with 311 in 2003.

'OndernemerZeker' [Security for Entrepreneurs] and 'PersoneelZeker' [Security for Personnel] package policies

Owing to the scarcity of qualified staff on the labour market, privatisation of social security and the need for more flexible working conditions, employers in the SME sector are becoming increasingly aware of the importance of human capital. Interpolis is responding by offering the

OndernemerZeker package and the PersoneelZeker package. In addition to financial products such as absenteeism and pension insurance policies, employee savings and special leave savings schemes, this package also includes services relating to absenteeism prevention and reintegration, child care and the communication of conditions of employment to employees. By 2004, sales of these packages totalled 80,632 policies, with premiums totalling EUR 306,607,000.

Funeral insurance policy for the mentally handicapped

In the spring of 2004, Interpolis developed a special funeral insurance policy for persons with a physical and/or mental handicap. This was done at the request of the ASVZ foundation, an organisation which looks after the interests of persons with a physical and/or mental handicap. During 2004, around 30 policies were effected as part of a pilot scheme. This number is still too small to permit evaluation.

Leasing of eco-technology

De Lage Landen is trying to offer local Rabobank clients as much help as possible in the use of the various environmental incentive schemes. By using a lease product, with the leasing company claiming the tax concessions and making direct allowance for them by cutting the financial cost to the entrepreneur, it is trying to encourage maximum use of investments which protect the environment.

Green lease

In 2004, green lease products represented a total of EUR 58 million, whereas the 2003 figure was EUR 30.7 million. The reason for this rise is a further increase in the use of combined heating and power plants.

Up to 2003, De Lage Landen made active use of tax schemes for offering green lease products. The Dutch government made severe cuts in these tax concessions with effect from 2002 by abolishing the VAMIL scheme which had allowed accelerated depreciation in the case of a number of environmental investments. That caused a steep decline in the number of green lease products in 2003 (2003: 10). The energy-saving investment allowance scheme (known by the Dutch acronym: EIA) remained in place. However, in 2004 De Lage Landen did succeed in selling more green lease products (45) than in 2003. The market had needed time to react to the tax changes, and it was only during 2003 that investment was resumed.

Leasing of combined heat and power plants and wind turbines

Equipment leasing makes it possible to lease combined heat and power plants and wind turbines. In 2004, De Lage Landen spent EUR 33 million on financing 28 combined heat and power plants (11 totalling EUR 10 million in 2003) via lease arrangements with energy investment allowances. This increase is due to the growing use of combined heat and power plants in horticulture. Combining heating with the generation of electricity and CO₂ has proved highly efficient and financially attractive. We can expect this demand to be sustained in 2005, but willingness to invest will decline because the government is cutting back on the EIA scheme in 2005.

In 2004, De Lage Landen used lease arrangements with energy investment allowances to finance 5 wind turbines for a total of EUR 6 million. We had expected to be able to lease 10 wind turbines in 2004. Success was dependent on the operators obtaining the necessary licences. Owing to changes to the regulations on taxation and subsidies, such as the introduction of the Electricity Production (Environmental Quality) Act (Wet Milieukwaliteit van de Elektriciteitsproductie, MEP) and a number of adjustments to income tax, some operators opted for other forms of financing. De Lage Landen had approved finance totalling EUR 13 million for wind farms in 2003, but as a result of the changes to the regulations the financing did not actually go ahead in 2004.

Encouraging business start-ups with sustainable initiatives

Rabobank pursues an active policy of helping entrepreneurs to set up their own business. In 2004, it launched the Rabo OpstartLening and the Rabo StimuleringsLening for that purpose. In principle, new businesses with a high profile in terms of sustainability can also be considered for these loans. Since sustainable initiatives, by their nature, often require an individual approach, businesses can apply to the Money Meets Ideas service and, in particular, the Rabo Innovatiekapitaalfonds. In addition, we use the 'Herman Wijffels Prize for Innovation' to encourage people to start sustainable, innovative businesses.

Money Meets Ideas

People starting a business and looking for risk capital regularly knock on our door. Often, ordinary forms of bank financing are no use to these clients. With that in mind, we set up a new service for these businesses in 2004, under the name Money Meets Ideas (MMI). MMI links entrepreneurs with investors. In this way, we help businesses in the early stage of their development. Our scheme also meets the needs of wealthy clients wishing to invest directly in a business. Altogether, over 400 plans were submitted to MMI in 2004. Of those, 35 were selected for investors in the network. In order to bring entrepreneurs and investors together, we arrange regular regional Investors' Meetings around the country. A total of 30 businesses presented their plans to investors at these meetings, and 8 were granted financing. Two of these had a high sustainability profile. These deals are worth around EUR 0.8 million, 50% of which was contributed by Schretlen & Co. We expect to double that figure in 2005.

Rabo Innovatiekapitaalfonds

The Rabo Innovatiekapitaalfonds provides venture capital for small-scale, sustainable, innovative projects with products on the threshold of market launch. In 2004 we received 102 applications (2003: 85). 91 of these were rejected (2003: 81). Rabo Innovatiekapitaalfonds granted three applications. The small number of deals is due to the quality of the projects, which often fails to satisfy the fund's innovation criteria and the sustainability requirements. In some cases, too, the applications fall outside the investment scope of the Rabo Innovatiekapitaalfonds, or the business is overvalued in our opinion.

The first business in which the fund invested in 2004 produces incubators for the poultry sector. It has developed a new system for the first few days of the chicks' life, improving animal welfare and cutting costs. The second business produces honey for the treatment of wounds. The third specialises in high-quality micro filter systems for fluids. These systems are used in the process of filtering beer, water, milk and wine, for example.

Young entrepreneurs help to push back the boundaries

The Rabobank's Herman Wijffels Prize for Innovation is an initiative to encourage new entrepreneurs to engage in sustainable and innovative operations. The jury assesses the entries not just on the basis of their commercial and entrepreneurial qualities, but also in terms of cooperative and socially responsible entrepreneurship.

In 2004, the first prize in this competition was awarded for the design of an innovative pig pen, featuring daily removal of the manure via conveyor belt. This drastically reduces the emission of ammonia and makes the pigs far less susceptible to disease, especially lung disease. The sickness rate for pigs in traditional pens is 25%, but with these pens it is only 7%. The entrepreneur also designed a two-tier pen made of steel, which does not consume any energy for heating.

Summary of results for 2004 and 2005 objectives for financing sustainable initiatives

Objectives stated in 2003 report		Results in 2004
●	Total assets of Rabo Groen Bank to reach the EUR 2 billion mark	Passed the EUR 2 billion mark
●	New products for green financing	Launch of Robeco CDO Green Bond
○	De Lage Landen expects to lease ten wind turbines in 2004	Expectations have not been met owing to changes in regulations
●	Launch Money Meets Ideas (MMI) to bring together informal investors and entrepreneurs needing capital	Altogether, MMI received over 400 plans in 2004, of which 8 were financed
Key objectives for 2005 and beyond		
- Rabo Groen Bank: increase diversification in green project portfolio		
- De Lage Landen to continue encouraging sales of green lease products		
- Money Meets Ideas: double the number of plans financed		
- Rabo Innovatiekapitaalfonds: number of investments in 2004 to be exceeded in 2005		
●	target fully achieved	○ target not achieved
◐	target partly achieved	

Banking in developing countries

There are over 4 billion people in the world without access to financial services. This imposes serious constraints on their economic development and is a problem that merits an extra effort on the part of governments and private players. As a cooperative, socially committed bank, we feel that it is our duty to make a contribution here. Encouraging rural economies in developing countries is entirely in line with our own history and development.

On the eve of 2005, proclaimed the year of micro credit by the UN, Rabobank officially launched the Rabobank Development Program. Under this label, we aim to share the successful, proven formula of cooperative and rural banking with financial institutions targeting rural areas.

Rabobank Development Program

Under the Rabobank Development Program label, Rabobank pursues activities aimed at the development of rural economies in developing countries and emerging markets. Encouraging rural development is in line with Rabobank's mission and background. The activities of the Rabobank Development Program are intended to provide access to financial services for farmers, small and medium-sized entrepreneurs and private individuals. Rabobank will share its knowledge and expertise with a select number of financial institutions in a limited number of developing countries. In so doing, Rabobank will make a direct contribution towards enhancing the economic independence and prosperity of these target groups. Although the Rabobank Development Program is a professional scheme, it is not subject to the same risk and return requirements as we impose on our other activities. The Rabobank Development Program label covers Rabo Financial Institutions Development B.V., with its subsidiary Rabo International Advisory Services B.V. (RIAS), and the foreign activities of the Rabobank foundation. It expressly excludes the commercial activities of Rabobank International in these countries.

Rabo International Advisory Services B.V. (RIAS)

Rabo International Advisory Services B.V. (RIAS) offers management advice and technical assistance in rural banking, cooperative development and agricultural chain development. RIAS helps to improve the expertise and management quality of financial organisations in emerging markets and developing countries via studies and seminars arranged by the World Bank and the Dutch government, among others. It advises institutions such as the World Bank and makes management capacity available to organisations. The central objective is to increase access to finance for small and medium-sized businesses and farmers in rural areas.

In this chapter

Rabobank Development Program	>
Rabo International Advisory Services B.V. (RIAS)	>
30 years of the Rabobank Foundation	>
Activities of Rabobank International in developing countries	>
Wide deployment of Rabobank staff	>
Corporate publicity campaign concerning Rabobank in developing countries	>
Banks and the government unite in development of the financial sector in developing countries	>
Doornbos Committee	>

For the purpose of carrying out projects, RIAS generally works with large multilateral and bilateral organisations, such as the International Finance Corporation, the World Bank, the European Union and the European Investment Bank. In 2004, small units were set up under the RIAS banner at Rabobank International branches in Bombay and Singapore. They initiate and support projects in their region.

In 2004, RIAS advised the World Bank on how it can help to encourage the provision of finance for farmers in developing countries. The survey focused on the financing needs of producers, the financing conditions for primary products and the influence of other players in the production chain.

One example of projects carried out by RIAS in various countries is the development of new products for the Principal Bank for Development and Agricultural Credit (PBDAC). It has also trained employees of that bank in providing financial services for the market. In addition, it advised this bank, which is the largest rural bank in Egypt, on the formulation of a strategy for the next three years, aimed at privatisation.

Restructuring of rural banks in China

Rabo Financial Institutions Development B.V.'s first project is the restructuring and professionalisation of two Chinese rural banks, in cooperation with International Finance Corporation (IFC). Rural Credit Cooperatives (RCC) have existed in China since the 1950s, and have always performed a pioneering role in providing financial services in rural areas. Now that the Chinese banking sector is developing at tremendous speed, the reform of the RCCs has become a top priority for the Chinese government in the financial sector.

Two agreements were concluded to that end in the autumn of 2004. Rabobank is to provide technical assistance for the provincial Zhejiang Rural Credit Cooperative Union (ZRCU) in the restructuring of the cooperative banking system in Zhejiang province. It is also helping the ZRCU to form the umbrella organisation for the RCCs in the province, performing a function similar to that of Rabobank Nederland for Rabobank. The second agreement concerns a joint investment by Rabobank and IFC in the Hangzhou Rural Cooperative Bank (HRCB) and technical assistance for the continuing modernisation of this district bank. The aim of the activities is for the Chinese cooperatives to ultimately develop into fully-fledged cooperative banks. At the end of January 2005, a RIAS team conducted a diagnostic study on HRCB and ZRCU, identifying the areas where technical assistance from Rabobank can strengthen both organisations.

30 years of the Rabobank Foundation

In 2004 the Rabobank Foundation celebrated its 30th anniversary. The Foundation supports groups of disadvantaged people at home and abroad in their efforts to secure an independent place in society. It offers financial support for small savings and loan cooperatives set up by the local people themselves in developing countries. It also helps

the underprivileged in the Netherlands. Participation in the economy lies at the heart of the Rabobank Foundation's objectives in developing countries: access to savings and credit as an entitlement, and hence access to the means of subsistence. The Foundation assists by transferring expertise and financial resources for setting up savings and loan cooperatives. It grants trade finance ¹⁹ to agricultural holding cooperatives operating in the export market and dealing in commodities such as coffee, cocoa, tropical fruits, cotton and sugar.

Income and expenditure in 2004

In 2004, the Rabobank Foundation once again received a record amount from the member banks, whose voluntary contributions came to over EUR 3.0 million. Including the matching contribution from Rabobank Nederland and other revenue such as interest income, the Rabobank Foundation had EUR 8.6 million at its disposal in 2004, which is 37% more than in 2003. This increase is due to the additional attention devoted by the internal and external media to the Rabobank Foundation's projects in its 30th anniversary year. In 2004 the Foundation spent over EUR 6.5 million (2003: EUR 4.0 million) on 110 foreign projects (2003: 80), with loans representing 60% of the total. Expenditure on projects in the Netherlands is described in the chapter on 'Cooperative dividend', page 57).

Financing and advising savings and loan cooperatives

While Rabo Financial Institutions Development B.V. concentrates primarily on investing in major rural banks, and its subsidiary RIAS focuses on consultancy for major rural banks in rural areas, the Rabobank Foundation is chiefly concerned with the micro-finance sector: organisations which grant small loans for people to use as working capital in starting up small-scale business activities. These people never used to have access to financial services because banks do not regard them as worthwhile borrowers. They cannot provide sufficient collateral as a basis for granting a loan. Moreover, the banks consider that the amounts involved are too small, given the high transaction costs. The establishment of savings and loan cooperatives is the only alternative for this large group of people. Since these people are often unable to deposit sufficient savings with their cooperatives in the initial phase, the cooperatives need funds in order to grant micro credit. The Rabobank Foundation provides the funds in the form of donations or loans. In the case of larger and more professional loan cooperatives, funding is granted only in the form of loans. The financial support for these cooperatives is provided in local currency.

The Rabobank Foundation's strategy is to encourage the development of savings and loan cooperatives by replacing donations with loans as the source of credit funds, despite the high risk profile. The number of donations made in 2004 (84) was down slightly on 2003 (89). In 2004, the number of loans granted increased to 39, against 20 in 2003.

19) Rabobank Foundation grants trade finance to the producer organisations at the start of the supply chain and collects the repayments and interest from the importer.

The amount involved was up by over EUR 3 million, from EUR 1.4 million in 2003 to EUR 4.7 million in 2004. The Rabobank Foundation is active in more than 33 countries.

Development of sustainable supply chains

Improvements to the structure of the supply chain offer millions of small farmers and agricultural workers in developing countries a chance to boost their income. That is particularly true in such sectors as coffee, cocoa, cotton, sugar and tropical fruits. 'Fair trade' can mean a higher price for the producers, and therefore has a huge impact on their socio-economic circumstances. Together with other Dutch organisations, the Rabobank Foundation is thus expanding the market for these small producers. When farmers and agricultural workers set up producers' cooperatives with an umbrella organisation, that can create a player to be taken seriously throughout the sector and throughout the supply chain. The Rabobank Foundation provides such umbrella organisations with assistance in improving their management, communication with the member cooperatives, processing of the products (shortening the chain) and providing access to finance, importers and coffee roasters.

Progreso Coffee Fund

In order to develop supply chains in the coffee sector, the Rabobank Foundation has linked up with the Stichting Doen and the Green Development Foundation. Under the Progreso Coffee Fund programme, they provide assistance for 11 cooperatives of coffee producers in eight countries with a membership in excess of 122,000 small coffee farmers. The aim of Progreso Coffee Fund is to improve the income position of small-scale coffee producers in Latin America and Africa by strengthening the producers' organisations and encouraging the production and export of good quality coffee produced by environment-friendly methods. The programme comprises four different components: (1) institutional/organisational establishment of cooperatives and their umbrella organisation, (2) access to finance, (3) access to markets, including niche markets, and (4) diversification of income sources.

Apart from the Progreso programme, the Foundation also supports six other cooperatives of small coffee producers and four cocoa cooperatives by providing both expertise and finance.

The Rabobank Foundation grants pre-harvest finance on a limited scale for the purchase and export of tropical fruits (mangoes and citrus fruits) and organic cotton and sugar. There is very strong demand for this integrated form of support, and we expect to extend it substantially in 2005 by involving partner organisations.

Thanks to the success of the integrated approach to sustainable supply chains, the Latin American loan portfolio produced the strongest growth in 2004. In 2003, loan applications concerned fifteen projects in six countries for a total of EUR 1 million, but in 2004 the number increased to 26 loans in seven countries, representing EUR 2.6 million. In contrast to the micro loans, this pre-harvest finance is granted in dollars.

Activities of Rabobank International in developing countries

Apart from the Rabobank Development Program, Rabobank International is also active in developing countries in various fields. In 2004, its activities included (1) preparations for a sustainable coffee guarantee fund that we plan to launch in 2005, (2) the provision of cash resources for agribusiness in emerging markets, in cooperation with the World Bank and development banks, and (3) the development of support facilities for the cotton sector in Africa.

Sustainable coffee guarantee fund

Throughout the world, demand for sustainable coffee is growing, and increasing numbers of coffee farmers are switching to the production of this type of coffee, which fetches a higher price. One problem for these coffee farmers is that they often have no access to affordable trade finance, partly because of the small scale of their operations. Rabobank is responding by helping to set up a sustainable coffee trade finance fund, intended to facilitate the financing of selected producers and exporters of sustainable coffee. Preparations for this initiative were made in 2004, in response to remarks by the Dutch Ministry of Foreign Affairs calling for public-private partnership. In this way we are helping to augment the sustainability of an important supply chain and improve the incomes of small farmers in developing countries.

Rabobank International, Rabobank Foundation and the ministry will participate in the coffee fund. The planned guarantee capital for the fund is EUR 20 million. The fund will launch its activities in mid 2005. The average deal is expected to be worth EUR 400,000 with a term of six months. The fund will build up and maintain a portfolio of around 100 deals, aiming to achieve that figure within three years.

Cooperation with the World Bank and development banks

For various reasons, Rabobank International actively seeks, via its Complex Trade Structures department, to cooperate with Multilateral Development Banks (MDB). These are the World Bank and four regional development banks which provide financial support and professional advice for economic and social activities in developing countries.

At the start, in 2004 Rabobank played a leading role in arranging multilateral cofinancing. This form of financing is used to provide liquid resources on a viable commercial basis for agribusiness in emerging markets. For us, this is a good way of operating responsibly in 'difficult markets' and encouraging the transition from a planned economy to a market economy. The development banks apply strict sustainability criteria which we must also respect. This means that our multilateral cofinancing projects qualify as socially responsible.

Rabobank International also cooperates regularly with the World Bank to protect farmers against adverse market developments when prices fall sharply. In that connection, in February 2004 the European Union proposed

establishing a partnership with Africa to support the development of the cotton sector. The aim is to reduce the risks to cotton growers' incomes and thus reduce poverty. Rabobank International's Commodity Price Risk Management (CPRM) department plays a key role here. CPRM is currently devising ways of supporting the cotton sector. The support could take the form of assistance to enlarge capacity, technical support and the establishment of a regional insurance fund.

Wide deployment of Rabobank staff

In 2004, preparations were made for a special project concerning a structured system of deploying Rabobank employees on projects in developing countries as part of the management development and sabbatical leave schemes. The aim is to create a win-win situation. Employees are given the opportunity to experience a totally different working environment, thus encouraging their personal development, and at the same time they are able to apply their knowledge and skills for the benefit of Rabobank Development Program projects. This is expected to widen people's horizons and lead to more flexible staff deployment. The project will be launched in 2005.

Corporate publicity campaign concerning Rabobank in developing countries

In the autumn of 2004, to accompany the launch of the Rabobank Development Program and to mark the 30th anniversary of the Rabobank Foundation, the bank ran a publicity campaign in which we focused the spotlight on our activities in developing countries. By asking 'What is a bank doing in countries where people have no money?', the bank informed a broad section of the public about the rationale for these activities and the approach adopted. The campaign consisted of a TV commercial featuring the 'Rabobanker' Jochem de Bruin in Cameroon, the field trips made by Rabobank members and staff visiting projects set up by the Rabobank Foundation and RIAS (Rabo International Advisory Services, subsidiary of Rabo Financial Institutions Development B.V.), and a publicity campaign in various forms, describing Rabobank's motives and activities in this area.

In 2004, as part of this programme, we made preparations for setting up a fund formed by employees. The tsunami disaster in Asia on Boxing Day 2004 prompted our decision to launch this staff fund immediately.

