ASN Bank

Biodiversity policy

asn bank

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ASN Bank Sustainability & Research

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1. Introduction

As a financial institution, we are committed to maintaining and strengthening biodiversity. By 2030 we want all our lending and investment activities to have a net positive impact on biodiversity. This policy document explains how we apply our sustainability criteria when it comes to biodiversity.

Biodiversity is one of the three pillars of ASN Bank's sustainability policy. The other pillars are climate and human rights. Before financing or investing in a company or project we ask ourselves whether sufficient measures are taken to mitigate global warming and biodiversity loss. We also look to see whether labour and human rights are respected.

Description and importance of biodiversity

What do we mean by 'biodiversity'?
We define biological diversity (or biodiversity) in line with the Convention on Biological Diversity (CBD) from 1992[1]. The CBD describes biodiversity as:

"The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems, and the ecological complexes of which they are part; this includes diversity within species, between species and between ecosystems".

Biodiversity plays a key role in enabling ecosystems[2] to deliver products and services that are indispensable to human well-being. It is literally the lifeblood of our society and economy. Ecosystem services fall into various categories and represent economic, social and cultural values (see Figure 1).

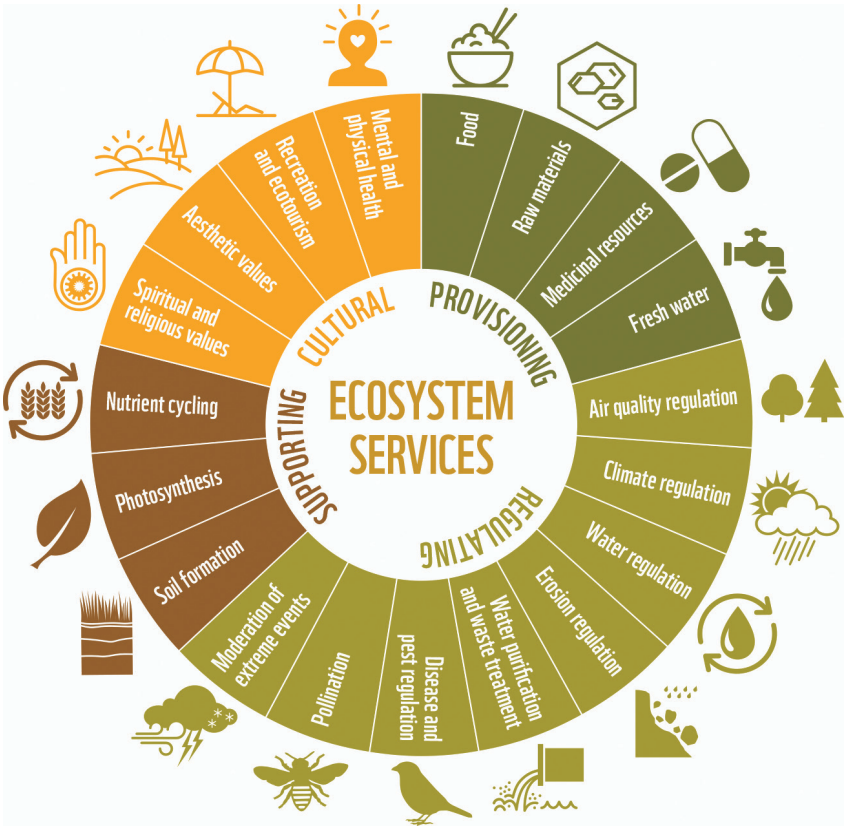

Figure 1: ecosystem services fall into diverse categories and can have economic, social or cultural values.

1 Convention on Biological Diversity, UN Earth Summit Report, 1992
2 An ecosystem is a dynamic complex of plant, animal, and microorganism communities and the nonliving environment interacting as a functional unit. This definition is taken from the Millennium Ecosystem Assessment (2005).

Provisioning services deliver, inter alia, food, fresh water and ingredients for developing medicines. Regulatory services provide clean air and drinking water, pollinate crops and prevent erosion. Supporting services such as photosynthesis and nutrient cycling support all other ecosystem services. Finally, cultural services include recreation and ecotourism, but also the aesthetic and religious benefits of nature for e.g. indigenous populations.

The ecosystems that provide these services maintain a fragile equilibrium between the various animal, plant and micro-organisms. This equilibrium is under threat from accelerating population growth and commodity consumption. Research of the Stockholm Resilience Centre[3] shows that we are on the verge of crossing various planetary boundaries. Looking specifically at biodiversity, our ecosystems are close to crossing the boundaries of their carrying capacity. This severely endangers the well-being of people, animals and plants.

Clearly, all is not well in the world of biodiversity. Recent publications show that biodiversity is under assault and rapidly losing ground. In fact, the biodiversity crisis is so severe that some scientists anticipate a 'Sixth Mass Extinction'. In 2019 the IPBES published a major report[4]. containing the first major assessment of the status of global diversity since 2005. The IPBES - Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services – is the most important independent biodiversity body of the United Nations[5]. The outcomes of the IPBES report make an important contribution to the UN Biodiversity Summit scheduled for 2021 in Kunming, China. At this summit, world leaders will address the biodiversity challenge. The aim is to set concrete international targets to protect global biodiversity and keep our planet habitable. Very much like the landmark Climate Summit in Paris in 2015.

