

An aerial, fisheye-style photograph of a farm. In the center, four large, cylindrical metal silos are arranged in a row. To the left, a yellow tractor is pulling a black trailer. The foreground shows a field of golden-brown crops, possibly corn. The background features green fields and a clear sky. The image is partially obscured by a dark grey semi-transparent box on the left and a teal semi-transparent box on the right.

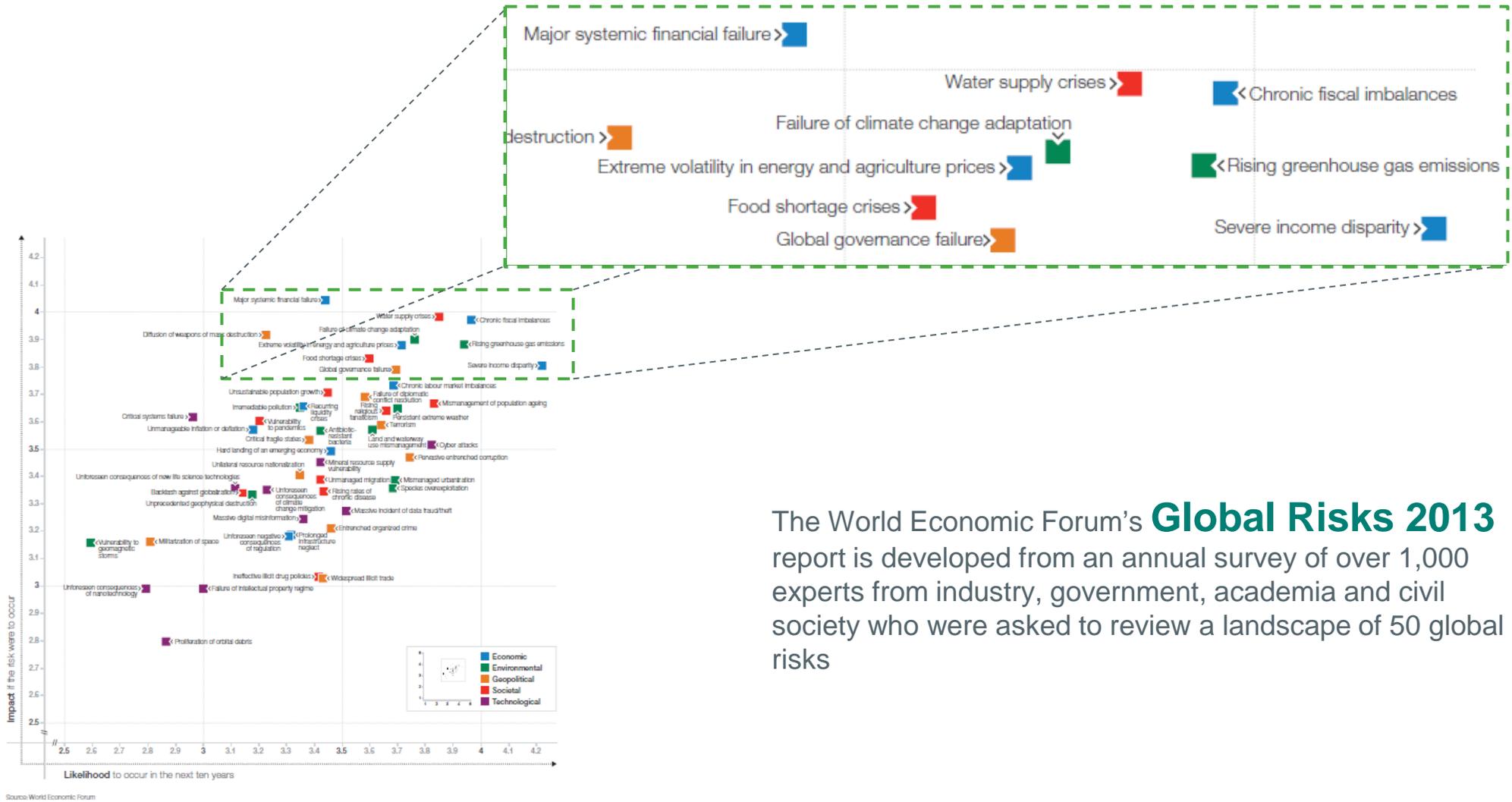
Banking on sustainable supply chain synergies

ABN AMRO Impact Banking

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What is happening in the world?