TV commercial 'Jochem in Cameroon'

The TV commercial 'Jochem in Cameroon' shows that we are a bank which feels closely involved - and actually is closely involved - in social developments, not only in the Netherlands but also in developing countries. With this commercial we aim to demonstrate that we want to export the successful cooperative formula operated by Rabobank in the Netherlands to developing countries as well. In those countries we provide expertise, money and manpower to help set up loan cooperatives, banks and micro businesses; that is just how we ourselves began in the Netherlands a century ago. In Cameroon, the Rabobank Foundation has been supporting

the cooperative savings and loan movement since it was established in the early 1970s. Since then, this savings and loan cooperative with its member groups has grown into a cooperative movement with over 160,000 members and a loan portfolio of approximately EUR 30 million (in 2002). In 1999 it became the Union Bank of Cameroon.

Creative field trips demonstrate the impact of work by the Rabobank Foundation and RIAS

To mark the 30th anniversary of the Rabobank Foundation, a total of 27 members and employees went on group field trips to visit two Rabobank Foundation projects in Honduras and in India, and a RIAS project in Egypt. They were the prize-winners in a competition which we held in 2004, to test the creativity of the competitors. A total of around 1,000 employees and members entered this competition. 81 were chosen to demonstrate their creative talents in a workshop. In the end, the field trips were awarded to 11 employees and 16 members. Their task was to take on the role of writers, photographers or artists, producing a creative response to the question 'What is a bank doing in countries where people have no money?' The participants produced creative work under the guidance of professional writers, musicians, photographers and artists, depicting how the activities of the Rabobank Foundation and RIAS affect the economic independence of people in developing countries.

To back up the message of the field trips, the advertising campaign 'Banking with a mission' appeared in the daily and weekly press. The campaign explained the aim of our projects in Honduras, India and Egypt.

Accelerated launch of the staff fund for reconstruction in Asian disaster zones

In 2004, preparations were made for setting up a staff fund named Share4more. The tsunami disaster in Asia on Boxing Day 2004 prompted our decision to launch this staff fund immediately. Within a short space of time, a total of EUR 1.9 million had been paid into the Share4more account. All the contributions from our staff were matched by Rabobank Nederland. The fund was not set up only in response to the tsunami disaster: from the beginning of 2005 all Rabobank Group staff and pensioners can donate 4 euros per month to Share4more. We use this money to support small-scale projects aimed at the underprivileged in society. These are projects which reinforce the work of the Rabobank Foundation.

Banks and the government unite in development of the financial sector in developing countries

In 2004, Rabobank signed a covenant with the Ministries of Foreign Affairs, Economic Affairs and Finance, some other Dutch banks (ABN AMRO, ING, Fortis) and FMO (Netherlands Development Finance Company) on the transfer of financial expertise to developing countries. This collaborative venture has an annual budget of EUR 1.2 million, the

government and the banks each contributing half of this amount. In what is referred to as the Netherlands Financial Sector Development Exchange, the members pool their expertise to encourage the financial sector in developing countries and emerging markets, because an efficient financial sector is very important for the economic development of those countries. This collaboration enables the Dutch financial sector and the government to apply their expertise to good effect.

Doornbos Committee

In the spring of 2004, the Minister for Development Cooperation announced her plans for providing more targeted support for producers' organisations in developing countries. There are currently around 30 private organisations and government institutions concerned with this target group, often adopting an approach based on their own specialism. The Doornbos Committee drew up a recommendation for a joint approach focusing on producers' organisations. The covenant led to the establishment of the 'Agri-ProFocus' foundation, in which the Rabobank Foundation will participate in 2005.

Objectives for banking in developing countries, 2005 and beyond

- Rabo Financial Institutions Development B.V.: develop at least two rural partner banks in the countries selected
- Send out staff on secondment as part of their management development or sabbatical leave to rural financial institutions under the Rabobank Development Program
- Rabobank Foundation: launch a programme for the development of sustainable supply chains for cocoa and expand trade finance for organic cotton and tropical fruits
- Launch Sustainable Coffee Guarantee Fund



A dialogue with our stakeholders

Corporate reputation should be seen as a form of ‘intangible business capital’. The degree to which companies exercise corporate social responsibility and the approach adopted are increasingly influential factors here. If we are to maintain a high reputation in this respect in the future, then we shall have to be constantly aware of what matters to our stakeholders - essentially, every interested party.

We consider it essential to conduct regular stakeholder surveys to obtain information on present and future expectations of those around us. In our cooperative structure, continuous consultation with our members, clients and employees is already firmly embedded in local, regional and national consultation bodies. There is also an increasingly frequent exchange of expertise and opinions with suppliers, the government and non-governmental organisations (NGOs). Our many discussions with stakeholders focus sometimes on our policy, and sometimes on obtaining additional information and new ideas.

This knowledge gives us a more accurate picture of changing interests and needs in society, and enables us to respond accordingly. Criticism highlights any vulnerable points and risks in our organisation. The insight which we thus gain can be used to make adjustments to our own method of working, and the updating of our business operations or services. One example of innovation based on consultation concerns the talking e-purse loading point, which is a solution to the

problems of elderly and disabled clients, in particular. Another example of constructive dialogue with stakeholders is the establishment of service outlets in small centres of population. Other relevant adjustments to our working methods in response to signals from stakeholders in 2004 took the form of more sustainable central purchasing, for example, and amendments to the manuals on loans for the financing of palm oil plantations.

We are willing to answer questions and ask for opinions

Rabobank values a good relationship with its stakeholders. At the same time we realise that the varied stakeholders with whom we have to deal may have mutually conflicting interests. Rabobank aims at maximum transparency in this area of conflicting social forces. In 2004, Rabobank consulted a large number of stakeholders on a very wide range of subjects, all concerning the social and ecological implications of the finance granted by Rabobank. Sometimes we were questioned about our conduct, and sometimes we ourselves initiated a discussion with stakeholders.

Questioned about our conduct

In 2004, a number of non-governmental organisations (NGOs) questioned us at Rabobank about matters such as our involvement in abuses concerning palm oil and soya plantations (Milieudefensie - environmental protection organisation - and Sawit Watch), the financing of two corvettes for the Indonesian navy (Campagne tegen de Wapenhandel - campaign against the weapons trade), the position regarding intensive stock farming (Wakker Dier - animal rights organisation), and the availability and cost of our services (Consumers' Association).

Abuses in the palm oil and soya industry

As an international financial service provider in the food & agribusiness sector, Rabobank International is also involved in financing the palm oil and soya industry. Soya and palm oil are important food industry

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commodities. Both sectors have attracted the scrutiny of societal organisations and governments in recent years, on account of reports concerning the destruction of the rain forest, non-sustainable plantation development and alleged human rights abuses. In 2004, non-governmental organisations once again questioned us on several occasions about the operating methods of palm oil plantations in Indonesia and soya plantations in Brazil financed by us.

We consider it perfectly logical that NGOs should want to notify abuses to a party who is itself anxious to promote sustainability. Although we are scrupulous in assessing our clients, we still cannot be absolutely certain of their CSR performance. However, sustainability in business operations is a permanent subject of discussion with clients and a factor in decisions on financing. In doubtful cases, we ask our clients for express written declarations and guarantees on this point. We do not want to do business with clients who have little or no concern for the ecological and social impact of their activities. Where necessary, we will actually terminate the relationship with existing clients.

Round Table on Sustainable Palm Oil

Rabobank has laid down its rules for the financing of palm oil plantations in its own palm oil plantation financing code. In addition, we are one of the driving forces behind the establishment of the Round Table on Sustainable Palm Oil (RSPO), which set up a permanent secretariat in Kuala Lumpur in 2004. Via RSPO, various players within the industry cooperate in promoting a more sustainable supply of palm oil. Rabobank will continue to play an active part here and make donations to RSPO.

Round Table on Sustainable Soy

Although there is only a tenuous link between the expansion of soya production and deforestation, this is still a subject that attracted particular attention last year, especially with regard to potential damage to the Amazon region. Rabobank is concerned about any potential impact of large-scale agriculture in the Amazon basin. At present, the bank is only financing soya farms well outside this region, or businesses with an effective environmental management policy. Rabobank Sao Paulo is in the process of developing special guidelines to make sure that a risk analysis is carried out for all commercial activities, identifying their social and environmental impact.

Rabobank provides active encouragement for a Round Table on Sustainable Soy in South America, which - by analogy with the Round Table on Sustainable Palm Oil - can play a role in developing more sustainable soya production. In 2004 we were involved in talks on this subject with various stakeholders. An inaugural meeting may be held in Sao Paulo in 2005. Rabobank will be one of the parties involved. In this way we are helping to shape the dialogue on these emerging stakeholder issues.

Financing of corvettes for Indonesia

In 2004 a number of societal organisations called on Rabobank to refuse to finance corvettes for Indonesia. The organisations which approached us on this included the Campagne tegen de Wapenhandel (Campaign against the weapons trade), Forum voor Vredesactie (Peace Action Forum), XminY Solidariteitsfonds (solidarity fund), and Netwerk voor Vlaanderen (Network for Flanders). These organisations believe that the supply of the corvettes is contrary to the European Union code of conduct on arms exports. In addition, they expressly drew our attention to our own code of conduct and the external codes which we have endorsed, which they say would not permit such financing.

Rabobank is indeed involved in financing two corvettes, which are being built by Marinewerf de Schelde, part of Damen Shipyards. The plan is to supply these ships to the Indonesian navy, which will use them for coastal patrols and more particularly for combating piracy and illegal fishing. We conducted in-depth internal discussions before financing these corvettes. The financing is certainly not contrary to our own code of conduct, or to the external codes which we have endorsed.

In the light of our own information on Indonesia and the EU's existing policy of not permitting any supply of arms to the Indonesian air force and army, we did wonder whether it was appropriate to grant this finance. Following extensive investigations and consideration of various aspects associated with such a financing issue, we concluded that this finance does conform to the policy which Rabobank aims to pursue on this point. Significant factors included:

- in view of the ships' limited equipment and capacity, we can be confident that they will not be put to improper use;
- sailors and shipowners (including some from the Netherlands) have been attacked by pirates in the Malacca Strait on many occasions, and there is strong pressure on the Indonesian government to do something about it;
- this financing will preserve jobs and expertise in this sphere in the Netherlands.

The bank was strengthened in its resolve by the fact that the Dutch government has now issued a provisional export licence and granted credit insurance for the supply of the corvettes to Indonesia. In February 2004, in a debate in the Lower House of Parliament on the proposed supply of these corvettes, the government stated that there were no objections, while the vote showed that the large majority of the House had no objections either. During the debate, the Minister for Foreign Affairs once again pointed out that the corvettes are too small for transporting troops and that their weapons are not suitable for carrying out bombardments. The government therefore considers that the fear expressed in certain political circles that the vessels will or may be used against Indonesia's own population is unrealistic.

The decision to go ahead with the financing for these ships was certainly never an automatic one for Rabobank. We understand that other parties, and certainly particular organisations which are especially interested in a social issue, may take an entirely different view of the desirability of granting this finance. While we respect their opinions, having duly considered many different aspects we arrived at this decision based on our own responsibility. We shall always exercise great care when taking decisions of this type, bearing in mind the circumstances at the time; the Rabobank Group Ethics Committee also has a role to play here.

'Wakker Dier' protests against the winner of the entrepreneur's prize

In 2004, Wakker Dier - the animal rights organisation - criticised Rabobank for awarding the Herman Wijffels Prize for Innovation for a two-tier pen design. Wakker Dier is an organisation which actively campaigns to improve the welfare of animals in the bio-industry and to promote stock farming methods which are friendly to the environment, people and animals. The independent jury awarded the 2004 Herman Wijffels Prize for Innovation to Martien van Kempen of Leunen. This entrepreneur developed a system of removing manure from the pen daily by conveyor belt, and devised a method of construction permitting two-tier pens. Among other things, the jury considered that research has shown that Van Kempen's design substantially improves the atmosphere in the pen for both animals and pig-farmer, and that means less disease. Wakker Dier feared that this design and the award of the prize would mean a major step towards the construction of even higher pig batteries. They therefore felt that the prize, a grant of EUR 50,000, was inappropriate. Wakker Dier said that it would continue to keep Rabobank under scrutiny.

In its campaigns against the sale of foie gras (goose and duck liver paté) on grounds of cruelty to animals, the organisation correctly states that Rabobank has decided to stop financing foie gras producers. We took this decision in 2002, following a pronouncement on the subject by our Ethics Committee.

Consumers' Association passes on 22,000 complaints to banks

The Consumers' Association passed on 22,000 letters of complaint to the four large banks in the Netherlands concerning the deterioration in the service provided by banks. Consumers complained about the increased cost of bank cards, account statements and payment packages. The declining number of bank branches, and the reduction in services provided by staff in those that remain, also came in for criticism.

Rabobank together with the other banks received the letters at the association's headquarters on 20 December 2004. We welcome research on services and value for money in the banking industry. However, we challenge the claim that our banking services are too expensive. The Dutch payments system is the cheapest and most efficient in Europe. We are taking care to avoid any reduction in our service. In 2002, Rabobank had 2,697 contact points. At the end of 2003 the

number had risen to 2,800 and by the end of 2004 it was 2,965, giving us the densest distribution network of any bank in the Netherlands. Our target for 2005 is to expand to over 3,000 contact points. In addition, we are making structural provision for a number of services enabling vulnerable client groups, such as the elderly and disabled, to continue dealing with their payments independently for as long as possible.

Rabobank agrees with the Consumers' Association that rates could be more clearly explained. In the past, we have already started making improvements to the information provided on our rates in leaflets, price lists, supplements and mail shots. We shall continue to work at this in the future, and to welcome suggestions on this specific point. However, in common with the other banks, we believe that - given the free operation of market forces desired in the Netherlands - it is not practicable to provide information on payment system costs and revenues except in the annual reports.

By including social, ethical and ecological aspects in our business deliberations, we are increasingly becoming aware at an earlier stage of social issues that could present Rabobank Group with difficult dilemmas. In some cases, we view these as challenges, while in other cases they are presented to us by stakeholders as tricky questions. In both cases, we want to share with those around us the question of choice inherent in these dilemmas and in our deliberations on the subject. By way of example, we have described in detail the points which we considered in six dilemmas, see: www.rabobank.com/sustainabilityreport.

Actively seeking out stakeholders

In many cases, Rabobank actively seeks out certain stakeholders to ascertain what they know and what their views are. This applies, for instance, to the regular consultations with Amnesty International in the Round Table on Human Rights. We also exchange expertise with various parties on the subject of genetic modification. And we play an active part in a working group under the aegis of the Global Reporting Initiative, defining new indicators for reporting. There is a standing invitation to our members to play an active part in the various members' bodies and meetings organised by the local Rabobanks to give the members more influence.

Concrete action on human rights

In 2004, the regular consultations conducted by Rabobank and a number of other companies with Amnesty International on the subject of human rights deliberately focused more closely on the attainment of concrete objectives. The Round Table on Human Rights aims to produce a number of handy, practical booklets on specific human rights, for use in daily practice by the participating companies, and perhaps by others, too.

A first booklet was produced on enforced labour, and a second working group started tackling the subject of 'freedom of association'.

In the course of these consultations, Rabobank also stated that it is desirable to provide information geared more to real-life human rights issues for specific officials of the companies concerned. Rabobank offered to take part in a pilot on this. The actual details will be considered in 2005.

UN human rights for companies

In 2003, the United Nations sub-committee on human rights, acting on its own initiative, produced a draft code on human rights for companies, the UN Human Rights Norms for Business. It contains 14 articles setting out human rights for which companies are also responsible. The other eight articles lay down rules for their implementation. In April 2004 the High Commissioner for Human Rights stated that the norms do not have official status, but he called for discussion of the responsibility of multinationals in this area. In 2004, Rabobank actively engaged in both internal and external consideration of this subject, and examined whether the bank could abide by these rules.

In its own code of conduct on human rights, drawn up in consultation with Amnesty International, the bank had long ago recognised that companies have a role to play where human rights are concerned. In accordance with its responsibilities as a multinational company, employer, service provider and purchaser, and in its relations with governments, the bank specifically endorses the human rights set out in the Universal Declaration of Human Rights.

In 2004 we submitted the draft UN code for comment to managers in our foreign branches. All our branches in the USA, Australia, Asia and South America confirmed that they would be able to observe the draft UN code. Against this background, the Managing Board of Rabobank International decided to adopt the draft UN code as an extension of Rabobank's own code of human rights.

In practice, this means:

- We use the first 14 articles of the draft code of human rights for companies alongside our own code on human rights for our own employees.
- Rabobank will not provide financial services for projects and transactions involving a breach of human rights. We shall select our clients with care. However, we cannot be held responsible for breaches of human rights on the part of clients where we are not involved. If our own standards and reputation are at stake, we shall if necessary part company with any client whose conduct is in breach of human rights.

Global Reporting Initiative working group on the Financial Supplement

In 2004, Rabobank together with a number of other international financial institutions worked on new environmental performance indicators specific to this sector. This working group was organised by the UNEP

Financial Initiative (UNEP FI) and the Global Reporting Initiative (GRI).

Apart from general guidelines for CSR reporting, there was already a GRI supplement for social performance indicators for the financial sector. The GRI guidelines are produced in close consultation with international NGOs (multi-stakeholder approach). These indicators enable the financial sector to issue more transparent reports on its performance. The GRI board is expected to adopt the results during 2005. Before the new supplement becomes available, the environmental performance indicators will first be put to the test in practice.

Lobbying the government

As the largest financial institution in the Netherlands, Rabobank Group has substantial influence in various areas of society at different levels. It is therefore perfectly logical that we should frequently come up against the government in our dealings with society. Often we find that we share a common interest, but sometimes our interests diverge or our opinions differ.

Lobbying for a better life-span scheme

At the end of November 2004, the Lower House of Parliament passed the bill concerning a life-span savings scheme. From 1 January 2006, the bill will entitle employees to save up for the purpose of taking leave at 'busy times' in their lives or in the run-up to retirement, while enjoying favourable tax treatment. Private players can now market a life-span product which is based on the law. The discussions on the basic conditions for the life-span scheme drew a response from many groups in society. Rabobank also made a point of entering into this debate.

We are in favour of the social principle underlying the life-span scheme. However, the bill in its original form threatened to lead to such a cumbersome product that the options available to clients were liable to be unattractive. There were also serious doubts about whether, in its proposed form, the product could expect to attract sufficient market interest.

In contacts with officials, ministers and politicians, Rabobank submitted a number of suggestions for improvements, some of which were accepted. For instance, the scheme now also permits saving for early retirement, an additional tax incentive was included (tax credit), and the option of 'saving up time' was removed from the law.

Our pressure for the inclusion of the self-employed in the life-span scheme also produced a response. The Lower House of Parliament passed a motion asking the government to consider the feasibility of a life-span scheme for the self-employed. An amendment calling for the bill to make provision for this from the start was withdrawn for budgetary reasons.

In 2005, we shall develop a product within the framework of the law and the implementing regulation to be adopted by the Minister for Social Affairs and Employment.

Access to basic payment services

In mid 2004, the Dutch MP Ferd Crone submitted a private member's bill proposing that the Minister for Finance be authorised to impose requirements concerning access to basic payment services in small villages and urban districts. Rabobank, which likes to call itself 'the bank near you', endorses the importance of easy access to banking services, but considers that there is absolutely no need for a law on the subject. The private member's bill gives the minister the authority to force banks to cooperate in a particular geographical area if, in the minister's opinion, the facilities provided there are inadequate. Since some banks will want to exchange their own separate branches for the shared variant, in order to cut costs, the bill could unintentionally lead to a reduction in services.

Rabobank cannot see any advantage for its clients in enforced cooperation with other parties on this point. On our own, we are already almost fulfilling the highly arbitrary 'Crone standard' of accessibility, i.e. one branch every 3 km or for every 5,000 residents. In the coming years we shall maintain the size of our branch network at its current level (1,300) and expand the total number of contact points to 3,200. We have found good solutions for maintaining payment services for our less able clients, e.g. the banking bus, taxi service, home cash delivery service, and e-purse loading points and payment terminals in care homes. We are also working with local authorities and other partners to develop 'service outlets', with various players offering a range of services in a single location.

Clients who feel that their own bank is not providing an adequate service are welcome, in principle, as clients of Rabobank. As a cooperative bank, having organised our own business properly, we consider it inappropriate for us to have to contribute to services for other banks' clients via a burden-sharing system.

Measuring expectations

Rabobank conducts a dialogue with stakeholders to keep in touch with what is going on in society. That is necessary, but not sufficient. We also conduct surveys into our image among primary target groups and to find out what matters to them; this can be useful for our strategy and services. Examples include the Rabobank Communication Monitor and the survey on the added value of an annual sustainability report.