What makes the IPBES report on biodiversity from 2019 so important? Drawing on extensive research, it provides a comprehensive overview of the causes and dangers of our current predicament as well as possible solutions: the dangers described in the report pose a direct threat in terms of food supply, water regulation, erosion and climate adaptation. And the worst impacts will affect the most vulnerable communities and future generations. Over 1.5 billion people (including 350 million indigenous persons) are directly dependent on nature for basic necessities such as food, energy and water[6]. The conclusions and forecasts of the IPBES and the Stockholm Resilience Centre show that we are on course to make our planet uninhabitable unless we tackle the causes of biodiversity loss.

According to the IPBES, nothing less than a systemic change will halt the biodiversity crisis. Our political, economic and technological system must be radically overhauled. Without these changes the ability of our planet to support life will be seriously compromised. And future generations will be deprived of the rich biodiversity we still enjoy today. Action now is vital to avert this threat.

We have not yet mentioned the financial side of this crisis. But biodiversity loss also has economic consequences. The World Nature Fund estimates the value of global economic activities that depend on ecosystem services at some USD 125 billion per year[7]. Biodiversity loss also poses risks for the financial sector. This is evident from a joint study carried out in 2020 by DNB (the Dutch Central Bank) and PBL (Netherlands Environmental Assessment Agency). Their report titled "Biodiversity and the financial sector: a cross-fertilisation?[8]" concludes that the financial sector must identify and assess the risks resulting from a loss of biodiversity. This loss of biodiversity threatens the availability of ecosystem services such as the production of timber, pollination, water and air purification and soil fertility. Our economic activities depend on these services. Dutch financial institutions such as insurers, banks and pension funds have a global lending exposure of EUR 510 billion to companies with a high or very high dependence on ecosystem services.

3 https://www.stockholmresilience.org/

4 IPBES (2019): Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. IPBES Secretariat, Bonn, Germany.

5 The IPBES – Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services – operates as an independent intergovernmental body. It was created in 2012 by more than 130 different countries and several UN organisations. The objective of IPBES is to strengthen the science-policy interface for nature in order to promote the conservation and sustainable use of biodiversity and ecosystems. https://ipbes.net/ https://ipbes.net/

6 IPBES (2019): Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

7 WWF. 2018. Living Planet Report - 2018: Aiming Higher. Grooten, M. and Almond, R.E.A. (Eds). WWF, Gland, Switzerland.

Long-term objective for 2030

Biodiversity is the lifeblood that keeps us and our society alive. But is undergoing rapid depletion and deterioration. That is why we are committed to the conservation, protection and recovery of biodiversity.

ASN Bank

We were the first financial institution in the world to set a long-term biodiversity objective for all our investments. Our aim is to prevent further loss of biodiversity and contribute to net biodiversity gains - and thereby actively strengthen nature in the Netherlands and the wider world. This is laid down in our long-term objective: all our investments and loans must have a net positive effect on biodiversity by 2030. In other words, our activities must, on balance, produce more benefit than harm for biodiversity.

We do this in three ways:

- Reduce biodiversity loss: we aim to minimise the biodiversity loss resulting from our loans and investments. We believe that the carrying capacity of our earth is sufficient to sustain our prosperity - whilst keeping our ecology and economy in balance. We can use the resources that nature offers us, but must do so responsibly without crossing the earth's planetary boundaries. The challenge, therefore, is to make more careful and efficient use of our resources. You can find more information on this topic in our Circular Entrepreneurship Policy Document.
- Increase biodiversity gains: we are exploring ways to boost our biodiversity gains - notably by strengthening or restoring the carrying capacity of ecosystems. To this end, we invest in nature development, renewable energy and the circular economy. And work together with nature organisations, water companies and developers of biodiversity projects, such as the Rijke Noordzee Project[9].
- Develop and share a monitoring method: we have developed the Biodiversity Footprint Financial Institutions (BFFI) to calculate our ecological footprint and monitor our progress[10]. We are also continuously improving the quality of our ecological footprint data. By reporting on our efforts, we help financial institutions to gain greater understanding and awareness of their impact on biodiversity in order to assist better decision-making on biodiversity issues.

We are keen to take the lead in driving sustainable progress. By inspiring, encouraging and collaborating with other financial institutions, we want to have more impact. This also brings us closer to achieving our long-term objective for 2030. Regarding biodiversity issues, we do this within the Partnership Biodiversity Accounting Financials (PBAF) which was set up in 2019[11]. This partnership of financial institutions is dedicated to the development and publication of guidelines and a methodology for the measurement of both positive and negative impacts on biodiversity.

In addition, ASN Bank is an active member of the Sustainable Finance Platform of DNB and we are a co-initiator of the biodiversity working group. Within this working group, we make a contribution towards disseminating knowledge on and raising awareness of the urgency of biodiversity loss. And study how financial institutions can do more to track down and stop deforestation.