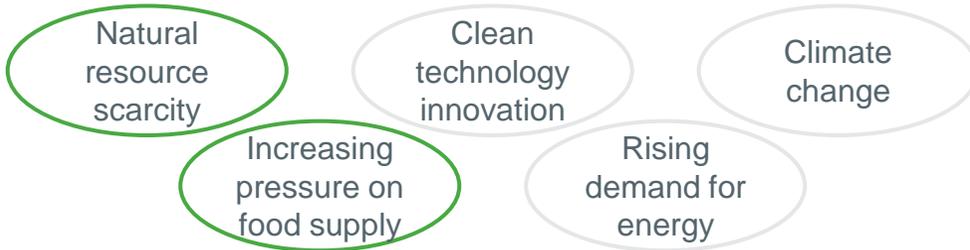


The World Economic Forum's **Global Risks 2013** report is developed from an annual survey of over 1,000 experts from industry, government, academia and civil society who were asked to review a landscape of 50 global risks

What does this mean for ABN AMRO?

We recognise that ABN AMRO's operating environment is changing, which generates risks and opportunities for our key stakeholders.

Environment



Social



Economic and political



Implications for stakeholders

These trends pose risks and opportunities for our stakeholders, such as:

- Risk of raw materials scarcity in clients' supply chains
- Investment opportunities in solutions to meet the energy challenge
- Consumers are seeking products and services that help them minimise their own environmental and social impacts
- Unprecedented media and NGO scrutiny of standards of corporate behaviour
- Current and prospective employees increasingly seeking responsible and fair employers

Implications for ABN AMRO

In turn, there are risks and opportunities for us as a bank, including:

- Opportunities to finance green growth sectors and increase revenue while addressing environmental challenges
- Exposure to financial, legal or reputational risks as a result of clients' failure to effectively manage sustainability issues
- Need to demonstrate commitment to transparency and ethical business conduct to earn customer/public trust
- Long-term investment risks to consider in our own portfolio and that of our clients

Sustainability is in the Heart of Agri Business

Food is a necessity of life



Disconnection between where food is produced and where food is consumed



Need to promote trade



Growing population



Increasing food waste



Increased social wealth



Changing dietary habits



Changing food consumption patterns



Need to support growth of food production



Feeding the world

View: To **feed the world**, we need to **enable** efficient **trade** while **improving living conditions** for farmers

Our Approach to Sustainability in Agri Business

Based on the bank's **Agri Core values** and taking into account the **Supply Chain**

First focus has been to look at **policy development** and **implementation**; now we also want to look how we can **impact** our supply chains and be a “**force for good**”

Sustainability in supply chains is best promoted if:

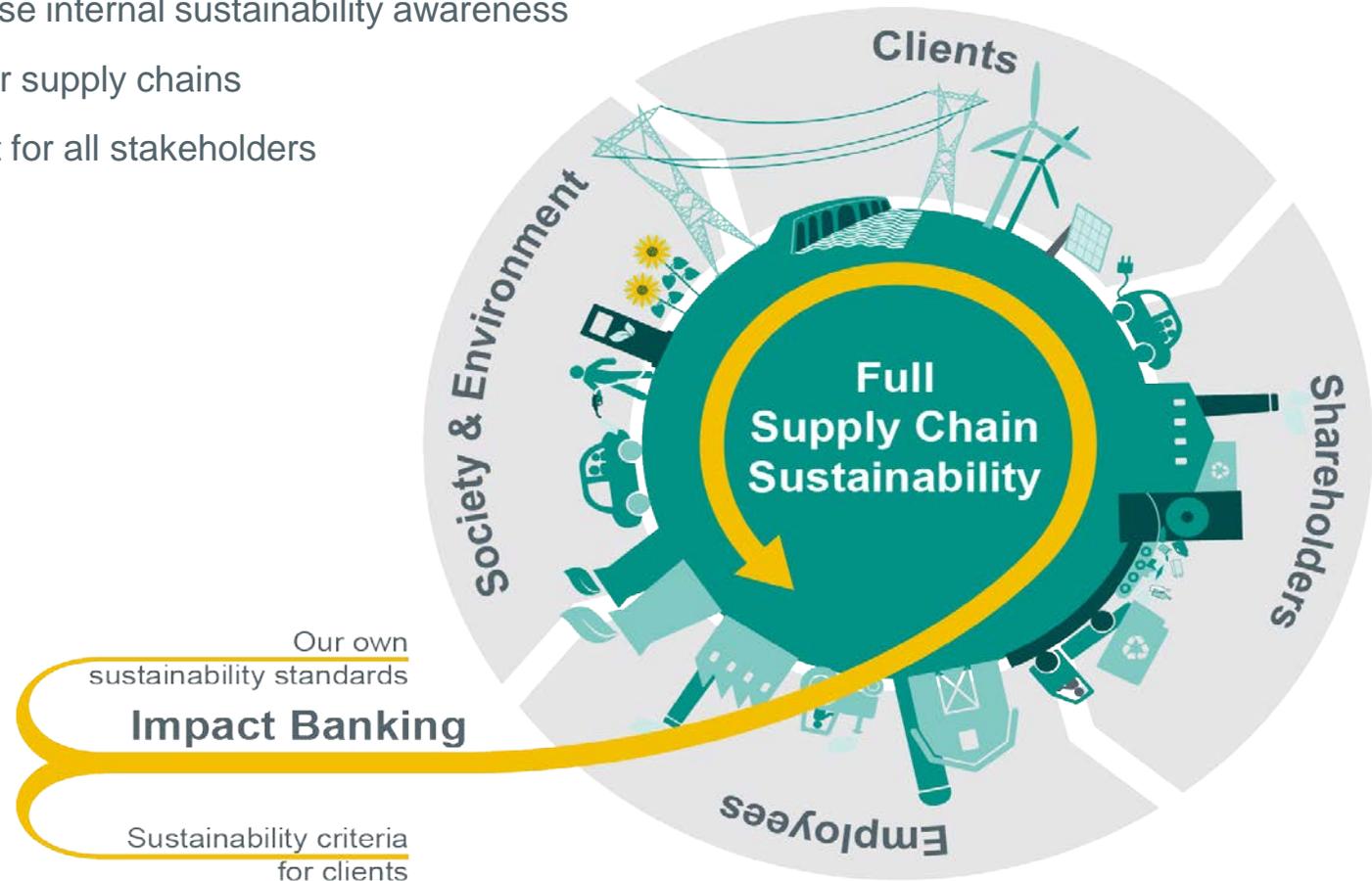
- The conditions for agricultural workers improve
- The smallholders have access to finance
- The market recognizes the needs of the smallholders and is reinforcing it

Through **sustainable supply chain financing** ABN AMRO wants to **improve the livelihood of smallholders** and other players in the value chain

From Profit to Prosperity through Impact Banking

By introducing the concept of Impact Banking, we aim to:

- Improve the sustainability of the supply chain and touch the heart of the business
- Together with our clients increase internal sustainability awareness
- Become a Force for Good in our supply chains
- Create a profitable environment for all stakeholders



Eligible projects

The client's project should promote:

- Agricultural Practices such as
 - Raise productivity and improve quality
 - Build capacity with farmers/local communities on responsible and sustainable agricultural practices
 - Prevent pollution of water, soil and air and save energy
 - Preserve soils and biodiversity
- Education such as
 - Improving access to education in farming communities (also next generation)
 - Realize better terms of trade
 - Improve access to financial services to small holders
 - Assisting farmers or farmers organizations to get access to means of production, finance and markets
 - Train in E&S procedures
 - Assure international labour standards/decent living conditions
- Well-being such as
 - Improving access to basic health care and clean water
 - Training farmers in farming techniques that have less negative impact on people
 - Education support to local communities

ABN AMRO's role

Client initiates and owns the project. We want to work together with our clients:

- Fundamentals
 - Client provides (pre) finance to smallholders
 - Bank participates through risk sharing agreement (no grants)
 - Smallholder program can be monetary and/or in products (seeds, fertilizers)
- Facility characteristics
 - Size: between USD 1 mio to USD 5 mio
 - Horizon: depends on characteristics of the project (medium to long term)
 - Return: share of interest paid by the farmers and/ or export proceeds
- Governance
 - The sustainability impact of the project needs to be measurable
 - Partnership with NGO's and/or surveyor and/or certifying bodies to measure progress in sustainability

Project Results

Should be measurable and checked by an independent third party and will be centred around three pillars:

- Sustainable economic growth
 - How did the project contribute to the national economies
 - Number of volumes certified vis a vis the market
 - Number of hectares of rainforest protected
 - Share of the sustainable market
- Private sector development
 - How does the project contribute to the welfare of the farmers
 - Number of smallholders trained
 - Increased income for farmers
- Economic empowerment
 - During the programme the client is engaged in
 - Improving technology
 - Improving schooling
 - Help disadvantaged groups become part of the mainstream economy

Case Study

Background

- Central Asia republics (Tajikistan, Uzbekistan and Turkmenistan) is the 3rd largest cotton exporting region, after USA and India. The yields remain low in Tajikistan due to inefficient production practices and absence of quality inputs (seeds and fertilizers)
- Our client launched a Farmer Advance Program (FAP) in Tajikistan to support cotton farmers to increase production and produce sustainable cotton in Tajikistan
- FAP provides selected farmers (done by client) with input financing for seeds, fertilizers, diesel and more, gives them access to agronomy services, and helps build direct, long-term relationships with local farmers

Highlights and transaction structure

- The project covers an area of 2,072 ha with 249 farmers in 2010 to 4,194 ha with approx 500 farmers in 2012 and possibilities to further expand
- Client has written contracts with the farmers, remaining cotton can be sold to 3rd party after the loan is reimbursed

Transaction structure



ABN AMRO's role

- ABN AMRO agreed to provide a USD 3.5 mio unsecured facility for the Tajikistan Cotton FAP program
- Risk is 50/50 shared between Client and ABN AMRO
- The project is a perfect fit with ABN AMRO's sustainability strategy and provides it with an example of a mix between commercial interest and sustainable development