Our CSR image

Since the beginning of 2004, our Rabobank Communication Monitor, the brand positioning survey that we conduct every quarter among individuals and businesses (both clients and non-clients), has included some statements on corporate social responsibility. On the basis of these statements we determine the degree to which individuals and

businesses consider that banks genuinely practise corporate social responsibility. The statements read as follows:

- Takes account of the consequences for people, the environment and society, as well as its own profitability.
- Finances sustainable innovations aimed at a clear improvement in our social well-being and the environment.
- Involves interest groups in its strategy (e.g. clients, businesses, consumer organisations).
- Is willing to give transparent answers to questions concerning its operations.

Comparison with other large Dutch banks shows that, in the first year, Rabobank scored best among both individuals and businesses on all statements. Although Rabobank has the highest scores, the marks given are still below 50%. The reason is that the persons answering the survey have to choose from a number of banks, so that the votes are distributed among the big banks, and scores of over 50% are rare.

The scores for the image values 'involves interest groups in its strategy' and 'takes account of people, the environment and society' are so significant in comparison with the other banks that they can be said to epitomise the Rabobank brand image.

What should the annual sustainability report contain?

At the end of 2004 we conducted a survey among our employees and a number of stakeholders to gain a better idea of the subjects they expect to see in an annual sustainability report, and what purpose they think the report should serve. Here are the main conclusions of that survey.

- All respondents feel that the annual sustainability report should contribute to the bank's reputation and brand value.
- All respondents feel that the most important information in the report concerned objectives, strategy and key data relating to CSR.
- Clients are the most important target group for the annual sustainability report, followed by the press and public authorities.
- External respondents are more interested in the importance of guiding business principles.
- External respondents, in particular, consider that the annual sustainability report is also important for NGOs and professionals, such as investors, investment analysts and investment advisers.
- External respondents are more aware than internal respondents that the purpose of the annual sustainability report is to present the bank as an attractive portfolio investment.

Statement	Score at end of 2004	Individuals	SMEs
Takes account of the consequences for people, the environment and society, as well as its own profitability	Rabobank	38%	35%
	Second highest scoring bank	18%	18%
Finances sustainable innovations aimed at a clear improvement in our social well-being and the environment	Rabobank	29%	30%
	Second highest scoring bank	13%	18%
Is willing to give transparent answers to questions concerning its operations	Rabobank	35%	34%
	Second highest scoring bank	24%	17%
Involves interest groups in its strategy (e.g. clients, businesses, consumer organisations)	Rabobank	41%	42%
	Second highest scoring bank	16%	22%

The first four conclusions of the survey were taken into account in the production of this report. When the annual sustainability report appeared on the internet, we also issued a printed version for clients, members and employees which helps to enhance our brand value and reputation. Both the printed version and this annual sustainability report on the internet contain the results for 2004 and the objectives for 2005, together with the key data relating to CSR. This report also takes a close look at risk management and the external guidelines and internal codes of conduct which we respect. The conclusions concerning the importance of the annual sustainability report in relation to Rabobank as a portfolio investment will be dealt with in the 2005 report.

Summary of results for 2004 and 2005 objectives for stakeholders dialogue

Objectives stated in 2003 report	Results in 2004
● Arrange regular stakeholders dialogue	Interviews with stakeholders on dilemmas Stakeholder survey on importance and focus of annual responsibility and sustainability report
● Hold stakeholders meetings on specific subjects	Hosted and participated in a seminar on biodiversity organised by Hosted and participated in GRI meeting on reporting indicators
● Round Table on Human Rights to decide concrete measures	The first concrete result is a practical booklet on enforced labour
Key objectives for 2005 and beyond	
- Pay more attention to the importance of CSR for institutional investors investing in Rabobank corporate bonds	
- Take part in future Round Table on Sustainable Soy	
● target fully achieved ◐ target partly achieved ○ target not achieved	



Cooperative dividend

For over a century now, the cooperative Rabobank has played a major role in the emancipation and economic development of large sections of the Dutch population. Even today, we still contribute daily in many ways to the development and social cohesion of our socio-economic community. By way of our 'cooperative dividend', we share our expertise, make funds available for socially responsible initiatives, set up communities, encourage voluntary work and sponsor sport and culture in our own special way.

Study and research

Financial services are not just a question of money, they are also a question of expertise. And it is precisely that expertise that Rabobank would like to share with its clients and the people in their socio-economic circle. Because expertise is the basis for further development. For that reason, Rabobank Group regularly publishes market research, macro and micro economic analyses and its views, both in reports and leaflets and on the internet. Some of these studies clearly adopt a CSR perspective.

Research on sustainable energy sources

In 2004, in the report entitled 'Energy: The importance of alternative sources', Rabobank set out its views on the energy market. Rabobank

considers that the Dutch government should give more vigorous encouragement for switching to alternative energy sources, and should also develop a sustainable energy programme. These two measures would reduce CO₂ emissions and cut economic dependence on fossil fuels, the bulk of which come from politically unstable regions; moreover, the resources are finite. The bank feels that more attention should also be paid to energy saving, e.g. by the use of energy performance standards in 'Vinex' districts (locations designated for urban development), and by encouraging teleworking. There should also be much greater use of alternative energy sources such as wind energy, biomass and perhaps even nuclear energy. Figures indicate that the Netherlands is not just lagging behind other EU 15 countries in the use of alternative energy sources (only 3.5% against an average of 5.6% for the EU 15), but is also far behind developing countries (35% bio-energy).

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Research on innovation

In today's society, innovation is vital if we are to achieve economic progress and be capable of addressing current day problems, such as social segregation and environmental pollution. In this context, innovation should be viewed in much broader terms than the 'high-tech' angle which is often the focus of attention. Rabobank's views on the importance of innovation were explained in 2004 in the study 'Innoveren om to presteren' (innovate in order to perform). In the bank's opinion, the innovation debate currently prevailing in the Netherlands does not do justice to 'social innovations'. In fact, it is in tackling questions relating to mobility, education, healthcare, integration of ethnic minorities, the battle against crime, and sustainable development that innovations can play a crucial role. The study reviews the many-faceted phenomenon which is 'innovation', and outlines its importance of this

for economic and social progress, examining the role of the various parties in the innovation process, such as financial service providers, enterprises and the government.

Regional Triple P survey

The Rabobank Nederland Central Economic Research Unit has developed a special model to provide an accurate picture of the regional situation in terms of both socio-economic conditions and sustainability. In 2004, this model was used to conduct a study with the Rabobanks in Tiel-Culemborg, Betuwe, Geldermalsen and surrounding areas on the quality of life and sustainability in the West-Betuwe region. The quality of life in the Rivierenland region was measured on the basis of the three Ps: people, planet and profit. The study revealed an imbalance between the three Ps in West-Betuwe. Using the results of this study, local authorities, businesses and institutions in this region can take responsibility themselves for doing something about that imbalance. Regional surveys of this type are conducted on a regular basis.

Bio-Fuels Fact File

Rabobank has published a 'Bio-Fuels Fact File' in conjunction with the General Agricultural Marketing Board. The fact file gives details of ways of using bio-fuels in the Netherlands. In the transport sector, for example, there are opportunities for using more sustainable energy sources. The sector accounts for over 30% of energy consumption and is also a major contributor to the increasing CO₂ emissions. Use of bio-fuels could substantially reduce CO₂ emissions.

Large and small funds stimulate local regeneration

Rabobank Group has a number of dedicated funds which it uses to support specific socially responsible initiatives at home and abroad, such as the Rabobank Foundation, the Interpolis Fund Foundation (Stichting Interpolis Fonds) and the Project Fund.

Rabobank Foundation supports social projects in the Netherlands

In the Netherlands, the Rabobank Foundation supports groups of people who are unable to take part unaided in the life of the community or in economic activities. In 2004, the fund contributed to a large number of projects in the Netherlands in various areas, such as day care for the mentally handicapped, sheltered farms, hostels for the homeless, volunteer aid, sport for the handicapped, literacy promotion and Ronald McDonald Children's Homes. In 2004 the Foundation made donations to 48 projects in the Netherlands for a total of more than EUR 1.3 million.

Government spending cuts and the economic recession have had an adverse impact on the income of many societal organisations. This increased the pressure on the Rabobank Foundation and led to more selective and stringent assessment of applications. Ability to cope independently, social activation and personal development are key factors in the assessment. A well thought-out financial plan is also an important condition.

The foreign activities of the Rabobank Foundation are described in the chapter on 'Banking in developing countries'.

Interpolis Fund

The Interpolis Fund Foundation became officially operational in 2004. This is a fund formed by employees of Interpolis which deals with all applications received by Interpolis requesting financial support for people or institutions pursuing humanitarian, charitable or ecological objectives.

At the end of September 2004, the fund had over 1,800 contributors, representing roughly one-third of all employees. The contributors make a monthly donation of EUR 1 or more to the fund via their pay slip. Their employer, Interpolis matches that contribution. At the beginning of 2005, the fund revenue totalled around EUR 4,700 per month. The fund also receives interest and incidental income, such as the proceeds from corporate anniversary events. In 2004 the fund paid out a total of almost EUR 16,000 to 14 applicants (2003: EUR 24,000). The fund has a management board which is independent of the employer.

Rabobank Project Fund

The Rabobank Project Fund has been active since 1984 in supporting projects encouraging economic, innovative and socially responsible developments which complement Rabobank's image. These are projects which are in the interests of a large group of Rabobank members and which would not get off the ground without support. In 2004, the Project Fund dealt with 55 applications for project support (2003: 66). In all, 19 applications were approved (2003: 17). In 2004, 23 applications were rejected and 19 were carried forward to 2005. The applications which were approved represented a sum of EUR 1.6 million (2003: EUR 2.8 million). The reason for the decrease is that the fund provided a one-off donation of EUR 2 million in 2003.

Communities of members

As a cooperative, Rabobank has ample experience in bringing together people with common interests and concerns. In recent years, it has also expressly engaged in setting up communities for members. We have found that in our society, where individualism now prevails, many people seek something to hold on to, some meaning in their lives. There is a strong need to feel part of a community. Communities are small, flexible and specialised groups of people with similar interests. The essence of a community is mutuality and interaction, which is based not only on personal meetings but often also takes other forms, e.g. via the internet. The local Rabobanks initiate and facilitate a range of communities for groups of members. For instance, communities have been set up for exchanging ideas between the elderly, business people, women, young people and ethnic minorities. Communities have also been set up on specific topics, such as the quality of life in the local area, regional regeneration, the environment and banking services. Altogether, the local banks support around 1,000 communities.

Support for voluntary work in the community

Rabobank considers it important to support voluntary work in the community. Since 1998, Rabobank Nederland has had links with the Dutch Voluntary Work Organisation (known by the Dutch acronym: NOV). Together with the NOV, we organise the annual 'National Compliment' competition, awarding a prize for outstanding voluntary work. A number of local Rabobanks also hold 'local compliment' competitions in their own region. These activities, which also have a strong publicity element, lead to substantial support for the many volunteers who are central to the community. In 2004, 15 local Rabobanks held a 'local compliment' competition.

In 2004, the bank also contributed to the content and funding of an internet application being developed by the NOV to match demand for volunteers with the supply. This system, named 'WorkMate, You're invited', is to become operational in 2005. Several large companies including Rabobank will be taking part, representing a massive number of employees altogether. The demand for volunteers comes from a number of national societal organisations which deploy hundreds of thousands of volunteers. Employees of the participating companies are encouraged to offer their time and expertise in the service of a good cause. They can offer their services as volunteers via 'WorkMate, You're invited', and will be warmly welcomed, as societal organisations are having increasing difficulty in finding enough people to do the various tasks. However, finding the right match between employees and the voluntary work which appeals to them is labour-intensive and complicated. This system offers a solution.

We also contribute to the content and funding of the European ENGAGE Campaign 2004. The aim of the international ENGAGE network is to link companies with socially responsible projects.

Voluntary work by Rabobank Group employees

The group also encourages its own employees to engage in voluntary work, although it does not offer any special employment conditions in that connection. See the chapter 'Success begins with our staff', p. 65).

Sponsoring activities in the community

In addition to the commercial objectives, all our sponsorship projects are greatly influenced by our social stance. Rabobank Group's sponsorship policy is therefore strongly focused on brand profiling as well as on the development of talent and education. Rabobank prefers partnerships with parties that create something permanent. An important precondition for national sponsorship projects is the possibility of implementing the projects at a local level. Not only does this greatly enhance awareness, it also makes the partnership efforts far more effective.

Rabobank opts for sponsorship of sport because of its great importance to society: sport trains people, encourages bonding and keeps people fit. In 2004, Rabobank Nederland renewed its commitment to three national sports organisations for a further four years: the cycling association, the hockey association and the equestrian sports association. Under these contracts we sponsor both top-class sport and recreational sport to facilitate talent development. This means that we support not only the national cycling team, but also the Wielplan (a scheme to encourage cycling at all levels), and not just CHIO (international show jumping competition) and Indoor Brabant (equestrian event), but also the Talent Development Plan (Talentenplan).

For many years now, Rabobank has also been involved in promoting the Dutch cultural heritage. The cooperation with the Museum Card Foundation (Stichting Museumkaart) and the partnership with the Van Gogh Museum are examples of this. Our support is not confined to sponsoring an exhibition; we also introduced the Museum Bus to bring schoolchildren from all over the country to the museum. Moreover, Rabobank has its own Art Collection.

Apart from our own social funds, we also provide national support to a number of projects which contribute towards sustainable development of welfare and prosperity. In 2004, Rabobank became the main sponsor of the Dutch Special Sports Association (NebasNsg), the sports organisation in the Netherlands for people with disabilities.

The group does not sponsor any political organisations, individuals, dangerous sports or activities which are harmful to the environment. In 2004, Rabobank Group, excluding the local banks, spent an estimated total of EUR 23.2 million on sponsorship (2003: EUR 20.9 million) and donated a total of EUR 8.3 million (2003: EUR 5.7 million). Local banks together spent an estimated EUR 25.6 million on sponsorship and donations in 2004²⁰.

Examples of donations and sponsorship by Rabobank Group subsidiaries

Interpolis is the main sponsor of the 'Willem II' football club. In addition, Interpolis sponsors a number of agricultural activities (projects, fairs, contacts, etc.) and eight other organisations. The insurer also supports several hundred small initiatives, often involving its employees. One example is the contribution to the establishment of the Hall of Fame foundation, which aims to bring together the various sub-cultures in the city so that young people stimulate and learn from one another.

In the city of Eindhoven, De Lage Landen projects its image in various ways, e.g. by acting as the main sponsor - jointly with Philips - of the Eindhoven Marathon, and by providing financial support for the Eindhoven Open House, De Eik, a social centre for cancer patients, their families and friends. The branch of De Lage Landen in Wayne

20) Owing to changes of definitions, the 2004 figures for sponsorship and donations differ from the 2003 figures.

(Philadelphia) has made financial contributions, as a 'platinum sponsor', to the establishment of a local sports and leisure park which will play a key role for the local community. In addition, the De Lage Landen branches support various small-scale charities at local level.

Robeco is known for the Robeco Summer Concerts, offering the general public a programme of performances by top musicians.

It also takes part in a Rotterdam initiative called the PaVEM Committee (Participation by Women from Ethnic Minority Groups). The committee aims to support the municipal authorities in their efforts to increase participation in society among disadvantaged women from ethnic minorities.

Schretlen & Co contributes both money and manpower to Habitat for Humanity, an organisation which builds houses for the homeless in developing countries. Every year, a number of Schretlen & Co employees and clients take part in a field trip, e.g. to Guatemala or Costa Rica.

In 2004, Stroeve contributed to various events, such as the Ronald McDonald Children's Fund Gala, Dance for Life, and a charity dinner for the Emma Children's Hospital. The various branches of Rabobank International all have their own sponsorship and voluntary work initiatives. For example, employees of Rabobank International in St. Louis support an annual sponsored bike ride, organised to raise money for research into multiple sclerosis. Not only do they make a personal financial contribution, they also offer their free time in support of this event.

Alex organised the Alex tennis classics, an indoor tennis tournament for top tennis stars of 'yesteryear'. Obvion made financial contributions to the KWF Kankerbestrijding fund for cancer research, Darfur and the 555 giro account for victims of the tsunami.



Summary of results for 2004 and 2005 objectives for socially responsible activities

Objectives stated in 2003 report	Results in 2004
● In 2004 we shall try to achieve a significant increase in the numbers contributing to the Interpolis Fund	The number of contributors has risen from 1,400 to 1,700
○ Encourage visits to and familiarity with the Dutch cultural heritage by local banks, using the museum box	Via the incentive bonus form (part of the museum box), local banks submitted 60 applications, 40 incentive bonuses were paid out and 20 applications rejected
○ In 2004 De Lage Landen will introduce a sponsorship policy in which charity is to form a structural component	De Lage Landen is still working on the introduction of this sponsorship policy; in anticipation, action has been taken to raise the profile of DLL in the city of Eindhoven (corporate citizenship)
○ Schretlen undertakes to devise a regional sponsorship policy as well	The sponsorship policy has been further developed and expanded to include all forms of sponsorship
Key objectives for 2005 and beyond	
- Include Triple P environmental analysis in studies of socio-economic situations in Dutch provinces	
- Raise local banks' awareness of the importance of the Rabobank Foundation for socially responsible projects	
- Project Fund: more cooperation with local banks when assessing and financing project applications submitted by them	
- Schretlen & Co: introduce policy on voluntary work for employees	
- Alex: establish link with Stichting Aan ('t) delen	
● target fully achieved	○ target partly achieved
	○ target not achieved

Success begins with our staff

Digitalisation, individualism, fiercer competition: Rabobank is operating in a rapidly changing environment, which also imposes new demands on managers and staff. In 2004 we therefore redrafted the basic principles of our human resources policy. The aim was to achieve a sustainable relationship offering a ‘fair exchange’, with employees enjoying making successful use of their talents for the bank and its clients.

Rabobank set out its view of the human resources policy for local banks in 2004 in the document ‘People make the bank’. This states that the key characteristics to be demonstrated by our staff are client focus, teamwork and concentration on results. Professional expertise is essential in this respect. Working for Rabobank means maintaining your subject knowledge and investing in that yourself by attending courses, exchanging expertise and coaching one another. Managers must be seen as highly motivated entrepreneurs who have a natural talent for

inspiring people and kindling their enthusiasm. To achieve all these aims, the Rabobank human resources policy is based on three pillars: performance, development and enjoyment. High standards of performance are necessary if together we are to attain the aims of the bank and its clients. Personal development in terms of conduct and expertise is necessary to maintain performance. And people who take pleasure in their work, enjoy dealing with clients and have a good relationship with their colleagues and their manager achieve better results and maintain their mental and physical fitness. That is why we are investing heavily in our staff and their versatility: with an excellent salary, good, flexible conditions of employment and plentiful opportunities for training.

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Further decline in the workforce

Rabobank Group’s workforce declined further in 2004. Local banks saw net job losses totalling 935 FTEs, due mainly to computerisation, electronic banking and mergers. Since the number of mergers between local banks is rapidly increasing under the ‘Rabobank Vision 2005+’ policy, many hundreds of jobs are likely to be lost in the years ahead. As the local Rabobanks become larger and more professional, that also has implications for the support provided by Rabobank Nederland. In 2004, Operation Service defined how Rabobank Nederland could provide better and more efficient support to the banks. This led to a reorganisation and staff cuts estimated at 1,200 FTEs.

There was hardly any change in the size of the workforce at most of the Rabobank Group subsidiaries in 2004.

No compulsory redundancies

The staff reductions were achieved by natural turnover and the non-renewal of temporary contracts. The Rabobank Job Centre ²¹ helped 200 employees to find a new job by means of an assessment, career guidance

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and coaching. In addition, 55 employees were assisted in making the switch to a different job. By the end of 2004, 400 of the 1,200 job cuts at Rabobank Nederland had been achieved. In 2005, 600 jobs will disappear, partly as a result of the outsourcing of activities such as catering and postal services. In most cases, the employees affected by this outsourcing will transfer with the work to the new employer.

If they suffer a drop in income, they can expect to receive a temporary supplement. The other 200 jobs will be shed in 2006. The Addendum ²² to the Social Rules under the Collective Labour Agreement applies to restructuring. As a general rule, we offer every employee a new, suitable job, preferably within the organisation, but if necessary elsewhere. We expect full cooperation from our staff in this process. If the new job within the organisation is at a lower level, we make up the salary and try for three years to find a post at the old level. We set up a guidance committee for each restructuring operation, and employees can appeal to the Labour Relations Arbitration Board.