8 Biodiversiteit en de financiële sector: een kruisbestuiving? Verkenning van risico's van biodiversiteitsverlies voor de Nederlandse financiële sector. Joris van Toor, Danijela Piljic, Guan Schellekens – DNB; Mark van Oorschot, Marcel Kok – PBL. June 2020

9 https://www.derijkenoordzee.nl/

10 For more background information, please see the BFFI: https://www.asnbank.nl/web/file?uuid=14df8298-6eed-454b-b37f-b7741538e492&owner=6916ad14-918d-4ea8-80ac-f71f0ff1928e&contentid=2453

11 https://www.asnbank.nl/nieuws-pers/kennisplatform-onderzoekt-positieve-impact-biodiversiteit-investeringen.html

2. Policy principles

With our investment activities, we want to contribute towards the conservation, protection and, where possible, reinforcement of the existing biodiversity. With this in mind, our sustainability definitions, objectives and criteria are aligned with various international biodiversity treaties and conventions.

We subscribe to the objective of the Convention on Biological Diversity (CBD) that most UN countries signed in 1992. The aim of the CBD is to conserve and make sustainable use of biodiversity and to fairly divide the costs and benefits of biodiversity among countries.

Our investments adhere to the guidelines drawn up by the International Finance Corporation[12]. This contains the mitigation hierarchy for negative impacts:

1. Avoid harmful impacts (prevention);
2. Minimise harmful impacts;
3. Remediate harmful impacts;
4. Offset residual harmful impacts.

Our principles are based on the Millennium Ecosystem Assessment[13] (2005) and the subsequent IPBES Global Assessment Report from 2019. Both reports conclude that mankind is responsible for the large-scale loss of nature and biodiversity. Relentless global population growth is leading to an increased - and ultimately unsustainable - use of commodities, energy, water and land.

But are we all equally responsible for the current biodiversity loss? No, the main culprits are the western countries and their pursuit of unbridled economic growth. For decades, economic globalisation based on a take-make-dispose mentality (the 'linear economy') has held sway. With detrimental consequences.

Here are the main threats for the loss of nature and biodiversity[14]:

- Land use change and nature deterioration
- Overexploitation
- Climate change
- Invasive and exotic species
- Pollution

Researchers believe that the collective impact of human activity is so great as to influence the functioning of the global ecosystem, giving rise to the Anthropocene: the era of man[15, 16].

12 https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps6
13 https://www.millenniumassessment.org/en/index.html
14 IPBES (2019): Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.
15 WWF. 2018. Living Planet Report - 2018: Aiming Higher. Grooten, M. and Almond, R.E.A. (Eds). WWF, Gland, Switzerland.
16 Waters, C. N. et al. The Anthropocene is functionally and stratigraphically distinct from the Holocene. Science 351 (2016).

3. Biodiversity selection criteria for companies and projects

3.1 Conditions for a positive assessment

Companies, institutions or projects can have a positive or negative impact on biodiversity. Companies that recycle precious resources, purify water or generate solar energy with respect for flora and fauna have a positive impact. Companies with a negative impact are expected to take responsibility for the consequences of their operations. Not just because they encroach on ecosystems, but also because their ability to operate depends on the ecosystem services sketched in the introduction.

We expect companies, institutions and projects to comply with our biodiversity policy and avoid unlawful or unethical practices. Each company must operate a biodiversity policy that is diligently implemented, monitored and reported on, preferably according to the biodiversity guidelines of the Global Reporting Initiative (GRI).

3.2 Biodiversity and the selection of projects and companies

Alongside the criteria already mentioned in this policy document, we also adhere to the Equator Principles for our project finance activities. The Equator Principles provide a framework for determining, assessing and managing the environmental and social risks associated with project finance. Regarding biodiversity, the principles prescribe that projects must meet IFC Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management. We want to rule out that projects we finance are involved, directly or indirectly, in activities or investments that threaten biodiversity. Finally, we make sure our investment and project finance activities comply with local biodiversity laws and regulations, such as the European Habitat and Bird Directive.

To achieve our biodiversity objectives, we have developed criteria that indicate which activities are eligible for investment or finance. The aim is to minimise and, if possible, entirely prevent any adverse impacts on biodiversity. Based on the five key biodiversity threats, we identify and exclude non-sustainable companies, institutions and projects.

These five threats, together with our policy and criteria, are explained below. The details of the selection criteria can be found in our Sustainability Criteria Guide.