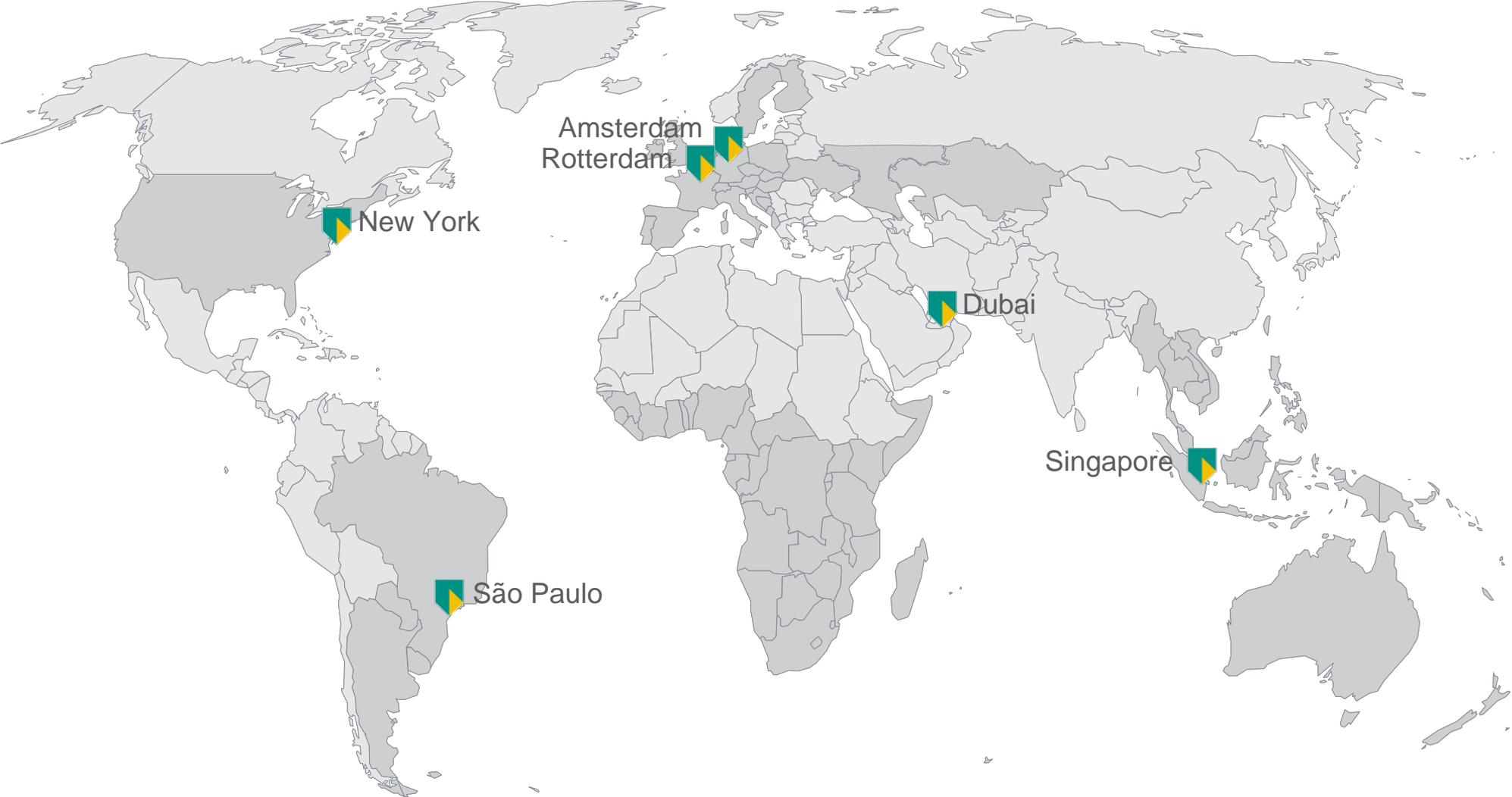
Cocoa Projects

The cocoa market is suitable for Impact Banking as:

- Smallholders
 - Are situated in weak (unstable) economies
 - Small scale of supply: cocoa farmers are scattered
 - Land realizes low yield and income
 - Have limited (or no) access to local funds
- Clients
 - Operate via best sustainability practices
 - Have experience in smallholder programs
 - Are present in origin countries
 - Have the capability to train the smallholder and manage the project
- ABN AMRO
 - Has expertise in Agri Commodities Cocoa Financing
 - Can provide funding to clients that are active in smallholder programs
 - Wants to contribute to a sustainable supply chain

Banking on sustainable supply chain synergies. By **working together** we can **enable** efficient trade while **improving living conditions** for smallholders

Presence ABN AMRO Agri Commodities



Discussion topic

Should ABN AMRO (a bank) offer Impact Banking?

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