Staff recruitment

Despite the staff departures and job cuts, a further 2,221 new employees were taken on by Rabobank Group in 2004 (2003: 2,192) ²³. All group units took on talented recruits at higher vocational education and graduate level. In 2004, two traineeships programmes were launched once again, each with around 20 participants ²⁴. During the orientation period, the trainees get to know Rabobank. That induction process always includes the importance of the cooperative for the conduct and activities of the employee, role play in dealing with ethical dilemmas, and a presentation on the importance of corporate social responsibility to Rabobank. The Rabobank staff screening system came into effect in 2004 for the recruitment of new employees. This stipulates that new employees must be examined and assessed to see whether they are sufficiently trustworthy. The system applies to all jobs at Rabobank Group.

Investing in employability is a must

Nowadays, working to improve personal employability is a must for everyone at Rabobank Group. We invest in employability through training, development and promotion opportunities and flexible conditions of employment which enable employees to achieve a work-life balance. But since employability is also essential for the employees themselves, we also expect a personal investment in return. In a Personal Development Plan (known by the Dutch acronym: POP), managers and employees jointly specify what is needed to continue to enjoy performing well in the future. In 2004, 57% of the employees of Rabobank Nederland and the local banks had a POP in writing, against 58% in 2003. The POP still too often consists only of a training plan, whereas development can also take the form of learning from colleagues, coaching, participation in a project or apprenticeship, or a new job.

Change of emphasis in training facilities

In its training programmes, Rabobank distinguishes between job-related training and career and management training. In recent years there has been a shift from pure transfer of expertise towards increasing commercial strength. Although knowledge of the job and the market is essential if we are to achieve our aims, success hinges on the way in which employees conduct themselves in applying that knowledge for the benefit of clients. In 2004, Rabobank employees followed 93,000 training courses (2003: 51,700) at a cost of EUR 76.7 million (2003: EUR 79.9 million), which is 2.8% of the wage bill (2003: 3.1%). In terms of FTEs, spending totalled EUR 1,527 per FTE in 2004 (in 2003: EUR 1,571), excluding the many internal training courses.

The numbers using e-learning expanded spectacularly in 2004. Altogether, 55,000 employees from Rabobank Nederland and the local banks followed training courses via the internet (2003: 26,000), sitting 34,000 digital exams (2003: 33,000). In 2004, Rabobank International also developed its first e-learning programmes, which are being followed by staff throughout the world.

Practical management training

At Rabobank, we are well aware that we need to make a continuous effort to enhance management quality. As well as that, requirements are changing: we are focusing increasingly on inspirational, open leadership which kindles enthusiasm and acts as a facilitator.

Many of Rabobank's management training programmes make use of mentors: these are experienced senior managers at the bank who act as mentors and advisers for their less experienced colleagues. We also use workshops and specific Rabobank Business Cases: presenting real issues and problems, and explaining how the management handled them in practice. This creates practical training courses in which the participants can benefit from the experience of senior colleagues and the specific solutions devised. The training courses also devote a lot of attention to leadership. Participants learn about the basic essentials of their role as leader. In 2004, some 80 managers and professionals attended the

accredited Modular Rabo MBA course, run jointly by Nyenrode Business University, the Free University and the Rabobank Academy. Twenty candidates were awarded their master's degree, making a total of 68 people who have successfully completed the modular MBA course. One of the graduation teams investigated the ways in which local Rabobanks could set up a cooperative care association, as a possible value proposition in terms of solutions to the problem of care for the elderly and the handicapped.

Career advice driven by demand

Encouraging group-wide mobility is a key task for the HRM professionals at Rabobank Group: first, to benefit the organisation by supplying more versatile employees, and second to assist employees in shaping their own career by giving clear advice and presenting challenging vacancies. Staff have an explicit responsibility for planning their own career. In 2004, career advice was therefore more demand-driven than it used to be. For the time being, owing to the rapid increase in the number of mergers, directors and managers of local banks are focusing on the next step in their career rather than their long-term prospects, but they can also refer long-term questions to Rabobank Nederland careers advisers. The latter assist senior executives, high potentials and management trainees to clarify their career path and, together with the line manager, to arrive at a realistic plan accompanied by a timescale.

Young Rabo (Jong Rabo) also engaged in CSR activities

At Rabobank Group, Young Rabo is the association for young, enterprising employees up to the age of 36. Young Rabo's primary aim is to encourage integration among its members, by organising activities which bring the members of the various Rabobank Group units into contact with one another. Every year there is an activity on the subject of CSR. In 2004, Young Rabo exchanged experiences in this area with Young Philips. For the past three years, the young people's association has also supplied a member for the Young Management Team of the World Business Council for Sustainable Development. In 2004, the member from Young Rabo took part in the China project, which mapped out ways in which Chinese companies can practise corporate social responsibility. Young Rabo has 900 members, of whom 100 are actively involved and regularly attend activities. Over half the members come from local banks and 25% from Rabobank Nederland, while the rest come from entities such as Interpolis, De Lage Landen and Rabo Securities.

Deployment of older staff in societal projects

The population of the Netherlands is growing older, and Rabobank Group has a sizeable percentage of older staff. Economic surveys have shown that it is very important to make better use of the labour potential of older staff for longer. Naturally, the Rabobank Group training and development facilities are available to them for that purpose. In addition, we offer a number of extra schemes such as leave for older employees and part-time retirement. But there is also a strong need for the deployment of older people in societal activities. Rabobank Group gained experience

here in 2004 with the scheme entitled Temporary Deployment of Managers & Staff (known by the Dutch acronym: TIMM), in which ten Rabobank directors used their knowledge, expertise and talents for the benefit of internal and external CSR projects. TIMM also includes the pilot project 'Werk in beweging' (Changing Work). This programme, set up jointly by Rabobank and Interpolis, is designed to encourage older staff, with their substantial store of expertise and 'corporate memory', to gain new vitality and create additional added value for the company. The programme examines what motivates people at work and in their private lives, how that fits in with what is wanted, and how they can generate added value for themselves and for the company. The programme offers the opportunity to take a fresh look at the next stage in their career. Altogether, ten people took part in the pilot in 2004.

Employee satisfaction

General satisfaction with the climate at work at Rabobank Nederland and the local banks remained stable at a high level in 2004. With a score of 85%, Rabobank outperforms the external benchmark of 40 major Dutch companies (75%) and the benchmark for firms in its own sector - finance (70%). This is a good result, certainly in view of the declining prospects for the future - due to a stagnating economy and a reduction in internal employment. Rabobank performs better than the benchmark on aspects such as training and development opportunities, and spreading of the workload. Employees are also more satisfied with the provision of information, as was revealed by the Periodic Identity and Working Climate Survey (known by the Dutch acronym: POPIA). However, with regard to 'teamwork', 'pay' and 'satisfaction with the immediate superior', Rabobank is still slightly behind the benchmark for the financial sector, in particular.

Performance Management helps fulfil ambitions

Rabobank Group has a number of central labour agreements (CAOs). Interpolis comes under the CAO for the insurance business, and Robeco has its own package of employment conditions. The Rabobank CAO applies to the local banks, Rabobank Nederland and De Lage Landen. On 29 April 2004, Rabobank and the unions concluded a new CAO for the period from 1 July 2004 to 1 May 2005. The main issue agreed concerned Performance Management, the new staff appraisal and remuneration system. The new system was introduced on 1 January 2005 and encourages employees working individually or as team members to focus on performance by agreeing clear, measurable objectives and linking them to salary. Almost all managers of local banks and those at Rabobank Nederland attended special Performance Management Classes in preparation for the introduction of Performance Management in their own department or team, while 17,000 employees followed the e-learning programme on the subject. In 2006, remuneration based on the new system will be introduced for the first time. Other Rabobank Group units apply a form of performance appraisal and variable remuneration, for example Robeco, Stroeve, FGH Bank and Alex.

Rabobank encourages voluntary work

Voluntary work by employees contributes to team building, enhancing staff skills and qualities and encouraging career development.

Although voluntary work is not included in our CAO, we nevertheless set up the 'Quality for society' programme in 2004. This programme encourages voluntary work by staff of local banks and Rabobank Nederland. The programme aims to promote the involvement of our own employees in charitable projects and social issues. In 2004, Rabobank also contributed both money and manpower to the establishment of 'WorkMate, You're Invited', a databank and matching software enabling corporate employees to find voluntary work and offer their services.

Staff and ex-employees of Interpolis are very interested in volunteering their services to help set up micro insurance schemes in other countries. In 2004, the Micro Insurance Association Netherlands (MIAN) was set up for that purpose. This association aims to help groups of people in developing countries to set up and manage small-scale cooperative insurance societies.

Executive grades: ancillary positions in the community

At the beginning of 2004, a survey was conducted among the executive grades on the subject of unpaid ancillary positions in the community. The average number of such positions is estimated at 2 per person, taking up an average of 9.6 hours per month. This concerns a great variety in the type of jobs, positions and organisations in the sphere of culture, welfare, religion, politics and education.

Cutting back on fringe benefits

Rabobank wants to offer conditions of employment²⁵ commensurate with the high standards which we expect of our employees. That means an excellent package in line with the norm on the relevant labour markets. The current conditions - both salaries and fringe benefits - are over-generous, inhibiting the mobility of employees who want or need to find other work outside the bank. Moreover, staff costs are a major expense, threatening the continuity of employment in the long run. Wage costs have to be reasonable, certainly in a cooperative bank. When reviewing the human resources policy in 2004, we therefore stated that we aimed to make a gradual transition from an over-generous package to one which is very good.

Increasing share of ethnic minority market

Rabobank aims to increase its share of the ethnic minority market, including as an employer. Rather than reflecting the working population of the country as a whole, we want to reflect the situation in each area of operation and in each region. We still have a long way to go.

The Diversity Competence Centre performs a key function here, collecting and sharing expertise so that people can learn from one another. At the end of 2004, we held a meeting on the subject of Diversity, intended in particular for local bank directors and managers, and managers of

Rabobank Nederland. At local level, too, various initiatives were launched in 2004 to augment the ethnic mix of the workforce. For example, Rabobank Rotterdam is taking part in the covenant entitled 'From Talent to Success', which offers women from ethnic minority backgrounds a better chance when applying for a job.

Rabobank wants to make better use of female talent

Rabobank Group considers it important to appoint more women to senior positions: not only because that is a social duty, but also because it is important for the bank. Female qualities can be good for teamwork and enhance the bank's performance. The proportion of women in senior positions (grade 8 and above) increased to 17.8% in 2004, against 16.7%²³ in 2003. When taking on trainees, we aim at an equal distribution of men and women, and the lists of nominations for senior managerial positions include at least one woman. In addition, the 'Mentorship 100' project was launched in 2004. This concerns mentoring and coaching women in senior management positions, with the aim of encouraging promotion to the executive grades. The Rabo Women's Network also took part in this project. This network, which had 700 members at the end of 2004, offers encouragement and inspiration for women and facilitates their personal development. In addition to the Women's Network, the Management Network - a network of female managers of local Rabobanks - is also active at Rabobank. This network holds meetings twice a year.

People with disabilities

In the design of its buildings, the bank takes account of people with disabilities, so that they too can work at the bank. At the request of managers, health & safety advisers specifically check that buildings and work stations are accessible for these people, too. Company doctors and ergonomists play an advisory role in the reintegration of people with disabilities.

CAAR replaced by GOR AB

In 2004 it was decided to set up a Group Works Council for Member Banks (known by the Dutch acronym: GOR AB). The advent of the GOR AB automatically means that, after almost 25 years, the Rabobank Central Advisory Council on Labour Affairs (known by the Dutch acronym: CAAR) will be abolished. This advisory body will be replaced in mid 2005 by a works council operating on the basis of the Wet op de Ondernemingsraden (Works Councils Act). The GOR AB promotes the rights and interests of employees of the member banks. It also conducts a critical appraisal of developments in Human Resources policy and the social and commercial aspects of corporate strategy. Another objective of the GOR AB is to support and encourage local employee representation, putting it on a more professional footing. The GOR AB represents the employees of all local Rabobanks, giving the local works councils a formal say in the development of Rabobank. Local banks had already been given more say in the Central Delegates Assembly.

The Rabobank Nederland Works Council will be retained alongside the GOR AB. On the subject of CSR, the Works Council comments on the annual sustainability report each year and submits policy questions to the Executive Board. In 2004, both CAAR and the Rabobank Nederland Works Council were constructively involved in a number of important changes, such as the introduction of Performance Management, the switch from CAAR to GOR AB and the transfer of the group private health insurance contract from CZ to Zilveren Kruis-Achmea. The Rabobank Nederland Works Council made a substantial and constructive contribution to the reorganisation process, Operation Service. The annual report produced by the Works Council performed a key role in internal communication.

Number of disputes remains stable

In 2004, under the Labour Relations Arbitration Scheme, the arbitration board issued 157 recommendations, conducted 40 mediations (of which 36 were successful) and issued seven binding rulings. The respective figures for 2003 were 191, 44 and nine.

The Labour Relations Arbitration Scheme has existed since 2001 for employees of the local banks and Rabobank Nederland. Employees and the banks are both entitled to refer disputes to an independent third party. In by far the majority of cases, the disputes concern changes in the organisation, the associated staff calibre, and the number of employees needed in the future. A new feature in 2004 was disputes relating to the transitional early retirement scheme, in which employees could not agree with their managers to postpone the early retirement date. Three-quarters of the disputes were resolved or made manageable by the recommendations given. Much use is made here of mediation techniques such as an assessment of the party's interests, rather than justifying one's position by putting forward arguments. An effort is also made to place the dispute in context by considering the environment of the person concerned; holding up a mirror to attitudes and behaviour helps to make the problem manageable. Full mediation is used in a quarter of cases, in which the parties sign a compromise agreement. If mediation fails, or if either of the parties will not agree, then the dispute can be referred to the Regional Arbitration Board, which issues a binding ruling.

Ombudsmen

Apart from referring cases to the Arbitration Board, Rabobank Group employees can also contact the ombudsman: either the ombudsman for their own unit or bank, or one of the ombudsmen at the Rabobank Group Health & Safety Service. The ombudsman is the contact in the case of undesirable behaviour. Among other things, Rabobank's health and safety policy aims to give staff protection against sexual intimidation, aggression and violence, and against discrimination and harassment at work, and the adverse consequences which ensue.

With this policy, Rabobank wants to ensure that undesirable behaviour is prevented, and tackled where necessary. Rabobank²⁶ conducted a survey of undesirable behaviour: in 2004, 4.8% of employees taking part

in the survey said they had experienced aggression, 2.4% had been threatened, 2.3% had suffered harassment, 0.7% discrimination and 0.4% sexual intimidation.

Over half of the local Rabobank ombudsmen were contacted three times on average in 2003 and 2004. Most of the cases concerned harassment, sexual intimidation or a breakdown in the working relationship between employee and manager. Altogether, 33 people contacted a Health & Safety ombudsman in connection with undesirable behaviour (31 in 2003). 43% of cases concerned harassment, 36% sexual intimidation, 3% aggression and violence, and 3% discrimination, while 15% concerned other situations.

Rabobank fails to achieve all the aims of the working conditions covenant

The end of 2004 saw the expiry of the Banking Working Conditions Covenant, concluded in 2001 by the government and employers and employees in order to curb absenteeism and the take-up of disability benefits. The covenant contained agreement on the following points for Rabobank:

- 10% reduction in absenteeism²⁷ (from 5.1% in 2001 to 4.6% by the end of 2004); final score in 2004: 3.66%.
- 20% reduction in persons claiming disability benefits²⁸ (from 1.1% in 2001 to 0.9% by the end of 2004); final score 2004: 0.72%.
- 10% reduction in the number of employees suffering from RSI²⁹ (from 24.5% in 2002 to 22.1% by the end of 2004); final score 2004: 24.2%.
- 40% reduction in the number of departments with heavy work load²⁹ (from 3.8% in 2002 to 2.3% by the end of 2004); final score 2004: 3%.
- 20% reduction in the number of employees with heavy work load²⁹ (from 9.0% in 2002 to 7.2% by the end of 2004); final score 2004: 8.5%.

Not all the objectives were achieved, but in comparison with other large banks taking part, Rabobank did noticeably better on the objectives concerning absenteeism and work load. This means that all the objectives for our sector (Banking) were met.

In the case of absenteeism and take-up of disability benefits, the objectives under the Working Conditions Covenant were met. Absenteeism declined further from 4.1% to 3.66% in 2004. The effects of the Wet Verbetering Poortwachter (Eligibility for Permanent Invalidity Benefit (Restrictions) Act) definitely played a role here. Policy changes mean more active efforts to get employees back to work, even if only because failure to fulfil obligations on the part of employers or employees can lead to sanctions by the UWV (social security benefits administration agency). In 2004, the Rabobank Group Health & Safety Service was involved in almost all the reintegration processes. With its measures to reduce the heavy work load of employees in certain departments, Rabobank was on the right road in 2004 (compared with 2003). In 2005, specific measures will be taken to maintain this positive trend. In 2004 the direct cost of absenteeism (continued payment of salaries during sick leave) came to around EUR 130 million, the same as in 2003.

Rabobank continues to encourage Workspace

After a fall in 2003, the number of employees suffering from RSI was up again in 2004. This increase prevented us from attaining our own objective here, but the bank is still within the target of 25% for the sector. In the industry as a whole, 30.6% of employees suffer from RSI. In view of the rise in the number of Rabo staff ²⁹ stating that they spend 7 or more hours a day in front of a computer screen (up from 32% in 2002 to 42% in 2004), Rabobank will continue to encourage employees, particularly those in the 'RSI risk groups', to use the Workspace programme for taking breaks. The Rabobank Group Health & Safety Service implements this by opting to incorporate Workspace primarily in existing products and services. For instance, Workspace is covered by the workshop on organising work stations for health & safety coordinators, how to keep fit at a computer screen, and the health & safety website. Questions on the use of Workspace can also be included in the comprehensive health and safety survey (known by the Dutch acronym: ATO).

Preventive approach by the Health & Safety Service

The Rabobank Group Health & Safety Service ³⁰ is very much in favour of a preventive approach to curbing absenteeism and the take-up of disability benefits. In the purchasing process, the Health & Safety Service ensures that products and services meet the right requirements (Health & Safety approval label), and it is involved in new building and conversion projects. The Health & Safety Service also wants to increase management vitality by executive medical examinations and programmes such as 'De Directeur Persoonlijk' (The Director as a Person) and 'De Manager Persoonlijk' (The Manager as a Person). These schemes have two aims: to avoid absenteeism and to boost productivity. Apart from the ordinary services, supplementary services were developed in 2004 to handle the change process with care and prevent too many adverse effects - such as increased stress and absenteeism. Examples include training for managers and employees on how to deal with the stress of change processes, and a special variant of the employee survey addressing the quality of the change process. This shows that changes often lead to

uncertainty, including doubts about the future, and that the emergence of more negative effects depends on the changes to the work process and the way they are organised.

Health & Safety Service takes part in research on the prevention of obesity

VU medical centre in Amsterdam is working on the research programme *Alife@Work*, which focuses on overweight employees who would like to lose weight. It examines the most effective method of support, and whether participation in the programme reduces absenteeism. The Health & Safety Service is facilitating the 2-year study because it complements our ambitions. Obesity is a serious health risk that can lead to high absenteeism costs, certainly in the long term. If the idea proves effective, the Health & Safety Service will advise investing in programmes of this type. In so doing, the Health & Safety Service is acting in line with all the initiatives encouraged by the government and by employers' and employees' associations. A covenant on Obesity has been concluded for the period 2005-2007.

Objectives for 2005 for local Rabobanks

The objective for 2005 is to implement the new human resources policy as described in 'People make the bank'. Under that policy, we strive to create a culture centred on client focus and performance, so that we can respond to developments in society and in our workforce, and can try to achieve our ambitions as a bank. Employees adopt a proactive attitude and feel responsible for their own development. Remuneration will depend to a greater extent on performance, and the package of employment conditions will permit more individual choices. Mobility within the organisation will become more common, and a job for life is no longer taken for granted. We shall continue to pay meticulous attention to advice on promotion/transfer within the organisation or staff departures. We also need to increase the proportion of ethnic minority employees and of women, especially in senior positions.

21) These figures relate only to Rabobank Nederland, local banks and the Dutch branches of Rabobank International.

22) The Addendum relates only to Rabobank Nederland and local banks.