Land use change

Explanation	Land use change causes the natural habitat of species to shrink or disappear. As a result, populations and species can decrease or vanish, leading to a loss of genetic diversity. The growing demand for agricultural land is driving the large-scale depletion of biodiversity. Deforestation to clear land for agriculture is one example.
Relevant sectors	• Agriculture, notably the cultivation of crops such as soy, palm oil, coffee, cocoa, tea and sugar cane • Food industry • Livestock and fish farming • Forestry, paper and packaging, large paper consumers • Biofuels
Our policy	We expect companies to prevent land use change and use existing agricultural land where possible. We also expect their operations to be demonstrably circular and sustainable. Suppliers of agricultural crops are required to meet internationally recognised standards.
Excluded activities	• Production of first-generation biofuels[17]. • Activities with a negative impact on protected or recognised nature areas. • The felling of primeval forests, tropical rainforests, HCS (high carbon stock) forests and mangrove forests. • Land use change with a negative impact on Red List species[18]. This is not confined to nature areas, but includes areas that Red List species depend on. • Wetland drainage. • Cultivation of fenland • Activities in high conservation value areas (HCVAs). Alongside legally protected areas, this concerns areas with a high biodiversity value that are not yet protected.
Our criteria	We expect that: • Purchasers of agricultural products such as soy, palm oil, coffee, sugar cane, cotton, tea or cocoa are members of organisations that set relevant and internationally recognised standards. • Companies prevent the use of illegally felled or traded timber. In the case of companies not operating in rich OECD countries, the activities are required to be at least two thirds FSC-certified. If the company operates in rich OECD countries, PEFC certification for two thirds of the activities is sufficient[19]. In addition, the company must have the objective of becoming fully certified. • The company or institution adheres to the IUCN Guidelines for Protected Area Management Categories (ecosystems). The company or institution undertakes no activities falling under the I-IV categories of the IUCN, the UNESCO World Heritage Convention and the Ramsar Convention on Wetlands. The company or institution restores the original local ecosystem after ending its activities.

17 First-generation biofuels are obtained from crops that are also suitable for food. We do not want biofuels to compete with the food supply.

18 IUCN Red List (January, 2010), www.iucnredlist.org

19 The forestry standard of the Sustainable Forest Initiative (SFI), the North American member of PEFC, also meets our criteria. The SFI applies specifically to North America. So if a company is two-thirds SFI certified, that is sufficient.

Climate change

Explanation	Climate change is a growing threat to biodiversity. The earth is warming due to the emission of greenhouse gases resulting from human action. Climate change poses a threat to species and ecosystems. Ecosystems change due to conditions becoming drier, wetter or warmer. Plant and animal species are often unable to adapt fast enough. Climate change can also destroy ecosystem functions. To mention one example, mass coral extinction could result from ocean acidification caused by rising CO_2 levels in the atmosphere.
Relevant sectors	• Forestry, paper manufacturing, large paper consumers (publishers) • Agricultural firms • Energy intensive industry and fossil energy • Chemicals and metallurgy
Our policy	Climate change has enormous - and steadily worsening - consequences for the lives of people across the world. We therefore do not invest in the fossil energy sector and avoid financing and investing in activities that are a major cause of greenhouse gas emissions.
Excluded activities	• Exploration, production and refining of fossil materials. Fossil materials comprise all raw materials with a fossil origin. These are mainly lignite, coal, natural gas, shale gas, tar sand and oil; • Industrial production of electricity with the aid of fossil fuels; • Companies which, as suppliers, have close ties with the exploitation, production and refining activities of the fossil fuel sector and generate more than 5% of their revenue from these activities. • Products that consume a lot of fossil energy such as combustion engines used for road and air transport; • Companies that operate in the petrochemical sector based on primary fossil fuels. These are companies that convert crude oil into bulk materials for the chemical industry, such as ethylene and polymers; • Cement production; • Deforestation
Our criteria	The Climate theme constitutes one of our three pillars. The sustainability criteria for the Climate theme are set out in our Climate Policy Document.

Introduction of invasive exotic species

Explanation	The introduction of invasive exotic species is often overlooked as a cause of the disappearance of native species. The addition of 'invasive' is important because not all exotic species pose a threat to native species. The introduction of a single invasive exotic species can already threaten the existence of local species. The reason is that everything is interconnected in an ecosystem. An invasive exotic species can fatally disturb this equilibrium and thus threaten the survival of local species. Invasive exotic species can take over an entire new area. Over the past centuries invasive exotic species played a role in at least half of the recorded extinctions of species.
Relevant sectors	• International transport companies (aviation and shipping) • Tourism • Garden centres, zoos, pet shops • Agriculture and horticulture • Fisheries
Our policy and criteria	We expect companies with an exposure to this risk to have a policy to prevent the introduction of invasive species.

Overexploitation

Explanation	Overexploitation concerns the unsustainable use of resources. Overexploitation of ecosystems has been a significant factor in the extinction of hundreds of species and continues to endanger many more species. Examples abound, ranging from small insects to large mammals such as whales. But overexploitation is not just a threat to animals. Many plants and fungi (mushrooms) are also becoming scarcer or are on the verge of extinction. Most extinctions from overexploitation in recent centuries were due to hunting, fishing, agriculture and deforestation. This can have major knock-on effects on the rest of an ecosystem.
Relevant sectors	• Agriculture, forestry, fisheries • Biofuels • Textile production • Luxury goods • Tourism • Food industry
Our policy	We expect companies to use resources in a sustainable manner in order to prevent overexploitation.
Excluded activities	• Trade in or hunting of threatened 'Red List' animal species (e.g. whales). • Non-sustainable agriculture, forestry, fisheries.
Our criteria	We expect that: • Companies make no use of Red List species. Institutions that seek to protect threatened animal species by means of e.g. breeding programmes are not excluded. The company must comply with CITES[20]. The IUCN is responsible for the compilation of the species information for the Red Lists[21]. Each country has its own Red List. This list states which animal and plant species are threatened for the country in question. • Companies active in forestry and agriculture work with recognised certification agencies such as the FSC (Forest Stewardship Council) for timber and the MSC (Marine Stewardship Council) for fish. • Companies that produce agrocommodities with a large ecological impact are expected to be members of recognised organisations such as the Rainforest Alliance for coffee, tea and cocoa, the RTRS for soy and the RSPO for palm oil.

