



SRD II Employee councils advice

Date: 10-3-2020

Written by the Employee Council
to the Chairman of the
Remuneration Committee Arjen
Dorland

Advice of the RvM on the remuneration policy

1. Introduction

This is the advice by the Employee Council on the draft remuneration policies for the Executive Board (ExBo) and Supervisory Board of ABN AMRO in accordance with the amended Shareholder Rights Directive (SRD II) as entered into force on 1 december 2019.

Based on the new Article 2:135a paragraph 3 DCC the Employee Council is granted the right to render advice on the draft remuneration policies for the Executive Board and Supervisory Board. The Employee Council will be allowed to explain the advice in the AGM 2020. In case the advice of the Employee Council is not followed and adopted in the remuneration policy(-ies). The Supervisory Board is required to elaborate upon the background of this deviation.

2. Findings and conclusions

1. SRDII revised regulations allows the Employee Council to provide advice upon the remuneration policy of the Executive Board, and Supervisory Board, thereby increasing transparency towards employees as well as other stakeholders.
2. In addition, revised regulations (art. 23 lid 2 WOR) steer at a yearly conversation between the Employee Council, ExBo and Supervisory Board on the compare between remuneration of the Executive Board and the employees of the Company (addressing a.o. the banks' pay ratio). In addition to our advice on the remuneration policy as required under revised regulations following SRDII, we seek comfort in the initiative and active participation of the Supervisory Board in these conversations and deem these important for employee engagement.
3. We note that at present the annual increase of the fixed remuneration for members of the ExBo is linked to the general banking CLA as opposed to the ABN AMRO CLA. It is relevant to highlight that the background of this is to avoid that the parties mentioned above have direct influence on negotiations of the ABN AMRO CLA and as such, it is considered more appropriate to withhold these parties from participating in the ABN AMRO CLA. Pension and other conditions are in accordance with the ABN CLA.
4. Moreover and at all times, employees should be enabled in understanding the remuneration policy of the bank. In times where the financial sector is critically reviewed by society, we highlight that all employees

are confronted with the consequences of these changes in terms of public opinions. As such we should take into account that a common understanding of these changes is considered highly important.

5. We acknowledge and appreciate the transparency that is provided by monitoring and publishing the pay ratio in the annual report. We seek to further discuss how the remuneration policy can take into account the pay ratio and employment conditions of the company's employees during the next yearly conversation between the Employee Council, ExBo and the Supervisory Board (see 2. above).
6. We note that ABN AMRO has adopted in its ExBo remuneration policy the following principles:
 - 1) *Moderate risk profile , ie the total target remuneration structure being below the median in the relevant benchmarking population, and*
 - 2) *attract and motivate the best people.*Taking into account our competitive position as listed financial institution, we advise to periodically evaluate the feasibility of combining these two remuneration principles.
7. As part of the preparations for the new remuneration policy for the Supervisory Board it is proposed to link the general banking CLA to the remuneration policy for Supervisory Board members as of 1 January 2020, analogous to the process currently followed for ExBo members. Specifically concerning the one-off increase as proposed: as the increase is merely a correction related to previous CLA increases which have not been applied to the remuneration of the Supervisory Board, we consider the increase acceptable (taking into account that this includes potential inflation during 2020).
8. With the implementation of SRDII, reporting restrictions have been put on the remuneration policy where these restrictions were limited before. We understand the Supervisory Board in seeking flexibility where this is allowed under revised laws. In terms of transparency as well as creating understanding within the organization and its employees, we advise to inform the Employee Council in case of deviations from the policy (as allowed under SRDII restrictions) preferably before implementing these.
9. We note the decision to maintain the option of variable remuneration as opposed to the main part of AAB employees. At all times and again in terms of transparency, we advise to provide the necessary background of this consideration.
10. We note that the internal framework of KPI's on which this variable remuneration will be based (where we appreciate the level of transparency handled towards the Employee Council by having shared the framework), should be the main driver behind applying this form of remuneration.

The Employee Council thanks Mr Dorland and his team for supplying the requested information, to have meetings and answering questions to support the council to render an advice.