23) These figures relate to Rabobank Nederland, the local banks, De Lage Landen and Schretlen & Co. Alex was added in 2004. The inflow from other group units is seen as external inflow.

24) This concerns only Rabobank Nederland and local banks.

25) The conditions of employment relate to Rabobank Nederland, local banks and De Lage Landen.

26) The survey covered 112 local banks and a number of Rabobank Nederland and Interpolis units.

27) The figures relate to Rabobank Nederland, local banks, De Lage Landen and Schretlen & Co. Alex was added in 2004.

28) The figures relate to Rabobank Nederland, local banks, De Lage Landen and Schretlen & Co.

29) The survey was based on a sample at Rabobank Nederland and local banks.

30) Five local banks and the foreign branches are not affiliated to the Rabobank Group Health & Safety Service. Obvion, Effectenbank Stroeve, FGH Bank and Robeco do not use the entire range of services.

Summary of results for 2004 and 2005 objectives for human resources management

Objectives stated in 2003 report

●	Introduce Performance Management	Done
●	Set up GOR AB: Group Works Council for Member Banks	Done
○	All employees to have a Personal Development Plan	Not everyone had a POP in 2004
○	More diversity in the workforce, more ethnic minority managers	Not yet achieved
●	Agree targets for the number of women to be nominated for and appointed to senior positions, and identify women with potential	Done
◐	Achieve targets set in working conditions covenant	Partly achieved

Key objectives for 2005 and beyond

- Implement human resources policy 'People make the bank': performance, development and enjoyment
- Increase staff mobility within the organisation and outside, in response to organisational changes
- Increase the proportion of ethnic minorities, including in managerial positions
- 20% of new senior management appointments to be awarded to women
- Encourage reintegration of employees
- Increase employee satisfaction with the work load
- Reduce RSI disorders by implementing prevention plans for risk groups

● target fully achieved

◐ target partly achieved

○ target not achieved



Incorporating CSR in our business operations

Caring for the environment has for many years been the aim of Rabobank Group, and is an important factor in our own business operations. Yet we can always do better. That is why, in 2004, we took a number of initiatives and engaged in activities to embed corporate social responsibility more firmly in our business operations.

The principal efforts and results relating to our own business activities are described below. The topics covered are:

- compliance with covenants and legislation, including environmental regulations;
- incorporating CSR in purchasing;
- cutting energy consumption and using renewable energy;
- cutting paper consumption and using environment-friendly paper;
- waste prevention and recycling;
- more sustainable mobility;
- sustainable construction/renovation of branch premises.

In order to inform you on these subjects, we at Rabobank Group do our best to collect as many data as possible on our own business activities. Unfortunately, we are not yet able to offer an entirely comprehensive and 100% reliable account of the actual situation. In our reports we take account of everyone who has a real influence on the consumption of items such as energy and paper. This means that we involve not only our own staff but also the people whom we hire in from third parties ³¹. We launched this method of reporting with retroactive effect in 2004, so that all data per FTE in this report deviate from those given in reports on previous years.

Compliance with covenants and legislation, including environmental regulations

In the Netherlands, environmental laws and regulations apply to all businesses. We at Rabobank also want to be sure that we respect the current rules. For this purpose, we issued the local banks and all Rabobank Nederland group units with the checklist entitled 'Risk assessment of environmental laws and regulations' in 2004. This checklist is a tool which banking units can use to check what environmental legislation applies to their buildings and whether they comply with that legislation. Both Interpolis and Robeco ³² completed the checklist. The outcome revealed that both group units comply with the current environmental laws and regulations. So far, 69% of the 77 local banks have confirmed that they have completed this checklist. De Lage Landen and Obvion will conduct this assessment in 2005.

In this chapter

Compliance with covenants and legislation, including environmental regulations

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Purchasing

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Suppliers

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Energy consumption

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Paper consumption

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Sustainable mobility

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Sustainable renovation and construction of new branches

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³¹) With the exception of local banks.

³²) This only concerns two Robeco buildings on Coolsingel in Rotterdam.

Overview covenants				
Covenant	Term	Objective	Results so far	More information
Multiannual Energy Efficiency Agreement (MJA) 1 (Rabobank Nederland and Interpolis)	16 December 1996 - 1 January 2006	25% improvement in energy efficiency compared with 1995 throughout the banking sector	19% ³³ improvement in energy efficiency compared with 1995 achieved by Rabobank Nederland and the local banks	Page 72
Packaging Covenant III (Rabobank Group)	Signed at end of 2002, runs until 2006	Under the Packaging Covenant III, the Dutch government (Ministry of Housing, Spatial Planning and the Environment) and industry have agreed to implement preventive measures and recycling to cut the quantity of packaging waste for incineration to 850 Ktonnes in 2005.	Monitoring of waste data and activities geared at prevention and recycling.	Page 76
Letter of Intent on Organic Catering (Rabobank Nederland)	April 2002 - December 2004	Use of at least 5% organic foods.	Organic foods represent 16%	Page 70

Rabobank Nederland has also signed three covenants, which are listed in the table above, alongside their objectives and the results achieved so far. The table also states whereabouts in this chapter to find more details of these covenants.

Purchasing

Every year, Rabobank Group spends EUR 1,700 million on goods and services. In making our purchases, we do not only consider financial indicators and objectives but also take account of social and ecological criteria. The purchasing phase, during which we specify and select products, services and/or suppliers, is an excellent time to apply sustainability criteria.

More sustainable purchasing packages

Rabobank Group wants to know more about the CSR aspects arising during the life cycle of the products we buy. In 2004, we therefore conducted a scan of 64 purchasing packages to highlight their potentially significant impact on the environment and sustainability. In the case of 37 purchasing packages, we found that CSR was relevant to a greater or less degree. In consultation with the CSR department, Rabobank Group Purchasing (known by the Dutch acronym: RCI) developed a web tool for buyers which makes it easy for them to find relevant CSR laws and regulations. This tool will be expanded further in 2005, e.g. by the addition of information on our CSR policy. The database providing the content for the web tool will be constantly updated in line with changing requirements and specifications.

CSR aspects were included in the contracts revised by RCI in 2004 where relevant and where we could exert influence. CSR aspects were an important consideration in the awarding of contracts in the current outsourcing processes for a number of services. In 2005, RCI and the CSR department will together draw up a plan for incorporating CSR aspects in purchasing procedures on a structural basis.

Purchase of green energy

Ever since 2002, Rabobank Group has been purchasing 25% green energy for the branches falling under the central purchasing contract. In 2004 we concluded a new master contract for the supply of 100% green energy, generated by Dutch wind turbines financed by Rabobank. This means that, from 2005, 93% of all the energy used by the group in the Netherlands will be green. A number of branches are bound by long-term contracts, or have no say in the purchase of energy, e.g. in rented premises. The larger users, such as the head offices of Rabobank Nederland, the computer centres, Robeco, Interpolis, De Lage Landen and Stroeve, will run on 100% green energy from 1 January 2005. FGH Bank will switch to green energy from 2006.

Purchase of organic foods by Rabobank Nederland

As a major user of foodstuffs, Rabobank Nederland signed the Letter of Intent on Organic Catering in 2002. In so doing, we set ourselves a target of using at least 5% organic products by 2004. Now, two years on, our staff restaurants offer a daily selection of various types of organic bread and rolls, and organic milk, buttermilk and other organic dairy

products are offered as standard. In addition, a varying range of organic snacks, meat products and vegetables is available, bringing the share of organic products to over 16% of the total range of foods offered. So we have far exceeded the objectives which we endorsed in the covenant. Moreover, since the end of July 2004 all hot drink dispensers at our main branches supply organic Max Havelaar coffee. The organic coffee is produced on plantations where coffee farmers are not allowed to use any pesticides or artificial fertilizer. The farmers are also able to sell their products under fair trading conditions.

Suppliers

Screening suppliers in terms of CSR requirements

When selecting products, Rabobank does not only assess whether these products have been produced by socially responsible methods, we also increasingly expect our suppliers to conduct their business in a socially responsible way. The CSR requirements which we stipulate for our suppliers vary from one group unit to another. The contracts concluded by Rabobank Group Purchasing (RCI) with suppliers include - where relevant - a clause specifying that they can only supply goods which are produced without the use of child labour. Interpolis' suppliers have to sign a statement in which they are informed of Interpolis' objectives of reducing the impact on the environment, and they declare that they will endeavour to keep that impact to a minimum. However, in 2004 suppliers were not yet being checked against these requirements by any of the units. For 2005, the RCI 'Sustainable Purchasing Plan' sets out a method of assessing suppliers. In 2004, Schretlen & Co drew up a list of approved suppliers. The purchasing procedure will be tightened up in 2005, and this list will also be reviewed once again in the light of CSR criteria. In addition, Schretlen & Co will adjust the ordering procedure to ensure that every order must first be approved by the company's authorised signatory. Checking whether the supplier is on the approved list forms part of that approval process. This means that the current approval process will in fact be reversed, because at the moment any 'infringement' is not identified until the invoice is checked.

Gilde, Obvion and Alex have not yet specified any CSR criteria for checking the business operations of their suppliers. Nor does FGH Bank conduct a CSR scan of suppliers as yet. However, a substantial part of FGH Bank's purchasing takes place under master contracts concluded with suppliers by Rabobank Group Purchasing, so that, to a large extent, the purchasing processes automatically fulfil the Rabobank CSR criteria.

Measures to combat unfair competition in purchasing

Since 9 February 1999, Rabobank has had a policy for avoiding unfair competition in purchasing. It is set out in detail in the policy statement 'Purchasing at Rabobank Group, 17 December 2002' and that position was reconfirmed in 2004. The stance adopted by Rabobank on reciprocity means that, in selecting and dealing with suppliers, Rabobank is not influenced by reciprocity unless all other factors are equal. Potential suppliers who are also clients (or wish to become clients) are informed of this if they ask for reciprocity. Robeco's separate policy on suppliers similarly contains measures to prevent unfair competition

In business, 'reciprocity' means the 'quid pro quo' principle.

Generally speaking, reciprocity in purchasing takes the form of:

- preference for suppliers who are also clients of the bank during the assessment and selection procedure, or prejudice against suppliers who are not clients;
 - influencing suppliers to become or remain clients;
 - offering a specific purchasing obligation in return for a specific selling obligation (or vice versa).
-

Energy consumption

In 2004, Rabobank Group worked on expanding its energy monitoring systems. The aim of these systems is to identify and correct anomalies in consumption, and to permit comparison of consumption, both within Rabobank Group and with external parties. In addition, monitoring enables us to constantly encourage energy saving by challenging people about the figures recorded. In 2004, we made a start on bringing the energy management system for Rabobank Nederland premises up to the ISO 14001 standard for environmental management systems. This system is to be fully up and running in 2005. Central recording and monitoring is to be introduced, where possible, in 2005 to improve the recording of energy management at the local banks.

Energy saving

Various local banks received green financing for the purpose of applying sustainable energy techniques in their branches, such as the use of heat pumps, cold/heat storage in the ground, and solar panels. In addition to increasing the use of clean energy, we also focus on reducing energy consumption. In 2004, various energy-saving innovations were tested: limiting stand-by power consumption caused by

leaving electronic equipment on stand-by proved successful, and will be introduced on a larger scale in 2005. Where lighting levels permit, energy-saving fittings will be used.

The energy saving programme was successful, with the energy efficiency index showing a saving of 19%³³ compared with the base year 1995, despite the large amount of additional cooling equipment installed since that time. The downward trend in energy consumption was only temporarily interrupted in 2003 by the extremely hot summer. Moreover, it was found that part of the local banks' 2002 consumption was recorded in 2003, owing to invoicing problems in the energy sector. The 2004 figures reflect energy consumption in a normal year.

Pilot Study on Energy Efficiency Recommendation for Commercial Premises

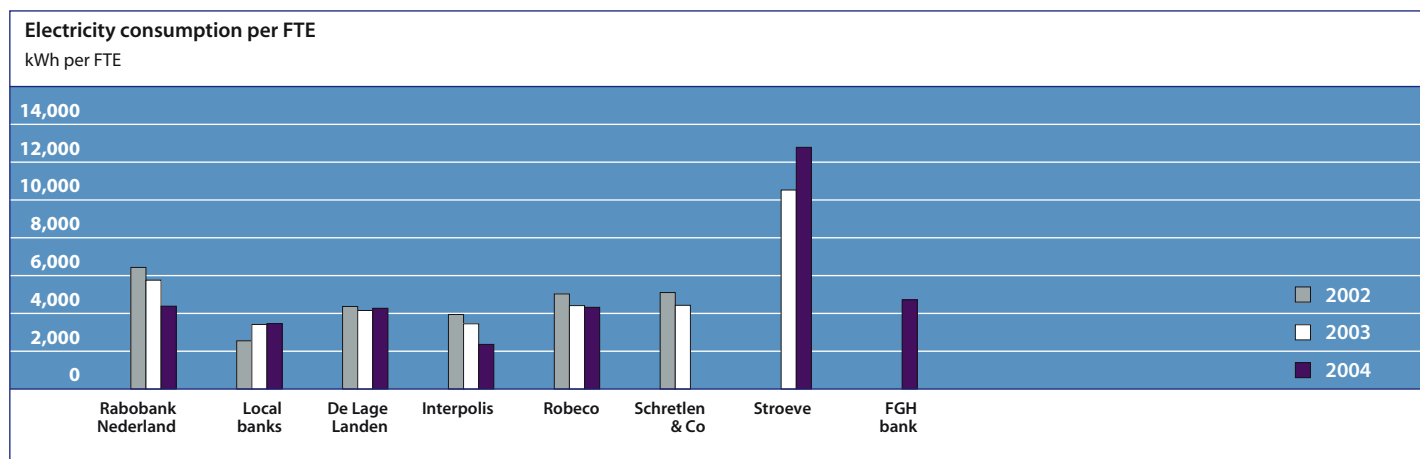
Rabobank Nederland and SenterNovem together conducted a pilot on the new Energy Performance Recommendation for Commercial Premises (known by the Dutch acronym: EPA-U) at 40 local bank branches in the West Brabant region. This pilot examined the energy aspects of a representative number of branches, as a prerequisite for an energy management system. Since most of the branches had already

introduced many energy-saving measures, there was little potential for further saving opportunities. The conclusion is therefore that the EPA-U is primarily relevant during renovations, rather than when the building is in use.

Multiannual Energy Efficiency Agreement

In 1996, Rabobank Nederland and the local banks signed the Multiannual Energy Efficiency Agreement (known by the Dutch acronym: MJA), which aims to cut net energy consumption per square metre of floor area by 25% compared with 1995. Interpolis also signed the MJA for the insurance industry.

In 2004, a marked reduction in electricity consumption was achieved more or less throughout Rabobank Group. At Rabobank Nederland, electricity savings were achieved in all regions. The Utrecht and Zeist premises achieved a particularly large cut in consumption by adjusting the settings on the cooling equipment and acquiring new machines, as well as by disposing of a location in Zeist. Interpolis took a number of measures, such as replacing monitors with flat screens, achieving a saving of over 20%. At the local banks, electricity consumption remained more or less steady at the 2003 level. The reasons for the



33) Owing to the absence of data on 5% of branches, this percentage has a small margin of uncertainty. However, the information is based on more reliable data than those used in the past. From 2004 onwards, increasing use has been made of actual electricity meter readings; these were used for all buildings with a supply exceeding 3 x 80 amps.

34) The Arnhem and Groningen branches of Interpolis were included in the report for the first time this year, so that the Interpolis figures for 2004 cover 68% of the organisation. The 2003 data cover 64%, and those for 2002 cover 62%.

35) Robeco data only concern Coolsingel 120. The Robeco figures therefore cover 56% of the organisation.

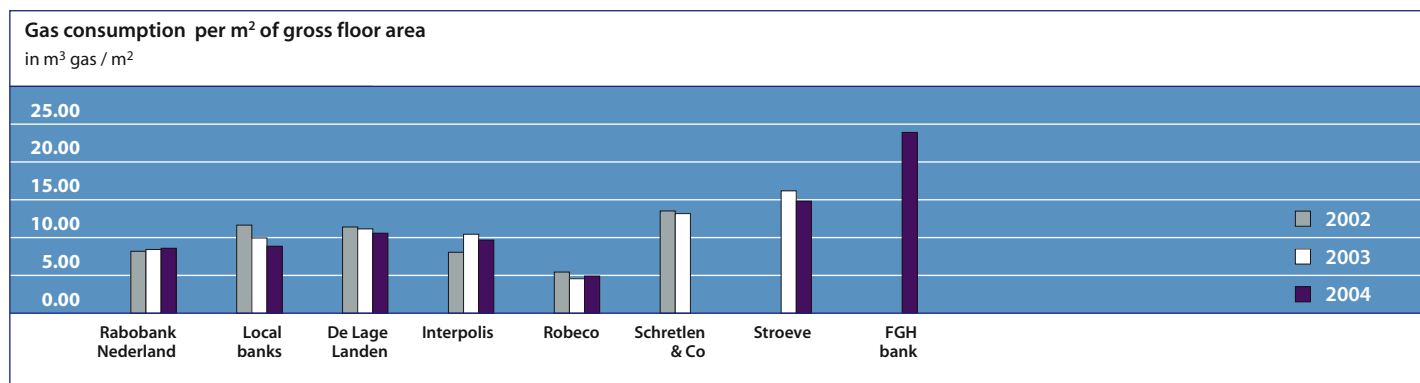
36) The high level of electricity consumption at the investment bank, Stroeve, is due partly to vacant premises, including the space reserved by Alex as back-up premises under its disaster management plan. Part of that space is lit and cooled. The electricity consumption could increase up to 25%.

37) FGH Bank, part of Rabobank Group since 2003, reported for the first time this year. The FGH Bank data concern only the Utrecht head office.

The FGH Bank figure therefore covers 88% of the organisation.

38) For Alex, Schretlen & Co, Gilde, Obvion and Rabobank Vastgoed, no data are available on electricity consumption.

39) The 2002 and 2003 electricity consumption data for the local banks are distorted because part of the local banks' 2002 consumption was recorded in 2003, owing to invoicing problems in the energy sector.



40) Gas consumption was adjusted for variations in weather conditions between the years (by the 'degree days' method).

41) The Arnhem and Groningen branches of Interpolis were included in the report for the first time this year, so that the Interpolis figures for 2004 cover 68% of the organisation. The 2003 data cover 64%, and those for 2002 cover 62%.

42) Robeco data only concern Coolsingel 120. The Robeco figures therefore cover 56% of the organisation.

43) In 2003, Stroeve moved to new, larger premises. 2002 data (vacated location) are therefore not included in the chart. The high level of gas consumption in m³ / m² is due partly to vacant premises in 2004. This included the space reserved by Alex as back-up premises under its disaster management plan. It takes extra gas to heat these high-ceilinged rooms.

44) FGH Bank, part of Rabobank Group since 2003, reported for the first time this year. The FGH Bank data concern only the Utrecht head office.

The FGH Bank figure therefore covers 88% of the organisation. The gas consumption in m³ / m² is high cause of a large office department.

45) In the case of Alex, Schretlen & Co, Gilde, Obvion and Rabobank Vastgoed, no data are available on gas consumption.

46) The difference in gas consumption at local banks is due to the fact that consumption was measured in 2004, whereas in 2003 an assessment is made on the basis of financial data.

Owing to the absence of any data for 5% of the locations, the gas consumption figures present a small margin of uncertainty. That uncertainty is slightly different from the margin in previous years.

increase in 2003 compared with 2002 are not exactly clear, but it is probably attributable in part to the introduction of actual consumption measurement, the hot weather in 2003 and the staff reduction in that year. Only at Stroeve did electricity consumption increase - despite the time switches fitted to the lights in the building. The steep increase per FTE was due to the large reduction in FTEs at Stroeve at the end of 2003. In absolute terms, consumption remained virtually steady.

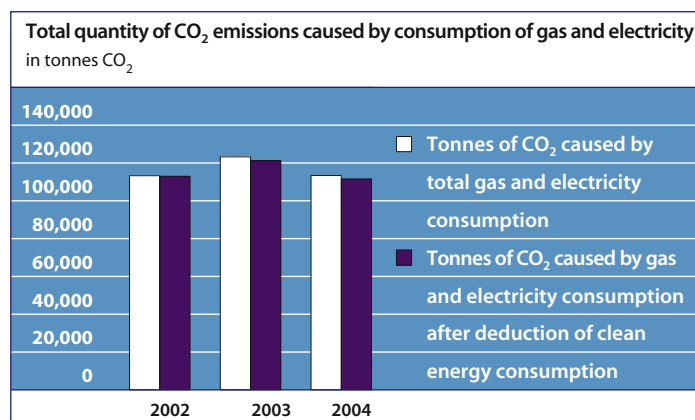
Natural gas consumption

In 2004, gas consumption declined at Interpolis and Stroeve.