20 CITES stands for Convention on International Trade in Endangered Species of wild fauna and flora. The CITES agreement set outs rules for the protection of threatened plants and animals.

21 https://www.iucnredlist.org/

Pollution

Explanation	Pollution from e.g. organic and chemical materials. Pollution poses a threat to multiple species and ecosystems. Organisms at the top of the pyramid (such as humans) are particularly at risk of ingesting harmful concentrations of toxic substances. One example concerns the discharge of large quantities of waste water, which can cause all life to disappear from rivers, lakes and coastal waters.
Relevant sectors	• Agriculture, forestry, fisheries • Genetic technology companies • Chemicals • Food industry • Mining, oil and gas extraction • Metalworking • Electronics • Waste processing • Textile production • Pharmaceuticals
Our policy	We expect companies to refrain from genetic pollution, from introducing into the environment substances that are not demonstrably safe, and from developing activities causing substances to be discharged into ecosystems in such large quantities that these are insufficiently broken down, if at all.
Excluded activities	Activities that can lead to 'genetic pollution', such as genetic technology, where genes enter species in which they do not naturally occur. The company does not apply genetic technology to animals or plants for non-medical purposes. Activities that cause substances that are not demonstrably safe to enter the environment. Activities where substances (e.g. fertilisers) enter ecosystems in such large quantities that these cannot be (sufficiently) broken down.
Our criteria	We expect that companies: • That work with GMOs[22] (genetically modified organisms) comply with the applicable laws and regulations, including the Cartagena Protocol[23]. • Make no untreated discharges into air, water or soil. • Export no pesticides as outlined in the Rotterdam Convention[24]. • Follow the Basel Convention[25] for chemical waste. • Follow the Stockholm Convention[26] for persistent organic pollutants (POPs). • Follow the Montreal Protocol[27] for substances that impair the ozone layer. • Follow the guidelines of and participate in REACH[28] (applicable to the EU) and GHS[29] for chemical substances.

22 See also our Consumer Protection Policy, which devotes more attention to genetic modification.
23 The Cartagena Protocol is an international biosafety agreement. Its objective is to protect biodiversity against any risks resulting from genetically modified organisms. The Netherlands has ratified this Protocol.
24 The Rotterdam Convention is a treaty setting out mutual responsibilities for the international trade in hazardous substances and pesticides.
25 The Basel Convention is a treaty for the control and removal of hazardous waste.
26 The Treaty of Stockholm limits the production and use of persistent organic pollutants (POPs). These are toxic substances that are resistant to environmental degradation.
27 The Montreal Protocol contains arrangements for the protection of the ozone layer through e.g. the reduction of CFCs (chlorofluorocarbons).
28 REACH comprises regulations for the registration, evaluation, authorisation and restriction of chemical substances.
29 The GHS (Globally Harmonised System of Classification) is designed to create a single globally harmonised system for the classification of hazardous substances (e.g. labelling symbols).

4. Application of the biodiversity policy

Our sustainability policy on biodiversity is aimed at investing in companies, institutions and projects that help to protect or improve biodiversity. Or take effective measures to prevent or minimise threats.

4.1 Biodiversity and engagement with companies

Engagement is one way in which we put sustainable banking into practice. Engagement involves entering into a dialogue with a company or institution in order to increase its awareness of sustainability issues and improve its sustainability performance. We engage with companies about any biodiversity issues that constitute a breach of our sustainability criteria. In the last resort we may decide to sell our holding in the company.

4.2 Biodiversity and voting at shareholder meetings

We can exercise our voting rights at shareholder meetings. Our voting policy is closely related to our sustainability policy, with a strong focus on human rights, climate and biodiversity. We vote in favour of investments and measures aimed at reducing the use of water or restoring biodiversity. The full voting policy is set out in the Prospectus of ASN Investment Funds.

5. Our own operations and management

Our biodiversity policy has also been translated into measures for our own operations.

Our efforts to mitigate our impact on biodiversity focus on the climate, circular office design, and the use of paper. These, clearly, are the most material aspects for our office organisation.

We make our sustainable contributions in the following areas:

- reduction of the actual CO_2 emissions per FTE;
- use of green power only;
- complete CO_2 emission offset;
- company car scheme aimed at reducing greenhouse gas emissions;
- organic catering (part of our sustainable procurement policy);
- waste reduction, with a focus on less use of plastic and waste separation;
- circular design for SNS branches;
- reuse of office furniture where possible, circular refurbishment or procurement.

6. Annexes

Specific selection criteria have been formulated for certain themes. These themes are the subject of widespread public debate because of the social and ecological problems they are associated with. Our vision and policy on these issues are set out below.

