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Rabobank

Rabobank: Building biodiversity with impact loans

Finalist: Building sustainable financial products award

What

Rabobank is a Dutch cooperative bank, with a focus on the food and agricultural sector. In the pilot for Rabobank's Planet Impact Loan, dairy farmers receive interest discounts based on their Biodiversity Monitor scores. The Biodiversity Monitor is an innovative new tool developed through an industry-wide collaboration between Rabobank, Sustainable Dairy Chain, World Wildlife Fund and Royal FrieslandCampina. It uses a range of indicators to quantify dairy farmers' performance on biodiversity.

Rabobank has partnered with FrieslandCampina, a Dutch dairy company, to deliver the pilot. Farmers who perform well on biodiversity – achieving higher scores on the Monitor – reap a financial benefit for conserving the environment. Farmers receive both preferential interest rates on the Rabobank loan and a premium price for their milk from FrieslandCampina.

The Planet Impact Loan creates an incentive for farmers to promote biodiversity, a concern that is otherwise often trumped by challenging market conditions. Through the loan, Rabobank leverages its influence in the market to drive change that supports the sustainability of the dairy industry and the wider environment. Collaborating with other key industry players amplifies Rabobank's potential impact even further.

'The Biodiversity Monitor is a Dutch tool for Dutch dairy farmers, and it's integrated into our scoring of Dutch farmers. But internationally we are also developing a sustainability scoring for foreign places where we also bank directly.'

Lianne van Leijsen,
Senior Manager Sustainable Business Development,
Rabobank

Why

Biodiversity in the Netherlands has declined in recent years, reducing the quality and value of land. Dairy farming is a major user of land, but the volatile market of dairy farming doesn't provide incentives for individual producers to embrace less intensive methods of farming. Profitable dairy farming in the Netherlands is achieved through high production, economies of scale and cost reductions. Rabobank's new loan aims to introduce incentives that align the short-term interests of dairy farmers with the long-term needs of their industry and the environment.

Rabobank has a significant market share in the Dutch dairy farming market. So the decline in biodiversity presents a direct threat to the bank – but also an opportunity to create positive impact. Rabobank believes that by investing in behaviour change now, the whole value chain will benefit in the long run. Landowners can preserve the value of their land; farmers can sustain their livelihoods; dairy companies can sell more product; and Rabobank, as the industry's main banker, can create more growth.



'The judges found this pilot to be an interesting and effective example of how big industry and financial institutions can work together to help companies be more sustainable.'

Finance for the Future Awards judges

How

Rabobank's Planet Impact Loan stems from the collaborative project to create the Biodiversity Monitor, and promotes a harmonious, sustainable relationship between dairy farming and the environment:

- > Rabobank, with its partners, started developing the Biodiversity Monitor in 2014. It **aligns with government initiatives** to create a circular economy and sets a consistent standard that can be used across the dairy industry.
- > The Monitor team **developed practical, science-based key performance indicators** (KPIs). Rather than biodiversity itself, KPIs measure farming practices that are associated with biodiversity, focusing on areas including greenhouse gases, land use and soil use. This simplifies measurement and reduces the administrative burden on the farmer.
- > Rabobank **integrated the Monitor into a sustainability score** applied to all its dairy clients. Credit assessments favour farmers with strong sustainability practices because Rabobank believes these clients have more predictable cash flows.
- > The Planet Impact Loan is a financing model that **supports the goals of the Monitor**. The Monitor better equips farmers to demonstrate their progress on biodiversity, and Rabobank is then better able to reward them with lower interest rates.
- > Rabobank **invested in the loan pilot**, which is funded from the bank's own resources. The bank sees this as investing in the stability and sustainability of the market. In the long-term, discounted interest rates will be funded through the reduced risk to Rabobank.
- > The bank **designed the financing model to suit the market context** to ensure the loan project could achieve its aims. For example, farmers' need for new financing was low, so existing financing was included in the interest discount scheme to maximise impact.
- > Rabobank **works with the government**, advocating for approaches that support the bank's approach to financing sustainability. The aim is to ensure that tax relief schemes for green financing are available to Rabobank's Planet Impact Loan customers.
- > Following the pilot, Rabobank will **expand the Planet Impact Loan scheme** to dairy farmers across the Netherlands, and then to arable farmers.
- > Rabobank will **apply its learnings internationally**. While the Monitor is Dutch-specific, Rabobank is currently developing a sustainability scoring model that will be applied internationally, in other countries where farmers are Rabobank clients.
- > The Monitor **is an open-source tool**, so that other banks can readily incorporate biodiversity scores into their own financing models.

www.rabobank.com



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