Interpolis uses a heat and cold storage system which requires less gas to regulate the indoor temperature. At Stroeve, housed in new premises, the consumption of gas per m² of floor area has fallen. De Lage Landen has also seen a small reduction in gas consumption per m². At Robeco, one of the reasons for the increased gas consumption is that, since October, the cold start after the weekend is scheduled one hour earlier in order to get the temperature up to normal at the start of office hours.

CO₂ emissions caused by energy consumption at Rabobank

The consumption of electricity and gas by Rabobank Group in the Netherlands leads to the emission of the greenhouse gas, CO₂. In 2004, energy consumption generated emissions totalling 113,375 tonnes of CO₂, which is 8% less than in 2003.



47) The CO₂ emissions were calculated on the basis of the electricity and gas consumption data given above with the same footnotes and supplementary remarks.

48) The comparison with previous years is based on data from those Rabobank Group units having figures are available for all three years. The figures in this chart therefore exclude the Alex, Schretlen & Co, Gilde and Obvion data for all years.

Paper consumption

Reduction in paper consumption at Rabobank Nederland and local Rabobanks

One forest a year. That is what we think we can save at Rabobank Group. According to the World Wildlife Fund, the average office worker consumes paper representing one tree a year. If we cut paper consumption by 10%, we shall save around 5,500 trees. With this figure in mind, we therefore did our best last year to cut paper consumption in our organisation. And we succeeded, because there has been a sharp fall in paper

consumption at Rabobank Nederland and the local banks, which together achieved a 7% saving. This represents 28.7 million sheets of paper. However, we did not achieve the objective of a 10% saving in paper consumption in 2004, although consumption of plain A4 paper alone was down by over 15% at Rabobank Nederland. Current changes to systems and hardware lines once again justify a target reduction for 2005 of 10% against the 2003 figure. Cuts in paper consumption are largely achieved by changing employees' behaviour patterns and by introducing various technical measures. For local banks and Rabobank Nederland, an action package was made available on the intranet which enables staff to monitor and manage their paper consumption in order to change their behaviour patterns. The new format statements of account used 10 to 15% more paper, on average, when they were introduced in 2004, but the electronic statements which were also introduced in 2004 are expected to cut the number of paper statements sent out by an estimated 50% within three years.

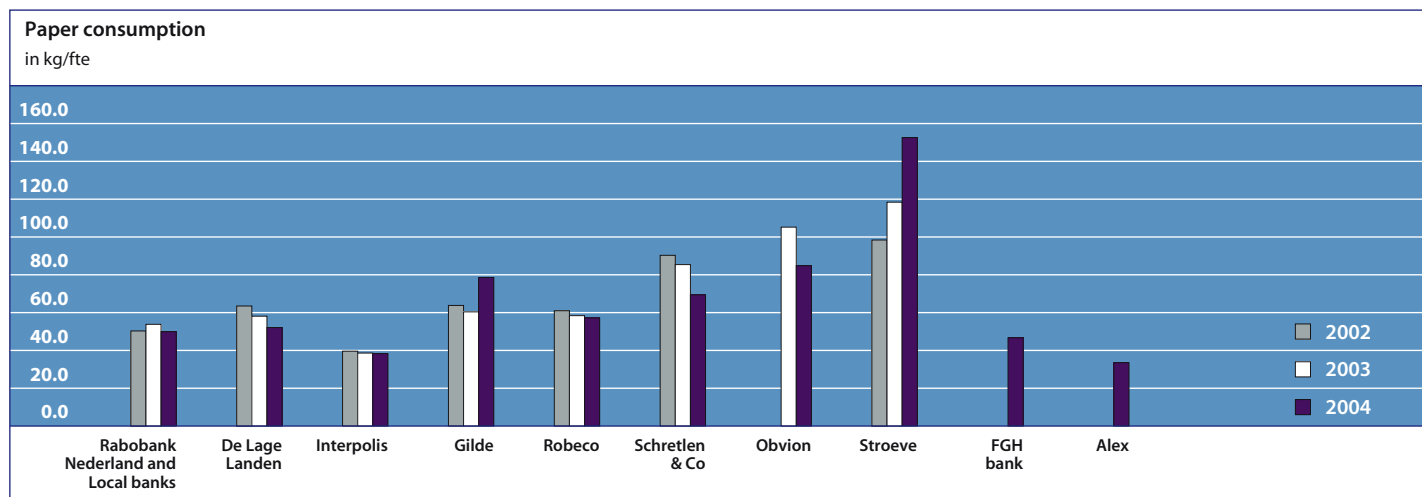
Paper consumption by group units

De Lage Landen has cut paper consumption by increasing data digitalisation, such as the on-line facility offering information for Trade Finance clients, thereby removing the need for traditional paper statements. Also, staff at De Lage Landen are proving to be more aware of such measures as printing on both sides of each sheet. At Schretlen & Co,

an ECO team was active in 2003 and the benefits are now obvious, as paper consumption was cut by no less than 19% per FTE in 2004. Although no specific paper-saving projects have been carried out at Obvion, paper consumption per FTE has fallen sharply there, too.

At Interpolis and Robeco, consumption has remained more or less constant. At Gilde, paper consumption increased sharply in 2004, the reason being that Gilde had a very heavy work load in that year and carried out surveys. These activities are generated by the volume of business, and entail heavy consumption of paper. Also, Gilde acquired its own colour copier in 2004, which is used to produce leaflets. This work, which used to be outsourced, also increased the consumption of paper. Few IT fund-related activities took place at Gilde in 2003, so that the IT team's paper consumption was low. In 2004, IT ventures were discontinued and the departure of the IT team led to a decline in FTEs at Gilde. All these factors led to a large increase in paper consumption per FTE.

Stroeve also experienced a sharp rise in paper consumption in 2004. This was attributable partly to the expansion of the client base, which led to many extra contracts being printed. Alex, which - like FGH - reported for the first time in 2004, aims to achieve a substantial saving in paper consumption in 2005 by using a new system of processing statements.



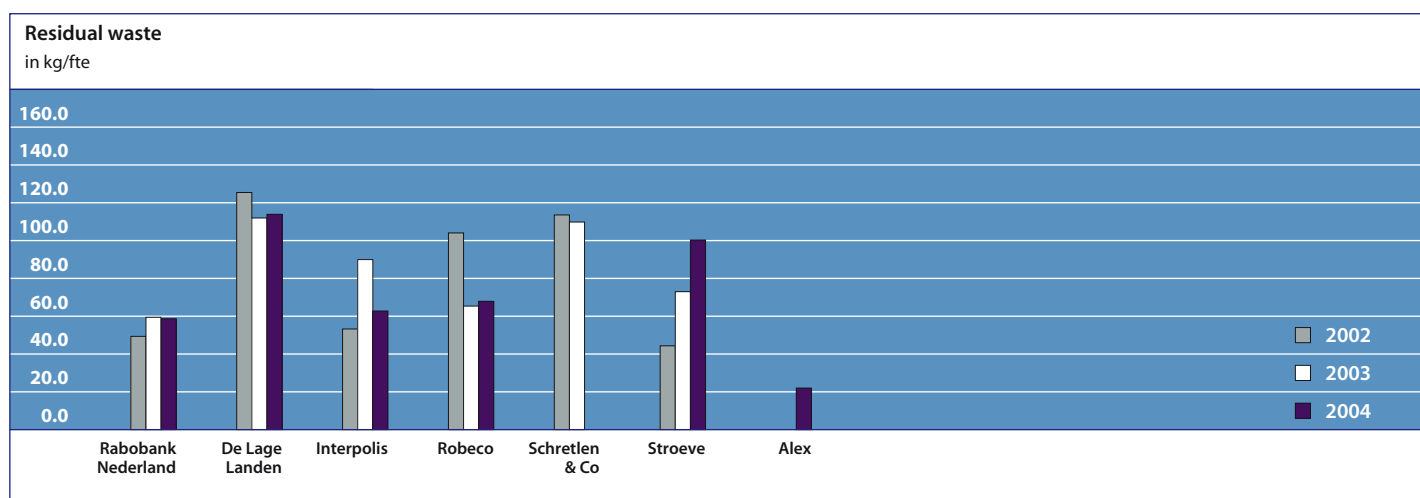
49) The Rabobank Nederland data for 2003 have been adjusted to eliminate the one-month shift in the data supplied.

50) The Arnhem and Groningen branches of Interpolis were included in the report for the first time this year, so that the Interpolis figures for 2004 cover 68% of the organisation. The 2003 data cover 64%, and those for 2002 cover 62%.

51) Robeco data concern Coolisingel 120 and 139. The Robeco figures therefore cover 87% of the organisation.

52) Alex and FGH Bank, both part of Rabobank Group since 2003, reported for the first time this year. The FGH Bank data concern only the Utrecht head office. The FGH Bank figure therefore covers 88% of the organisation.

53) No data are available on paper consumption at Rabobank Vastgoed.



54) The Arnhem and Groningen branches of Interpolis were included in the report for the first time this year, so that the Interpolis figures for 2004 cover 68% of the organisation. The 2003 data cover 64%, and those for 2002 cover 62%.

55) Robeco data also include Coolsingel 139 this year. The Robeco figures therefore cover 87% of the organisation. The figures for 2003 and 2002 cover 55% and 46% respectively.

56) Alex, part of Rabobank Group since 2003, reported for the first time this year.

57) For the local banks, Gilde, Obvion, FGH Bank and Rabobank Vastgoed, no data are available on waste volumes. No waste data are known for Schretlen&Co regarding 2004.

Environment-friendly paper

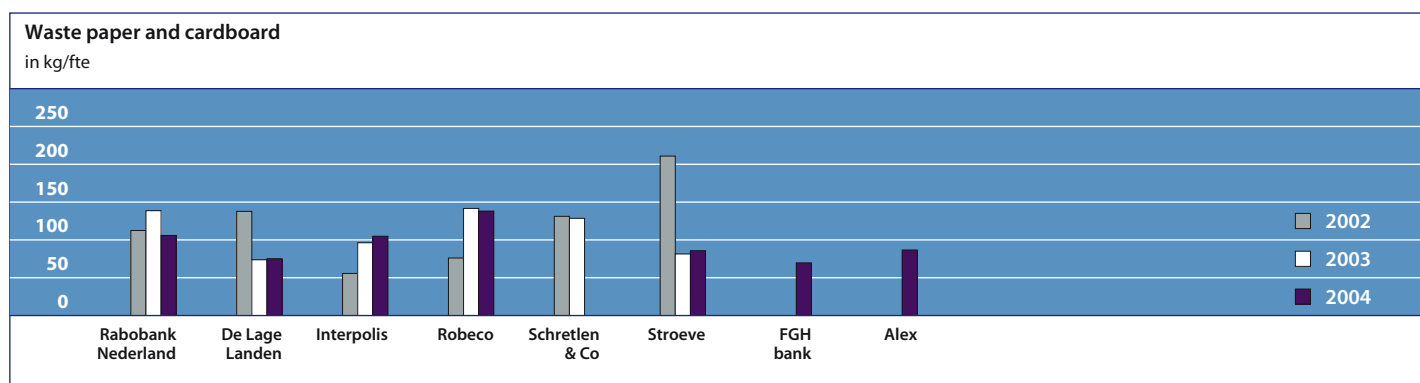
In parallel with the volume reduction, the environmental quality of the A4 copying and printing paper and envelopes will also be substantially improved in 2005 by the introduction of FSC-approved paper. This is paper made from wood obtained from plantations or forests managed by sustainable methods. This change does not apply only to Rabobank entities, but is also being implemented at De Lage Landen.

Waste

Monitoring of residual waste volumes reveals a mixed picture over the years, and variations from one location to another. At Rabobank Nederland branches, the quantity of residual waste has remained more

or less constant. This year, better information is available on the waste situation thanks to improved procedures relating to waste collection, and arranging for all waste to be processed by the same operator. At Rabobank Nederland in Utrecht, a trial was completed with Eco Smart. This is a waste management system that permits segregation of waste into four components at the workplace. Rabobank Nederland (in Utrecht) is the first company in the Netherlands to introduce this system.

Residual waste per FTE has also remained virtually constant at De Lage Landen and Robeco, despite additional waste totalling almost three tonnes at Robeco, resulting from a renovation project.



58) The Arnhem and Groningen branches of Interpolis were included in the report for the first time this year, so that the Interpolis figures for 2004 cover 68% of the organisation. The 2003 data cover 64%, and those for 2002 cover 62%.

59) Robeco data concern Coolsingel 120 and Coolsingel 139. The Robeco figures therefore cover 87% of the organisation.

60) Alex and FGH Bank, both part of Rabobank Group since 2003, reported for the first time this year. The FGH Bank data concern only the Utrecht head office.

The FGH Bank figure therefore covers 88% of the organisation, in which it is possible that a part of the waste paper is removed as residual waste.

61) For the local banks, Gilde, Obvion and Rabobank Vastgoed, no data are available on waste paper and cardboard volumes. No waste data are known for Schretlen & Co regarding 2004.

62) The Rabobank Nederland 2003 data on waste paper and cardboard were restated in 2004 because, for one region, the quantity of destra paper (confidential paper to be destroyed) was not included, whereas this had been included for other regions in previous years.

At Stroeve, improved records led to the reporting of more waste per FTE. Following the one-off increase in residual waste caused by a large-scale relocation at Interpolis in 2003, the quantity of residual waste per FTE declined sharply. The reason why the quantity has not fallen right back to the 2002 level as yet may be due to the fact that, in 2002, the quantity of waste per container was estimated, whereas now the actual quantity is measured. At Alex, thanks to waste segregation at source by special waste units, 80% of the waste is recycled. According to the organisation which arranges this, that saves a further 15 to 20% in cleaning costs.

At most locations, the quantity of waste paper and cardboard per FTE has increased since 2003. At Interpolis, the increase was attributed to the fact that records include the waste at the new premises, where no campaigns or economy measures have yet been implemented.

Recycling of packaging waste

Rabobank uses plastic envelopes (seal bags) for dispatching notes and coins. The local banks have a scheme for recycling any of these envelopes which are not re-used. In 2004, almost 15,000 kg were recycled. However, until recently, any of these plastic envelopes not re-used by the external cash sorting centres were incinerated. In 2004 it was agreed that the cash sorting centres would recycle this material. The target for 2005 is to recycle 80% of seal bags discarded by local banks. This will make a substantial annual contribution to the re-use of plastics by recycling, one of the priorities under the Packaging III Covenant to which Rabobank Group is party.

As regards waste prevention, the situation in 2004 was less successful. While the consumption of seal bags declined in 2003, it actually increased again in 2004 by 24 tonnes, bringing the total to 107.6 tonnes: this is 29% higher than in 2003. One possible reason is a stricter policy on cash deposits, necessitating more frequent use of the seal bag machine, and hence of seal bags. However, the use of paper and cardboard was more or less steady in 2004.

Sustainable mobility

Mobility is an indispensable factor in the production and sale of our products and services, and is therefore an integral part of our business operations. This applies both to commuter travel and to business trips. As a socially responsible business and an attractive employer, Rabobank wants to make a visible contribution to the mobility issue, which means that our staff transport arrangements will have to be more efficient and more effective. In 2005 we shall specify in more detail how we can put this into practice.

Robeco has formulated a mobility policy to reduce traffic pollution, such as the 'Policy on reducing traffic pollution', a policy on cycling and public transport season tickets, and a fuel policy for high mileages. This is also included in the Robeco conditions of employment. In 2004, Robeco installed additional secure bicycle racks for the Robeco building, which it is hoped will encourage more staff to cycle to work.

More environment-friendly leased vehicles

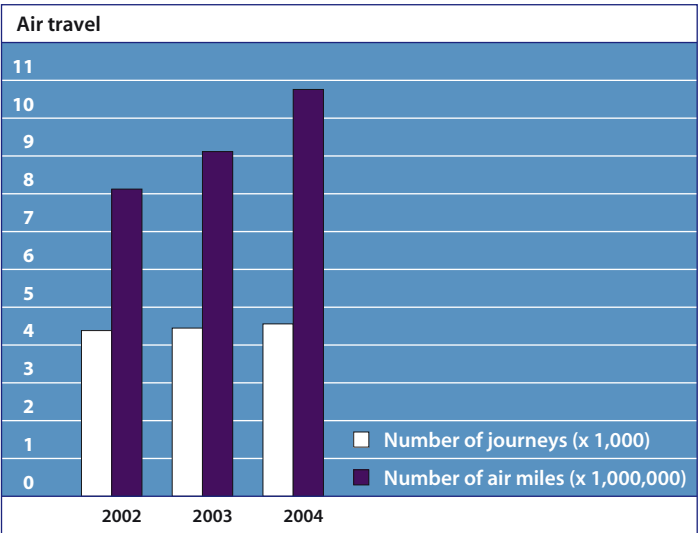
As a socially responsible business and an attractive employer, Rabobank wants to make a visible contribution to the mobility issue, which means that our staff transport arrangements will have to be more efficient, more effective and less harmful to the environment. We plan to address the use of more environment-friendly leased cars (greener lease scheme) and to take a critical look at the policy of car provision. From 1 April 2005, staff of Rabobank Nederland will only be able to choose a leased car with an A, B or C energy rating label. The rating indicates the car's fuel consumption, CO₂ emissions and relative fuel economy compared with similar models. Cars rated A to C are more economical than the average. Only leased cars which generate above-average pollution are excluded. Following the scheme's introduction at Rabobank Nederland, the proposal is that the local Rabobanks should follow suit in 2006.

Company bicycles

In 2004, Rabobank Nederland acquired an additional 214 company bicycles, a significant increase on 2003 when 81 were purchased. At local banks, a further 170 employees were provided with bicycles. Altogether, group units financed 366 new bicycles under the 'Company bicycle' scheme.

Air travel

In 2004, Rabobank Nederland, Rabobank International and all other group units except for De Lage Landen and Robeco recorded a combined total of 4,559 journeys by air. These were return flights from the Netherlands to other countries. The number of journeys by air thus remained steady for the second year running. Altogether, these journeys represented a total of more than 10.75 million air miles in 2004, so that the number of miles per journey is higher than in 2003 (6 million). Since 2002, the number of journeys by air has risen by around 2% per annum. However, the destinations appear to be more distant, since the number of air miles per journey increased by 11% from 2002 to 2003 and by 15% from 2003 to 2004. In 2005, Rabobank Nederland will analyse the reasons for the increase with the business units concerned, and see whether there are any changes which could be made here. The number of flights made by foreign branches is not known.



Sustainable renovation and construction of new branches

Rabobank Nederland has drawn up a new accommodation plan which aims to limit demand (building materials, demand for space, energy requirements, water consumption), to use renewable resources (e.g. timber products accorded the Forest Stewardship Council (FSC) mark of approval to promote sustainable logging), and to use finite resources suitable for recycling. Under the accommodation plan, cold storage will

be included in new buildings, and in the renovation of various locations in Utrecht and the Best location (depending on the outcome of the feasibility study). For service branches, banking outlets and the larger advice centres, detailed schedules of requirements have been prepared which the local banks can use for their new building projects. They include numerous details relating to sustainability, such as at least a 10% lower energy performance standard (known by the Dutch acronym: EPN), use of FSC-certified timber, and avoidance of the use of heavy metals (lead and zinc) which cause environmental pollution.

In our building activities, we give preference to sustainable timber products. Since we must first find a way of monitoring the results, Rabobank Nederland did not enter into a covenant with FSC Nederland in 2004. However, we shall do so in 2005. We then aim to extend this covenant throughout Rabobank Group.

A new lighting policy has also been formulated, specifying clear energy consumption standards with extra attention to the working environment. For instance, the standard for direct light is 8 W/m², for indirect light it is 9 W/m² and for 'happy light' 10.5 W/m², with variations in colour and intensity. The advantages are better working conditions and avoidance of wasteful forms of lighting.