Palm oil

Introduction

Palm oil is a vegetable oil that is extracted from the fruits of the oil palm. The oil palm is native to West and Southwest Africa and thrives in equatorial countries because of the high air humidity and tropical temperatures. Malaysia, Indonesia, Thailand, Colombia and Nigeria are the biggest producers. Roughly half of the products we use on a daily basis contain palm oil. These include food products (biscuits, peanut butter and margarine) and personal care products (soap and cosmetics)[30].

Problems:

There is nothing really wrong with palm oil in itself. But there is a lot wrong with the methods and scale of production.

- Scale: the palm oil sector is heavily industrialised. International manufacturers own gigantic plantations to supply the global market with palm oil. The Netherlands is the biggest importer and exporter of palm oil in the EU[31].
- Deforestation: tropical rainforests are cleared for the development of large palm oil plantations[32].
- Forest fires: forests and fenland are burned on a large scale to make way for palm oil plantations. This causes serious health complaints in the region and exacerbates climate change[33].
- Biodiversity: deforestation and forest fires threaten unique plant and animal species with extinction[34]. In addition, palm oil plantations often involve monoculture farming with large-scale use of fertiliser and pesticides, which poses a risk to biodiversity[35].
- Land grabbing: palm oil companies chase the local population from their land with legal tricks, intimidation or violence. Apart from losing their land, this also deprives the original population of their livelihood[36].
- Human rights violations: malpractice and abuse are rife on palm oil plantations. Abuses include child labour, hard working conditions, low pay, and unprotected use of pesticides[37].

Sustainability policy

The climate, human rights and biodiversity abuses sketched above mainly occur at the start of the palm oil chain. That is why we avoid producers and refineries[38]. We do not advocate a blanket boycott of palm oil. Whilst palm oil can often be replaced with alternatives such as olive, sunflower or rape seed oil[39], we do not see this as part of the solution[40]. If all palm oil were replaced with other vegetable oils, more agricultural land, more fertiliser and more pesticides would be required to achieve the same production volumes. Moreover, the cultivation of palm oil provides millions of farmers with a livelihood. A boycott would not put an end to the production of palm oil and the associated problems[41].

Where do we draw the line?

Do: We can finance or invest in purchasers of palm oil or companies that process palm oil in their products, provided the procurement is demonstrably sustainable. This means that the company adheres to an NDPE policy and/or is a member of the Roundtable on Sustainable Palm Oil (RSPO) and reports on its compliance with these principles.

Don't: We do not finance or invest in the use of palm oil as a biofuel//biodiesel, as this concerns a first-generation biofuel[42].

30 https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie
31 https://www.cbs.nl/nl-nl/nieuws/2018/12/invoer-palmolie-trekt-weer-aan
32 https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie#1--wat-is-palmolie-
33 https://eerlijkegeldwijzer.nl/verzekeringswijzer/praktijkscores/bosbouw/?s=
34 https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie
35 https://masarang.nl/nl/artikelen/kritiek-van-masarang-op-duurzame-palmolie/
36 https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie
37 https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie#1--wat-is-palmolie-
38 We can make an exception for a limited number of small-scale projects; these are assessed on a case to case basis. Key conditions include that no forests are felled and that no pesticides are used.
39 https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie#7--bestaat-duurzame-palmolie-
40 https://www.milieucentraal.nl/milieubewust-eten/tropische-producten/palmolie/
41 https://www.mvo.nl/waarom-het-boycotten-van-palmolie-geen-oplossing-is
42 See also our Sustainability Policy for Biomass..

Sustainability criteria

We expect companies not to be involved in large-scale land use or activities that exacerbate the loss of natural habitat and biodiversity. This is why we look critically at companies that are active in the food, consumer staples and personal care industries.

Score

Insufficient	The company is not a member of the RSPO and/or has no NDPE Policy[43] and/or is involved in serious abuses[44] in the production of palm oil.
Poor	The company has an NDPE Policy and/or is a member of the RSPO, but publishes no evidence of implementation (such as an online list of suppliers, an up-to-date list of complaints and abuses, a reinstatement protocol or a progress report).
Sufficient	The company has an NDPE Policy and/or is a member of the RSPO, but is selective in the information that it publishes (for instance an outdated online list of suppliers). The company responds sufficiently to complaints or abuses.
Good	The company has an NDPE Policy and/or is a member of the RSPO, has a complaints process and regularly publishes up-to-date evidence of implementation. For instance: the company is transparent about submitted complaints and actions taken or the supplier list is up to date.
Excellent	The company scores excellent if it scores good and also offsets biodiversity losses according to the 'no net biodiversity loss principle'.

Background information and our view on the RSPO

The Roundtable on Sustainable Palm Oil (RSPO) was established in 2004 with a view to promoting the cultivation and use of sustainable palm oil. Today, the RSPO is regarded as the leading certification standard for the sustainable use of palm oil. International growers, processors, food companies, investors and environmental organisations are affiliated with this organisation. About 20% of the global palm oil production is currently RSPO certified[45].

The set of requirements stipulates that the cultivation of sustainable palm oil must not lead to the loss of forest land or compromise the natural habitat of threatened species. Other requirements concern the use of pesticides, waste water management, energy and greenhouse gases, and respect for the rights of workers and local communities. The RSPO requirements are reviewed and updated every few years[46].

RSPO membership is voluntary and non-binding. RSPO-certified growers are reviewed every five years to ensure continuous compliance with the principles and criteria. In some cases the RSPO requirements are more stringent than national legislation. Members who are not fully compliant with the requirements must present a plan indicating how they propose to remedy the deficiencies[47]. Members must also publish an annual progress report. Finally, RSPO operates a complaints process[48].

The RSPO has attracted considerable criticism in recent years. The main accusation is that the procedures for checking compliance are inadequate. Some organisations claim that the RSPO is unable to guarantee 100% that certified palm oil was produced according to the requirements[49]. We understand this criticism. The RSPO could possibly improve the reliability, transparency and effectiveness of its operations. Nevertheless, we still see RSPO certification as an important instrument for making the palm oil industry more sustainable.

Compared to other standards, we believe that the RSPO applies the strictest criteria for palm oil certification. The certification standards of palm oil producing countries such as Malaysia and Indonesia, for instance, are less strict when it comes to the protection of biodiversity[50]. In addition, the RSPO addresses many themes that we consider relevant. Apart from biodiversity, these include regulatory compliance, the conservation of natural resources and respect for workers' rights. Finally, we appreciate the RSPO's efforts to continuously raise the bar and set stricter requirements. One development that we are watching with great interest is the voluntary RSPO NEXT add-on module. RSPO NEXT contains more stringent criteria on deforestation, fire, peat, human rights and landscapes.[51, 52]

43 RSPO stands for the Roundtable on Sustainable Palm Oil; NDPE stands for No Deforestation, No Peat and No Exploitation. For further information on the RSPO and NDPE, see the appendices below.

44 For example: a company sources palm oil from a plantation that employs child labour. The company is aware of this but systematically turns a blind eye, is reluctant to investigate and/or takes no remedial action.

45 https://www.rspo.org/impact

46 https://keurmerkenwijzer.nl/keurmerken/rspo/

47 https://www.sustainablepalmoil.org/wp-content/uploads/sites/2/2015/09/Efeca_PO-Standards-Comparison.pdf

48 https://www.sustainablepalmoil.org/wp-content/uploads/sites/2/2015/09/Efeca_PO-Standards-Comparison.pdf

49 https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie#1--wat-is-palmolie- en https://www.milieucentraal.nl/milieubewust-eten/tropische-producten/palmolie/

50 https://www.sustainablepalmoil.org/wp-content/uploads/sites/2/2015/09/Efeca_PO-Standards-Comparison.pdf

51 https://rspo.org/certification/rspo-next en https://rspo.org/news-and-events/news/rspo-next-taking-the-principles-and-criteria-to-the-next-level

52 https://www.eco-business.com/news/rspo-launches-new-stricter-palm-oil-label/

Background information and our view on the NDPE

NDPE stands for no deforestation (total ban on felling for palm oil), no peat (no planting on fenland) and no exploitation (no violations of labour and human rights). It is not a certification standard like the RSPO, but a method for setting up a sustainable policy for the procurement of palm oil[53]. Most large international traders and refineries now operate an NDPE procurement policy. This policy requires suppliers to refrain from the development of plantations on fen and forest land. Suppliers who infringe the regulations face exclusion from the chain[54]. Since 2018 NDPE also forms part of the RSPO principles and criteria[55, 56]. Not every NDPE policy is equally stringent; companies can choose the wording of their policy to suit their needs. And the complaints procedure and sanction mechanism can also vary from one company to the next[57]. We see this as a weakness of NDPE. In our eyes an NDPE policy can be effective, provided the company also publishes evidence of its implementation. Transparency is crucial, therefore. To this end a company can, for instance:

- publish an up-to-date list of palm oil suppliers, so that the palm oil can be traced to the plantation;
- publish an up-to-date list of complaints and abuses at suppliers, including the actions taken and results achieved (e.g. suspension of a supplier where the abuses occurred);
- set up a protocol for the reinstatement of a supplier who has infringed the rules (e.g. replantation of deforested land);
- publish regular progress reports[58].

A well-implemented NDPE policy can definitely be effective. Particularly when abuses carry economic consequences. A purchaser who identifies abuses at an oil palm plantation can, for instance, demand that the producer draws up an action plan to remedy the situation. If the abuses are repeated, the purchaser can suspend the contract until the producer addresses the abuses and implements improvements.

Water scarcity

Introduction

Due to climate change and excessive usage, more and more people suffer from a shortage of water. Officially, water scarcity exists when less than 1,000 m^3 water is available per person per year. According to forecasts of the International Resource Panel (IRP)[59] , almost half of the world's population will be confronted with water stress in 2030[60]. Water scarcity takes a disproportionate toll on certain parts of the world, whereas others experience virtually no restrictions. The Aquaduct Rankings of the World Resource Institute (WRI) indicate which countries contend with water scarcity in varying degrees of severity. Water is used in many production chains. Mining and metallurgy, oil and gas, chemicals, packaging and utilities all involve water-intensive production processes[61]. As water consumption is expected to keep rising in the coming decades, it is crucial to ensure that water is properly allocated to meet the needs of local communities and ecosystems.