Summary of results for 2004 and 2005 objectives for business operations

Objectives stated in 2003 report	Results in 2004
● Develop a checklist of environmental laws and regulations for all local bank branches	Checklist developed and issued, including to subsidiaries
● Increase the proportion of green energy from 1 January 2005 to around 100%	From 2005, 93% of total energy consumption comes from renewable sources
● 30 purchasing packages, selected for their potentially significant impact on the environment and sustainability, to be scanned in 2004	64 packages were scanned
● By the end of 2004, catering to comprise at least 5% organic products	In 2004, organic products accounted for more than 16% of the total volume of food
○ By inclusion of the CSR requirements for products and producers in new and renewed contracts, all Rabobank Group Purchasing contracts are to satisfy the requirements by no later than 2006	The contracts revised in 2004 included CSR aspects; this was a particularly important point considered in the outsourcing of various products and services
● Introduction of a web tool which buyers can use to gain direct access to a database with CSR criteria relating to the product group concerned	Initial work on laws and regulations; tool will be fully operational in the first half of 2005
○ 10% saving in the use of A4 paper at RN and local banks in 2004 compared with 2003	The target of a 10% reduction in paper consumption was not achieved in 2004; consumption was cut by 7% in 2004
○ Formulate a transport policy	In 2004 the CSR and Human Resources departments together made a start on formulating a mobility policy; problems were assessed and a draft mobility plan was submitted to the Executive Board at the beginning of 2005

Key objectives for 2005

- In 2005 the transport policy will be put into practice.
- Formulate a plan for incorporating CSR aspects in the purchasing process (contracts) on a structural basis.
- In 2005, greater focus on more environment-friendly cars (greener lease scheme) and critical appraisal of the policy of providing vehicles.
- Covenant still to be concluded between Rabobank Nederland and FSC Nederland. The aim is to extend the scope of this covenant to the whole of Rabobank Group.

● target fully achieved ○ target partly achieved ○ target not achieved

Economic performance

For Rabobank Group, our primary aim is not to make a profit, but to offer customer value. Sound business management, which includes making a profit, is necessary if we are to be able to continue offering our clients the best possible financial services. In 2004 we achieved a net profit of EUR 1,536 million.

Rabobank Group focuses on customer value, employee value and financial stability. Thanks to our sound financial policy, we have the highest credit rating of any bank in the world (AAA). In 2004, income was up by 11% and expenses by 8%. The efficiency ratio (operating expenses as a percentage of income) improved from 69.2% to 67.0%. Net profit was 12% up at EUR 1,536 million.

Market leader

In the Netherlands, Rabobank Group is the market leader in many areas of financial services and in a number of sectors. Being the market leader is not an end in itself, but a means of achieving the maximum customer value. In 2004, we were unable to keep pace with the growth of the mortgage market, and our market share consequently fell from 25.7% to 25.2%. Even so, we are still the market leader. After several years of decline, our share of the savings market increased by 1% in 2004 to 39%.

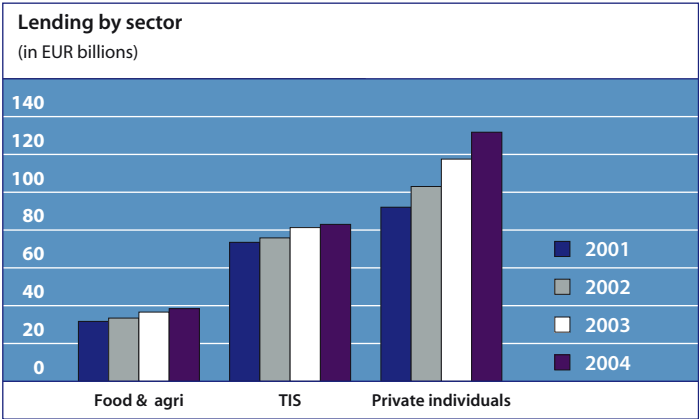
We are also the market leader in the SME and agricultural sectors, with market shares of 40% (2003: 39%) and 84% (2003: 85%), respectively. Abroad, in Australia and New Zealand our share of the market in loans to farmers is 15% and 13%, respectively. In other foreign regions and sectors, our market share is smaller.

Growth in lending

Granting loans is one of the principal forms of service at Rabobank Group. Lending to the private sector accounts for 53% of our total assets. In 2004, loans to the private sector - individuals, trade, industry and services and the food & agri sector - increased by 7% to EUR 253.0 billion (2003: EUR 235.4 billion). The bulk of the lending (52%) was to private individuals, corresponding to EUR 131.6 billion (2003: EUR 117.5 billion). Lending to the trade, industry and services sector totalled EUR 83.0 billion at the end of 2004 (2003: EUR 81.3 billion), an increase of 2%. Lending to the food & agri sector grew by 5%, bringing the figure to EUR 38.4 billion (2003: EUR 36.6 billion). Growth in lending was confined mainly to the Netherlands. Lending abroad remained more or less unchanged, partly because of the depreciation of the dollar. The Netherlands accounted for the major part of the lending (80%). The rest of Europe accounted for 9% of loans, North America 7%, Australia and New Zealand 3% and the rest of the world 1%.

In this chapter

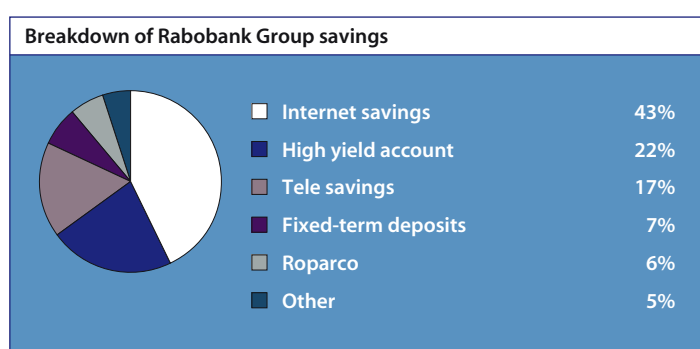
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Growth in lending	>
Funds entrusted	>
Assets under management	>
Insurance	>
Subsidies	>
Higher staff costs	>
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Funds entrusted

Funds entrusted to the bank - savings, professional securities transactions, and other funds entrusted - increased by 11% to EUR 192.1 billion (2003: EUR 172.6 billion). Other funds entrusted grew by 13% to EUR 110.3 billion (2003: EUR 97.7 billion). Much of the increase is due to the growth of deposits.

Savings grew by 9% to EUR 77.7 billion (2003: EUR 71.6 billion). The economic uncertainty prompted many consumers to rein in their spending, causing a relatively sharp rise in savings once again. Last year the share of the total represented by internet savings increased from 33% to 43%, mainly at the expense of traditional savings accounts and Tele savings. Their share declined by 5% and 4%, respectively, to 22% and 17%.



Assets under management

The assets managed and held in custody for clients of Rabobank Group increased by EUR 8 billion to EUR 140 billion in 2004 (2003: EUR 132 billion). The assets of third party pension funds managed by Interpolis represent over EUR 20 billion (2003: EUR 19 billion) of clients' assets. The local Rabobanks and other subsidiaries of Rabobank Nederland, such as Robeco Group, manage and hold in custody clients' assets totalling EUR 120 billion (2003: EUR 113 billion). The Robeco Group funds in the United States were hit by the depreciation of the dollar, which caused a EUR 3 billion fall in clients' assets. Investment income added EUR 8 billion. New assets placed with us totalled EUR 3 billion.

Insurance

Premium income on Interpolis insurance products was 3% up at EUR 4.0 billion (2003: EUR 3.9 billion). Income on life insurance fell by 5% to EUR 2.3 billion (2003: EUR 2.4 billion), owing to lower sales of single premium policies. The non-life insurance activities recorded a handsome 17% increase to EUR 1.5 billion (2003: EUR 1.3 billion). Reinsurance income totalled EUR 0.2 billion. Apart from insurance activities, Interpolis also specialises in pensions, occupational health & safety and reintegration. Income from these activities totalled EUR 127 million (2003: EUR 118 million) and EUR 98 million (2003: EUR 128 million), respectively.

Subsidies

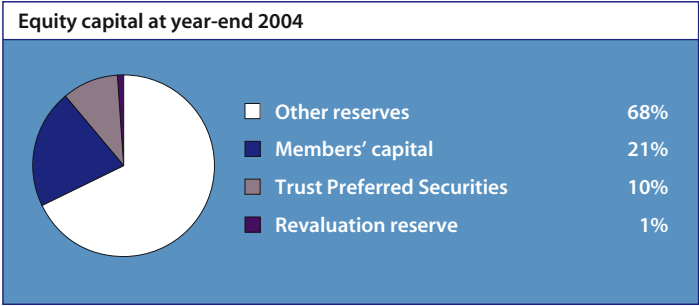
The European Commission has allocated money from the European Social Fund (ESF) to the Netherlands for the period to 2006. This money is intended for such purposes as training workers to improve their position on the labour market. In 2004 and 2005, Rabobank applied to the ESF for subsidies, which were granted. More than EUR 1.1 million was granted in 2004, and in 2005 the Social Affairs and Employment Agency awarded a grant of EUR 4.2 million for ICT and ICT related educations. Dutch institutions are making steadily increasing use of ESF subsidies. At the end of 2004, the Financial Services Sector Fund was set up jointly by the Netherlands Bankers' Association and the Dutch Association of Insurers. In 2005 the financial sector will be able to apply for ESF subsidies via this fund.

Higher staff costs

During the year under review, staff costs increased by 7% to EUR 4.0 billion (2003: EUR 3.8 billion), and accounted for more than 60% of operating expenses. Staff costs include wages and salaries, pensions and social security contributions. The increase in staff costs is due to wage increases and higher pension allocations. External training costs totalled EUR 77 million in 2004.

Increase in equity by issue of innovative capital and profits

Since the cooperative Rabobank has never paid out its profits but always added them to reserves, it has developed a strong equity capital position. Together with the stable trend in results and its relatively low risk profile, this is one of the reasons why the ratings agencies, Standard & Poor's and Moody's, accorded Rabobank Group the highest credit rating (AAA). This rating enables Rabobank to raise money relatively cheaply on the money and capital markets. In recent years, our activities expanded faster than our profits, mainly as a result of acquisitions. This meant that our capital was not growing fast enough to finance the expansion. A few years ago, in order to maintain sufficient equity capital, we issued innovative capital in the form of Members' Certificates and Trust Preferred Securities. Members' Certificates are available only to members and pay out a dividend in the form of interest. The Trust Preferred Securities (TPS) are intended specifically for institutional investors. In 2004, new TPS issues totalled EUR 1.9 billion. As a result of a change in the regulations, previous TPS issues are no longer classified as equity, but instead fall under subordinated loans. At the end of 2004, 68% of equity consisted of other reserves (mainly retained profits), 21% members' capital, 10% TPS and less than 1% revaluation reserve.



Cooperative and other dividends

Following the issue of Members' capital and TPS, Rabobank now pays out a dividend. We also invest in our clients and in their immediate environment in the form of our cooperative dividend. The cooperative dividend concerns expenditure which contributes to the emancipation and economic development of groups of people in Dutch society and in other countries. A key feature of our cooperative dividend is that the bank receives nothing in return (except for publicity). At present, it is not yet entirely clear how much we spend on our cooperative dividend each year, but it certainly amounts to tens of millions of euros (see chapter 8).

Assurance report

To the readers of the Rabobank Sustainability Report 2004.

Introduction

We have been engaged by the Executive Board of the Rabobank Group (further referred to as Rabobank) to provide assurance on the information in the Rabobank Annual Sustainability Report 2004 (further referred to as The Report). The Report, including the identification of material issues, is the responsibility of the Executive Board of Rabobank. Our responsibility is to express an opinion on the information in The Report.

Context and scope

In The Report Rabobank describes its efforts, progress and plans in relation to sustainability. Our engagement was designed to provide:

- 1) reasonable assurance on:
 - whether the information in Chapter 1 (Why implement corporate social responsibility?), Chapter 2 (How we organise CSR) and Chapter 3 (Incorporating CSR in all areas of our business) is fairly stated.
 - whether the information in the key figures marked with ● is properly derived from or is calculated on the basis of the 2004 financial statements of the Rabobank Group and Robeco Duurzaam N.V. for which the independent auditors issued an unqualified audit opinion.
- 2) limited assurance on whether the other information in The Report is fairly stated.

'Fairly stated' means that the report properly reflects the information contained in the underlying sources such that it is consistent with the source information. Reasonable assurance is a higher level of assurance than limited assurance, which is reflected in the nature and depth of the work performed. We refer to 'Work undertaken' below.

We do not provide any assurance relating to future information such as estimates, expectations or targets, or their achievability.

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, drawing from emerging best practice and principles within international assurance engagements. Amongst others, this standard requires that:

- the assurance team members possess the specific knowledge, skills and professional competencies needed to understand and review the information in The Report, and that they comply with the requirements of the IFAC Code of Ethics for Professional Accountants to ensure their independence;
- when providing limited assurance, which is a lower level than reasonable assurance, a negative form of conclusion is used.

There are no generally accepted standards for reporting sustainability performance. Rabobank applies its own internal sustainability performance reporting criteria which are derived from the Sustainability Reporting Guidelines of the Global Reporting Initiative as detailed in 'the Guide' and in chapter 7 'A dialogue with our stakeholders'.

Considerations and limitations

The non-financial data in The Report are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

To obtain a thorough understanding of the financial results and financial position of Rabobank, the reader should consult the audited Financial Statements 2004.

Work undertaken

For all the information in The Report we performed:

- a media and internet search for environmental, safety and social issues in relation to Rabobank to obtain insight into the relevant sustainability aspects in the reporting period;
- a review of the underlying principles of information management and reporting used in drawing up the Report;
- interviews with relevant staff at corporate and business level responsible for the information in The Report;
- a review of the underlying systems and procedures used to collect and process the reported information, including the aggregation of data into the information in the Report;
- a review of the reliability of the quantitative and qualitative information in The Report based on sampling.
- a review of the information in The Report on the basis of internal and external documentation;

In addition, for Chapters 1, 2 and 3 where we provide a reasonable level of assurance, we determined in detail that the information is consistent with all relevant underlying sources and that all relevant information from these sources in relation to these chapters is included in The Report.

We have reconciled the information in the key figures marked with ● with the audited 2004 financial statements of Rabobank Group and Robeco Duurzaam N.V.

During our investigation we discussed the necessary changes in The Report with Rabobank and determined that these changes have been adequately incorporated in the final version.

Conclusions

Based on the above work we conclude that:

- the information in Chapter 1 (Why implement corporate social responsibility?), Chapter 2 (How we organise CSR) and Chapter 3 (Incorporating CSR in all areas of our business) is fairly stated.
- the information in the key figures marked with ● is properly derived from or is calculated on the basis of the 2004 financial statements of the Rabobank Group and Robeco Duurzaam N.V. for which the independent auditors issued an unqualified audit opinion.
- the other information in The Report does not appear to be unfairly stated.

Commentary

Our engagement to provide assurance on the information in the Rabobank Annual Sustainability Report also identified a number of areas which are important to improve reporting in the future. As the related limitations are adequately explained in The Report they do not affect the conclusions presented above. Issues which require attention are:

- In 2004 improvements were carried out in the MVO-monitoring system. The information is in most cases gathered ad hoc and internal controls on the non-financial information are limited. The quality of the information can be improved by incorporating MVO-monitoring in existing management reports and the regular planning and control cycle.

- The Report does not, in all cases, provide a complete picture of Rabobank's performance as a whole, because of the lack of reliable information for some parts of the organisation. This is especially the case for the information in the chapters concerning employees and business operations. We recommend Rabobank to devote extra attention to improving the reliability of this information from the parts of the organisation where reporting is still incomplete in order to provide a complete picture of performance in future reports.
- A positive development in relation to previous reports is that more attention has been given to the inclusion of targets and reporting on achieved goals, which provides the reader with a better understanding of the progress made. In the future the targets could be formulated more precisely and translated into specific measures at the different entities.

Amsterdam, 21th April, 2005



Jan van der Kolk (Director)
KPMG Sustainability B.V.

Executive Board and Supervisory Board of Rabobank Nederland*

Executive Board (with responsibility areas)

Bert Heemskerk (H.), Chairman

- Personnel
- Compliance
- Audit
- Legal and Tax Affairs
- Communication
- Executive Secretariat
- Knowledge and Economic Research

Rik baron van Slingelandt (D.J.M.G.)

- Rabobank International Network
- Global Financial Markets
- Corporate Finance
- Wholesale Support

Hans ten Cate (J.C.)

- Rabobank Nederland Corporate Clients
- Credit Risk Management (authorisation)
- Special Management
- Corporate Social Responsibility

Bert Bruggink (A.)

- Accounting & Control
- Risk Management
- Treasury

Piet van Schijndel (P.J.A.)

- Private Individuals
- Private Banking
- Group ICT

Piet Moerland (P.W.)

- Cooperative and Management Affairs
- Small and Medium-sized Enterprises sector
- Shared Services & Facilities

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 Berndszen (L.J.M.)

Bernard Bijvoet (B.)

Teun de Boon (T.)

Wim Duisenberg (W.F.)

Marinus Minderhoud (M.)

Hans van Rossum (J.A.A.M.)

Herman Scheffer (H.C.)

Martin Tielen (M.J.M.)

Aad Veenman (A.W.)

Arnold Walravens (A.H.C.M.)

Advisory Board

Jan Brouwer (J.G.B.)

Wout Dekker (W.)

Derk Haank (D.)

Herman Hazewinkel (H.J.)

Hans Huis in 't Veld (J.C.)

Dick van Hedel (T.J.M.)

Roelof Hendriks (R.)

Rokus van Iperen (R.L.)

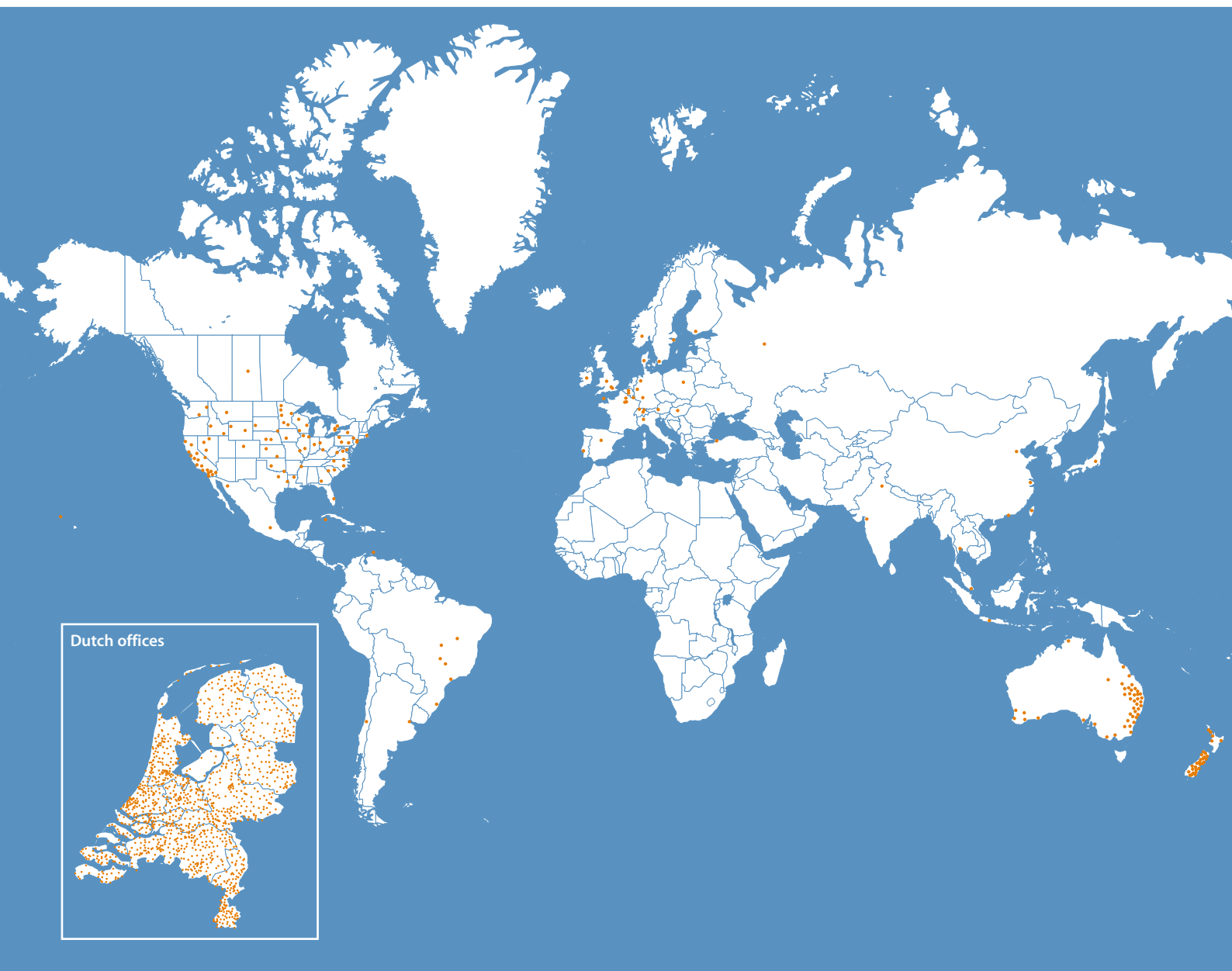
Leonor Lindner (L.)