Problems

The two main causes of water scarcity are overexploitation and pollution. Overexploitation entails that water is consumed in such large quantities that not everyone has access to fresh water. The potential consequences for the local population and ecosystems are:

1. Severe water shortages heighten the risk of disease, malnutrition and child mortality[62]. Research by Unicef shows that around 600 million children will grow up in areas with extremely limited water resources by 2040.
2. Over-extraction of water deprives local ecosystems of their ability to deliver ecosystem services. Key ecosystem services include the purification of water and the supply of food. Large-scale water consumption threatens the ecosystem biodiversity which is vital for adequate water purification. Another major problem resulting from a lack of water is the dessication of land. In the Netherlands dessication is causing the compaction of fenlands, leading to the release of large quantities of CO_2.

In order to prevent the negative consequences for the local population and ecosystems, it is imperative that companies make responsible use of the available water resources. Companies need to take risk mitigation measures to meet the water requirements of the local community and ecosystems. And companies that are active in water-scarce areas must draw up water scarcity impact reports.

53 https://proforest.net/proforest/en/publications/infonote_04_introndpe.pdf
54 https://chainreactionresearch.com/wp-content/uploads/2017/11/unsustainable-palm-oil-faces-increasing-market-access-risks-final-1_updated-july-2018.pdf
55 https://news.mongabay.com/2018/11/rspo-adopts-total-ban-on-deforestation-under-sweeping-new-standards/
56 https://eia-international.org/news/new-rspo-principles-criteria-released-no-deforestation-set-adopted/
57 https://chainreactionresearch.com/wp-content/uploads/2017/11/unsustainable-palm-oil-faces-increasing-market-access-risks-final-1_updated-july-2018.pdf¬¬
58 https://chainreactionresearch.com/wp-content/uploads/2017/11/unsustainable-palm-oil-faces-increasing-market-access-risks-final-1_updated-july-2018.pdf
59 https://www.unenvironment.org/news-and-stories/press-release/half-world-face-severe-water-stress-2030-unless-water-use-decoupled
60 Water stress occurs when less than 1,700 m3 water is available per person per year.
61 https://ec.europa.eu/eurostat/statistics-explained/index.php/Archive:Water_use_in_industry
62 https://www.unicef.org/media/49621/file/UNICEF_Thirsting_for_a_Future_ENG.pdf

In the case of pollution, water becomes contaminated during the production processes, causing a deterioration in quality. Unless the contaminated water is purified, discharge at the production site can lead to serious pollution in wider areas. Companies can prevent this by using a water treatment system. Such systems can also promote the reuse of water.

Sustainability policy

In areas where water is scarce, the local population, ecosystems and companies compete fiercely for this precious commodity. We expect companies that operate in such areas to use water responsibly and take steps not to aggravate the problem. As for companies active in water-intensive industries, we expect them to take measures to limit their own use of fresh water and to promote reuse. Water-intensive sectors include mining and metallurgy, forestry, oil & gas, chemicals and packaging, food, agriculture and utilities. Other sectors or companies can also be confronted with water scarcity due to the location of certain supply chains, such as the agricultural sector.

Where do we draw the line?

Do: We can finance or invest in companies that limit or control their water usage to minimise the impact. This can be done, for instance, by implementing recommendations made in impact reports for water-scarce regions. In addition, the company must take account of the water requirements of the local population and ecosystems.

Don't: We do not finance or invest in water-intensive companies that are active in water-scarce areas if they do not produce a water scarcity impact report, fail to take mitigation measures or disregard the water requirements of the local population and ecosystems.

Sustainability criteria

We expect companies that are active in areas with water scarcity or stress to use water responsibly. In addition, we expect companies that are active in water-intensive sectors to take measures to limit their use of fresh water. These sectors include mining and metallurgy, oil & gas, clothing, chemicals and packaging and utilities. Other sectors or companies can also be confronted with water scarcity due to the location of certain supply chains, such as the agricultural sector.

Score

Insufficient	The company has no specific policy or strategy for the prevention of water scarcity and/or is involved in pollution or overexploitation.
Poor	The company is aware of the available water stocks in areas where it is planning to undertake new activities. No cases of pollution or overexploitation are known.
Sufficient	The company has a policy for responsible water usage and/or the reduction of water usage and prevents water pollution. For instance, by adhering to the ISO14046 standards. Or the company publishes a water scarcity impact report. For instance, by adhering to the ISO46001 standards.
Good	The company publishes a water scarcity impact report and also takes account of the water requirements of local communities and ecosystems. In addition, the company prevents negative impacts of its activities in water-scarce areas in which it operates. The company is a member of internationally recognised initiatives such as the UN CEO Water Mandate.
Excellent	The company meets the above requirements and undertakes no new activities in water-scarce areas that compete with the needs of local communities. And the company at least complies with the medium-to-high category for water stress of the World Resource Institute.