Dick Sluimers (D.M.)

Claudia Zuiderwijk (C.J.G.)

* As of 1 April 2005

Rabobank Group international network



For more information on our offices, including location and contact details, please visit www.rabobank.com

Profile of Group entities



Rabobank Group is a full-range financial services provider founded on cooperative principles. The Group is comprised of 288 independent local Rabobanks in the Netherlands, the central organisation 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 the financial products and services they may want. Rabobank Group provides services to more than half of the Dutch population (17 million) and Dutch companies. In the Netherlands, it is market leader in almost all financial services areas: home mortgages, savings, small and medium-sized businesses, and the agricultural sector. It has also significantly strengthened its position in the large corporate market. Throughout the world, Rabobank Group, through Rabobank International, focuses primary 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 244 offices in 37 countries outside the Netherlands. www.rabobank.com



Established in 1927 as Agricultural Credit Corporation, ACCBank is a trusted name in rural Ireland. The target clients of the bank are not only farmers, but also small and medium-sized businesses and private individuals. The bank endeavours to establish long-term relationships with its clients by creating customer value. ACCBank is well positioned to achieve further growth on the Irish market. In doing so, the bank and its clients can benefit from the extensive range of banking, insurance, employment benefits, leasing and investment products offered by Rabobank Group on the Dutch market. www.accbank.com



Alex has evolved from sophisticated trading systems to a digital investment bank. Alex Beleggersbank started life in 1999 and leads the market in the field of online investing and is 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 independently in line with their own individual objectives. In addition, Alex offers a whole range of support and educative services, including professional analyses, news reports, investment specialists, seminars and the Alex Academy training institution.



De Lage Landen offers high-quality asset financing, vendor finance and commercial finance products on the international market. With a network covering more than 20 countries in Europe, North and South America, Southeast Asia, Australia and New Zealand, the company concentrates on international operations in the Food & Agri, Healthcare, Office Equipment, Information Technology, Telecommunication and Materials Handling & Construction Equipment industries. In the Netherlands, the company offers a wide range of leasing and trade finance products mainly through the local Rabobanks, but also directly. Its product range includes equipment leasing, car and commercial vehicle leasing, ICT leasing, consumer financing and trade financing. www.delagelanden.com



FGH Bank is specialised commercial real estate financing. The real estate bank has expert knowledge of financing and investment, valuations, technical property analyses, tax and legal matters, and risk management. The bank's network extending across the whole country, with account managers maintaining personal contact with clients, allows it to follow regional market developments at close hand. Its clients are mainly project developers and institutional and private investors in commercial real estate, from small and medium-sized businesses to large companies and listed real estate funds.



Gilde Investment Management provides enterprises with venture capital and manages specialised funds, including the Gilde Buy-Out Funds, the Gilde IT Funds, Gilde Participaties and the Biotech & Nutrition Fund. Gilde Participaties is one of the main players operating on the Dutch market for large and medium-sized buy-outs, concentrating on situations involving business succession, spin offs and expansion. Top performance at Gilde Participaties is assured through offering a network of entrepreneurs, sparring partners and advisers.
www.gilde.nl



Interpolis is the insurance arm of Rabobank Group. The company offers a wide range of life and non-life insurance and is a major provider of occupational health and safety (including reintegration) and pension services. With more than one million private individuals and several hundred thousand companies as its clients, Interpolis is one of the largest insurers in the Netherlands and market leader in the agricultural sector. The company has cooperative leanings: this means working together to ensure continuity and certainty for clients. Profit is not the overriding goal. Interpolis operates mainly in the Dutch market. Its head office is in Tilburg.
www.interpolis.com



Obvion is a provider of mortgage finance, operating through independent agents. The company is a joint venture between Rabobank Group and Algemeen Burgerlijk Persioenfonds (the civil service pension fund). Obvion's strategy is founded on five core pillars: independence, speed and flexibility, teamwork, personal attention, and professional knowledge. In practice, these are reflected in a fast and reliable service, expertise and the aim of offering a complete and competitive range of products. Obvion has its office in Heerlen.



Founded in 1929, Robeco is an asset manager in heart and soul. Worldwide, Robeco provides investment products and services to 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 operations in France, Switzerland, Germany, Spain, the Middle East and Japan. Assets managed amounted to some EUR 113 billion at the end of 2004. Robeco has over 1,600 employees worldwide, spread over nine countries.

www.robeco.com



Schretlen & Co is Rabobank Group's asset management specialist, focusing in particular on high net-worth individuals and medium-sized institutional investors. Its clients, which include many directors/majority shareholders and former entrepreneurs, are often introduced to Schretlen by the local Rabobanks. The core activity of Schretlen is asset management, based on a well thought-out long-term concept which fully integrates asset planning and asset management or advice. In addition to the head office in Amsterdam, Schretlen has branches in Amsterdam, Apeldoorn, Heerenveen, Maastricht, Rotterdam and Waalre.

www.schretlen.com



Effectenbank Stroeve is an investment specialist which concentrates on achieving asset growth for private investors. Furthermore, the company provides securities-related services to independent investors. As custodian and manager, Effectenbank Stroeve offers banking services, such as effecting stock exchange transactions, holding assets and securities in custody and providing reports. Effectenbank Stroeve has one office in Amsterdam.

www.stroeve.com



VIB Corp is a holding company for banks. Through its subsidiary Valley Independent Bank it offers financial services in California in particular. VIB is a network of smaller local banks operating on the principle of personal client service. Its 24 branches cover an area stretching from the Imperial Valley on the Mexico-California border to Fresno in the Central Valley. VIB offers a wide range of retail banking services, such as loans to private individuals and companies, deposit accounts, credit cards and other banking services. VIB's clients are private individuals, including many farmers and ranchers, and small and medium-sized businesses.

www.vibank.com

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IB1: Socially relevant aspects of provision of services (businesses)		x	30, 37, 38, 41-47			
IB2: Portfolio profile (businesses)		x	80		General annual report (key figures retail banking)	
IB3: Socially responsible loans (businesses)		x	30, 41, 42, 47			
Saving, investing, payment services						
AM1: Socially relevant aspects of asset management		x	31, 32, 39, 40			
AM2: Assets managed sustainably		x	39			
AM3: CSR activities for institutional investors		x	32		Investors Relations	
Insurance						
INS1: Socially relevant aspects of insurance		x	32, 42			
INS2: Insurance portfolio profile		x	5		General annual report (key figures insurance)	
INS3: Number of complaints		x	34		General annual report	
INS4: Socially responsible insurance			42			

Report on the application of GRI indicators

This table of indicators is based on the 2002 Global Reporting Initiative (GRI) guidelines for reporting on sustainability. The table includes GRI key indicators and a number of important indicators from the supplement (SPI Finance 2002) which are not covered by GRI 2002. In addition, the table contains the key reporting elements from the standard GRI list of contents.

Certain indicators are not addressed in this report, namely:

- 2.9 List of stakeholders: the annual responsibility and sustainability report does not contain a list of stakeholders, because actually naming such parties would suggest a completeness that is not possible in practice. There are too many stakeholders in various coalitions; we therefore define stakeholders as everyone who feels involved in our CSR activities.
- 3.5 Remuneration structure: see the Rabobank Group annual report for 2004.
- EC4 Supplier satisfaction (payment behaviour): no data available.
- EC11 Purchases by country: except for the Netherlands, no single country accounts for 10% or more of Rabobank Group purchasing.
- INT5 CSR-related remuneration: there is no policy on this.
- INT6 Male/female salary ratio: not known.
- SO5 Donations to political parties: none.
- SO6 Cartelisation and monopolies: Dutch and European legislation on this is sufficiently clear (no separate or supplementary measures).
- SO7 Anti-competitive behaviour: no data available.
- RB3 Socially responsible loans (private individuals): no activities in 2004.

Key indicators and supplementary indicators which are less relevant or not applicable to Rabobank Group have been omitted.

- The key indicators are: EN2 (dealt with under EN1), EN4, EN5, EN6, EN7, EN9, EN10, EN12, EN13, EN14, EN15, LA6 and LA8.
- The supplementary indicators are: EN18 to EN32 and EC12.

Workforce details

Key data on personnel development policy⁶³

	2004			2003			2002		
	LB	RN	Total	LB	RN	Total	LB	RN	Total
percentage of employees having an appraisal interview with their manager in the past 12 months	94	94	94	95	89	94	92	90	91
percentage of employees having a career interview with their manager in the past 12 months	69	60	67	67	62	69	71	61	69
percentage of employees with a personal development plan (POP) in writing	59	48	57	60	45	58	56	45	54
overall percentage of employees with a POP	73	73	72	74	65	72	71	60	69
employee's opinion on the appraisal interview	6.9	6.8	6.8	6.9	6.7	6.9	6.9	6.7	6.9
employee's opinion on the career interview	6.8	6.9	6.8	6.8	6.7	6.8	6.8	6.8	6.8

source: POPIA

Rabobank Group staff: movements from 1994-2004

	No. of employees at year-end	Movement from previous year (numbers)	Movement from previous year (%)
1994	37,789	-686	-1.8%
1995	37,408	-381	-1.0%
1996	40,152	2,744	7.3%
1997	44,538	4,386	10.9%
1998	49,465	4,927	11.1%
1999	53,147	3,682	7.4%
2000	55,098	1,951	3.7%
2001	58,120	3,022	5.5%
2002	58,096	-24	0.0%
2003	57,055	-1,041	-1.8%
2004	56,324	-731	-1.3%

source: 1994-2003: Annual Responsibility and Sustainability Report 2003

Salary structure, gross full-time annual salaries⁶⁴

	2004		2003	
	persons	%	persons	%
up to 10,000	22	0.1%	39	0.1%
10,000-20,000	1,799	4.3%	2,528	5.9%
20,000 - 30,000	17,902	42.7%	20,016	46.5%
30,000 - 40,000	9,854	23.5%	9,119	21.2%
40,000 - 50,000	6,575	15.7%	5,996	13.9%
50,000 - 60,000	2,775	6.6%	2,526	5.9%
60,000 - 70,000	1,332	3.0%	1,194	2.8%
70,000 - 80,000	665	1.6%	614	1.4%
80,000 - 90,000	202	0.5%	205	0.5%
90,000 - 100,000	291	0.7%	289	0.7%
100,000 and above	549	1.3%	479	1.1%
total	41,966	100.0%	43,005	100.0%

⁶³) These data relate to local banks and Rabobank Nederland and are based on a sample survey.

⁶⁴) This table does not include data for Robeco, Interpolis, Stroeve, Gilde and Obvion.

Number of employees

	Netherlands	Abroad	Total 2004	Total 2003
Domestic retail banking				
Member banks	33,686		33,686	34,733
Obvion	169		169	138
	33,855		33,855	34,871
Wholesale and international retail banking				
Rabobank International	1,189		3,418	2,888
RI foreign participating interests		2,229	2,157	2,888
Group Treasury		2,229	-	-
Rabobank Nederland Corporate Clients			-	318
	1,189	4,386	5,575	5,289
Asset management				
Robeco Groep	969	529	1,498	1,627
Schretlen & Co	228		228	224
Effectenbank Stroeve	228		103	99
Alex BV	189		189	175
IPB	4		4	
Rabo Trust		6	6	11
	1,493	535	2,028	2,136
Insurance				
Interpolis	5,783	40	5,823	2,136
Leasing				
De Lage Landen	788	2,056	2,844	2,495
Real estate				
Real estate	88		88	79
FGH Bank	214		214	79
	302		302	232
Other				
Corporate staff departments and Services	1,395		1,395	1,414
Gilde Investment Management	32		32	39
Market management	444		444	713
Product-market units	1,507		1,507	1,530
RIAS	11		11	
RBA	59		59	62
Rabobank ICT and Facility Management	2,448		2,448	2,278
Other RN	1		1	-
	5,897	-	5,897	6,036
Total	5,897	7,017	56,324	57,055

Key figures staff

amounts in EUR million	2004	2003	2002	2001	2000
Total wages and salaries	2,733	2,595	2,530	2,410	2,191
Total staff costs	4,029	3,770	3,682	3,565	3,099
Staff and other administrative expenses	6,364	5,871	5,471	5,597	4,985
Total training expenses	76.7	79.9	78.8	85.4	70.0
Net profit	1,536	1,370	1,222	1,178	1,166
Number of FTEs	50,216	50,849	51,867	52,173	49,711
amounts in EUR million	2004	2003	2002	2001	2000
Wage costs per FTE	54,425	51,033	48,776	46,192	44,075
Staff costs per FTE	80,233	74,141	70,989	68,330	62,340
Staff and other administrative expenses per FTE	126,733	115,459	105,481	107,278	100,280
Training expenses per FTE	1,527	1,571	1,521	1,637	1,408
Net profit per FTE	30,588	27,591	24,100	24,745	24,019
Training expenses/wage costs	2.8%	3.1%	3.1%	3.5%	3.2%

Rabobank Group absenteeism percentages (excl. maternity leave)

	2004	2003	2002	2001	2000
Rabobank Group ⁶⁵	3.77	4.12	4.68	5.12	4.83
Local Rabo banks	3.74	4.02	4.56	5.04	4.69
Rabobank Nederland ⁶⁶		-	-	-	5.07
AAB	2.84		4.97	5.63	5.31
Corporate staff depts and Services	4.16		5.45	5.87	5.43
Rabobank International			3.82	4.39	4.21
Securities services			4.09	4.25	4.60
Wholesale banking	2.91	2.92			
Support units within Rabobank Nederland	4.28	4.39			
Asset management	2.51	3.19			
Rabobank ICT and Facility Management	4.11	5.83	6.21	6.50	6.73
De Lage Landen	3.31	3.80	4.21	4.28	5.24
Schretlen & Co	2.57	3.27	5.20	3.72	4.15
Interpolis	5.10	5.30	5.20	5.90	6.30

65) The absenteeism percentages relates to local banks, Rabobank Nederland, De Lage Landen, Schretlen & Co. Alex was added in 2004.

66) As a result of reorganisation in recent years, the subdivision of Rabobank Nederland by business unit has changed.

Some of these figures are not therefore fully comparable with those for previous years.

Breakdown of staff in the Netherlands

	No. of employees 2004	% Women	% Part time	% Women in senior positions	% Fixed-term contracts	% up to age 34	% aged 55 or more	% Graduates
total ⁶⁷								
2003	43,028	55.5%	36.6%	16.7%	5.3%	43.3%	6.0%	41.3%
2004	41,966	55.6%	37.1%	17.8%	5.4%	39.7%	6.4%	40.8%
Difference	-1,037	0.1%	0.5%	1.1%	0.1%	-3.6%	0.4%	-0.5%

Per unit 2004

Retail banking

Local Rabo banks	33,686	61.2%	41.7%	16.2%	5.8%	41.7%	6.1%	35.7%
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Wholesale banking

Rabobank International	923	27.6%	11.7%	17.6%	6.8%	45.2%	3.4%	
Rabobank Nederland								
Corporate Clients	266	35.1%	21.1%	24.4%	3.0%	30.9%	6.4%	

Asset management

Schretlen & Co	228	32.9%	28.1%	9.0%	4.4%	33.3%	4.4%	
Rabo Trust	4	50.0%	0.0%	33.3%	0.0%	0.0%	25.0%	
Alex B.V.	189	19.0%	46.6%	20.0%	36.0%	77.8%	1.6%	

Leasing

De Lage Landen	788	37.2%	20.2%	16.4%	6.7%	40.0%	3.6%	
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Other

Corporate staff depts and Services	1,395	44.4%	22.8%	29.4%	2.7%	27.7%	9.4%	72.4%
Real estate	88	30.7%	5.7%	13.8%	0.0%	29.5%	4.5%	
Rabobank ICT and FM	2,448	25.5%	16.0%	16.1%	1.2%	24.5%	8.8%	55.9%
Market management	444	34.2%	14.6%	22.7%	0.5%	21.6%	11.0%	
PMEs and RNE	1,507	35.0%	17.4%	18.1%	3.3%	32.4%	7.7%	64.7%

Absenteeism due to illness ⁶⁸

	2004	2003	2002	2001
Absenteeism percentage	3.77	4.12	4.68	5.10
Frequency of absences	1.48	1.61	1.65	1.67
Disability benefits intake	289	364	533	564
Disability benefits outflow	262	290	297	297
Disability intake risk	0.72	0.82	1.12	1.12

Staffing

	RN	LB	ICT/FB	DLL	Schretlen	Total
2004	4,940	33,686	2,448	788	228	42,090
2003	5,341	34,733	2,278	778	224	43,354
2002	4,989	36,657	2,334	732	210	44,922
2001	4,927	38,189	2,324	712	230	46,382
2000	4,549	37,766	1,916	619	218	45,068

67) Data relate to local banks, Rabobank Nederland, De Lage Landen and Schretlen & Co; Alex was added in 2004.

68) Absenteeism data relate to local banks, Rabobank Nederland, De Lage Landen and Schretlen & Co; Alex was added in 2004.

Disability benefits data relate to local banks, Rabobank Nederland, De Lage Landen and Schretlen & Co.

Allocations under the Occupational Disability (Insurance) Act (WAO) and WAO intake risk ⁶⁹

		2004	2003	2002	2001	2000	1999
Rabobank Group	abs	289	364	533	564	523	473
	%	0.72	0.82	1.12	1.12	1.21	1.12
Rabobank Nederland and local banks	abs	*	- *)	- *)	530	475	432
	%	*	- *)	- *)	1.12	1.17	1.09
Rabobank ICT and Facility Management	abs	28	16	34	24	37	35
	%	1.18	0.64	1.39	1.22	1.88	1.84
Schretlen & Co	abs	0	4	1	1	2	1
	%	0	1.85	0.38	0.65	1.56	0.89
De Lage Landen	abs	3	3	1	5	9	5
	%	0.39	0.40	0.14	0.75	1.74	1.02

*) These figures cannot be calculated due to the Implementing Organisation for Employee Insurances (UWV) failing to provide full information.

External inflow and outflow per unit ⁷⁰

	LB	RN	ICT/FB	DLL	Schretlen	Total
Inflow from outside Rabobank Group	1,728	379	33	75	6	2,221
	%	5.0%	7.1%	1.4%	9.6%	2.7%
Outflow to outside Rabobank Group	2,861	373	153	38	10	3,435
	%	8.2%	7.0%	6.7%	4.9%	4.5%

External inflow and outflow Rabobank Group ⁷⁰

	2004	2003	difference
Inflow from outside Rabobank Group	2,221	2,192	29
Outflow to outside Rabobank Group	3,435	3,882	-447

69) These data relate to local banks, Rabobank Nederland, De Lage Landen and Schretlen & Co.

70) These data relate to local banks, Rabobank Nederland, De Lage Landen, Schretlen & Co and Alex in 2004; Alex is not included in 2003.

Only inflow and outflow from/to outside these units is included.

Colophon

Published by

Rabobank Nederland, Communications

Editors

Hans Ludo van Mierlo, Richard Piechocki, Marc van de Ven,
Carla Meinesz

Contextual advice

BECO Group, Rotterdam

Art direction and design

Eden Design & Communication, Amsterdam
Borghouts Design, Haarlem

Photographs

Joost Guntenaar, Amsterdam
Tjeerd Fonk-Guzzco, Amsterdam
Willy Lathouwers, Schijndel
Hans de Vries, Rhooen

English Translation

Ernst & Young Translation Bureau, The Hague

Internet

Info.nl, Amsterdam
C&F Report, Amsterdam

Annual Reports

Rabobank Group publishes the following Annual Reports:

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(in Dutch and in English)
- Consolidated Financial Statements 2004 and other information
(in Dutch and in English)
- Annual Sustainability Report 2004
(in Dutch and in English)
- Interim Report 2005
(in Dutch and in English, to be published in September 2005)

For copies of these reports please contact Rabobank Nederland,
Communications.

Croeselaan 18, 3521 CB Utrecht

Postbus 17100, 3500 HG Utrecht

Telephone +31 (0)30 - 216 22 98

Fax +31 (0)30 - 216 19 16

E-mail jaarverslagen@rn.rabobank.nl

All Annual Reports are also available on the internet:

www.rabobank.com