

Value-creating topics 2020

ABN AMRO Bank N.V.

**Value-creating
topics 2020**

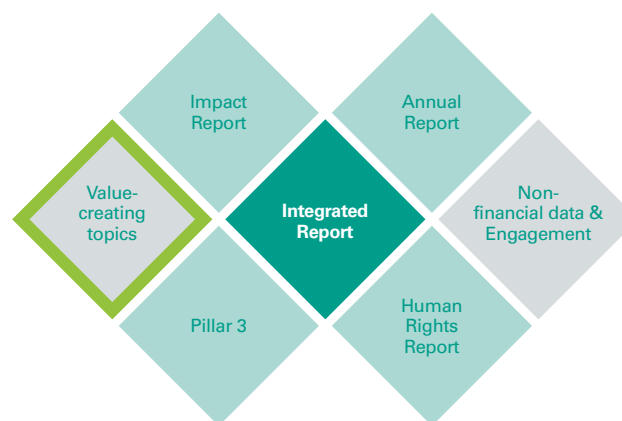
About this Report

ABN AMRO conducts a regular assessment of its operating environment. Using this assessment, we are able to identify our most important social, economic and environmental topics. These *value-creating topics* are where we believe ABN AMRO can create value for stakeholders. This Report sets out the results of our 2020 assessment, the process and methodology used and the importance of the assessment for both our strategy and reporting.

Our core and more approach to reporting

Each year, we publish a 'core' report: our Integrated Annual Report. This report gives an extensive overview of ABN AMRO's business, strategy and performance.

Alongside the Integrated Annual Report, we also publish a series of 'more' reports; these are designed to provide stakeholders with additional information on specific subjects. This Value-creating topics Report is one of our 'more' reports – it should be read in conjunction with the 2020 Integrated Annual Report. For more information on our approach to reporting, see abnamro.com.



The importance of value creation

The principle of value creation sits at the heart of ABN AMRO's strategy. The value we create for stakeholders may be financial, social or environmental in nature. This reflects our different roles: we're not just a lender, we're also an employer and a provider of a wide range of financial services.

As well as creating value, we also recognise that – through our activities – we may also deplete value for our stakeholders. At times, this is simply part of the transaction: clients pay fees or interest on their loans – both imply a transfer of value to the bank. At others, the effects are more complex: by selling a mortgage for a new-build house, for example, we increase home ownership; we provide a sense of security for our clients; we support economic growth. But there is also an environmental cost – in increased consumption of natural resources.

There are times when we create value for some stakeholders, but deplete value for others. The more we understand this complexity, the better – the more we're able to take decisions based on their likely consequences for all stakeholders.

Ultimately, our licence to operate depends on our ability to create value. Put simply: if, over time, we fail to create value for society, we risk losing our licence to operate. That's why every two years we conduct a thorough assessment of our business environment, so we can identify those areas that should be at the centre of our strategy – areas where we believe can create most value for stakeholders.

Process & methodology

We carry out a full assessment of our operating environment every two years. Our previous assessment took place in 2018. This assessment is based on input from both stakeholders and ABN AMRO's senior management. Its objective is to identify the bank's value-creating topics (VCTs) – i.e. those topics where we believe we can create most value for stakeholders. VCTs are an integral part of the bank's strategy; they are linked to our three strategic pillars (see page 6) and subject to extensive internal reporting. This year, in addition to our usual assessment, we also conducted a separate Covid-19 analysis, given the impact – and *potential* impact – on ABN AMRO's business, strategy and performance.

Governance

As in 2018, our assessment was overseen by a Materiality Project Team (MPT); this team monitored the progress and assessed the results. The MPT was again supported by an Expert Advisory Group (EAG), which provided regular subject-specific feedback. EAG members were drawn from different departments within the bank (including Investor Relations, Customer Experience, Strategy, Communications and Operational Risk). ABN AMRO's Executive Committee approved the results before publication. EY provided reasonable assurance on the assessment's process and methodology.

Our operating environment

ABN AMRO's operating environment may be affected by a number of factors. These include:

- ▶ Economic factors (e.g. changes in economic or market performance, interest rates or business growth)
- ▶ Social factors (e.g. changes in labour standards, possible violations of human or labour rights in the bank's value chain, increased use of new technologies)
- ▶ Environmental factors (e.g. worsening climate change, or changes in demand for renewables or fossil fuels)
- ▶ Regulatory factors (e.g. changes in capital requirements, product regulations or employment practices)
- ▶ Governance factors (e.g. changes in the bank's leadership, taxes or governance rules).

Step-by-step process

Our process comprised four main steps:

1 Create an initial long list of topics

Our initial long list was based on a review of both internal and external sources. External sources included: trend reports, peer analysis, ESG benchmarks and rating agencies, Dutch media reports, and covenants and other regulations. In the review, we also included internal sources: our 2019 Annual Report, the bank's risk analysis, and VCTs identified as part of the 2018 assessment (to ensure continuity). All sources were weighted separately – in part to ensure more priority was given to forward-looking content.¹

2 Reduce the long list to a short list

As a next step, this long list was narrowed down to a short list of 36 topics, based on their “frequency of occurrence” in the source documentation. Our process also included big data analysis. The short list was checked with internal experts, and against results from the 2018 assessment. All definitions were finalised, and the short list sent to stakeholders and senior management for ranking or “prioritisation”.

3 Prioritise topics

In separate surveys, stakeholders and senior management were asked to prioritise short-listed issues, according to their importance for value creation.² Stakeholders were drawn from ABN AMRO's four identified stakeholder groups: clients, investors, employees and society. Senior management was represented by members of the bank's Executive Board, Executive Committee, ExCo1 (all direct reports to ABN AMRO's Executive Committee members), and the bank's C40 group of managers and experts. In total, more than 1,750 stakeholders and 47 of the bank's senior managers responded to the survey. Results were collated and mapped on the bank's materiality matrix (see page 5). The survey made use of the MaxDiff approach, which requires participants to rank topics according to significance (rather than score topics on a specific scale).

4 Executive Committee review & approval

Using the materiality matrix, we categorised nine VCTs separately as Strategic Differentiators, the remaining 27 as Fundamental Value Creators (see page 9 for definitions). Results were then presented to ABN AMRO's Executive Committee for discussion and confirmation.³ Chosen VCTs were mapped against the bank's strategic pillars and KPIs. Final results are published both in this Report and in the bank's 2020 Integrated Annual Report.

Overall, the methodology used was similar to 2018, though improvements were made in step 1 to sources used to compile the initial long list. For the first time, we included our internal risk analysis in our assessment.⁴ Our 2020 assessment took place during the second and third quarters, postponed from the first quarter because of the outbreak of Covid-19.

¹ For the 2020 assessment, sources were weighted as follows: trend reports (25%), 2018 VCTs /ABN AMRO's 2019 Annual Report (20%), covenants and other regulations (20%), peer analysis (15%), ESG benchmarks and rating agencies (10%), media reports (5%), the bank's Risk Event Register (5%). Our initial long list numbered 156 topics – this was shortened to 92 topics (with some sub-topics merged into main topics).

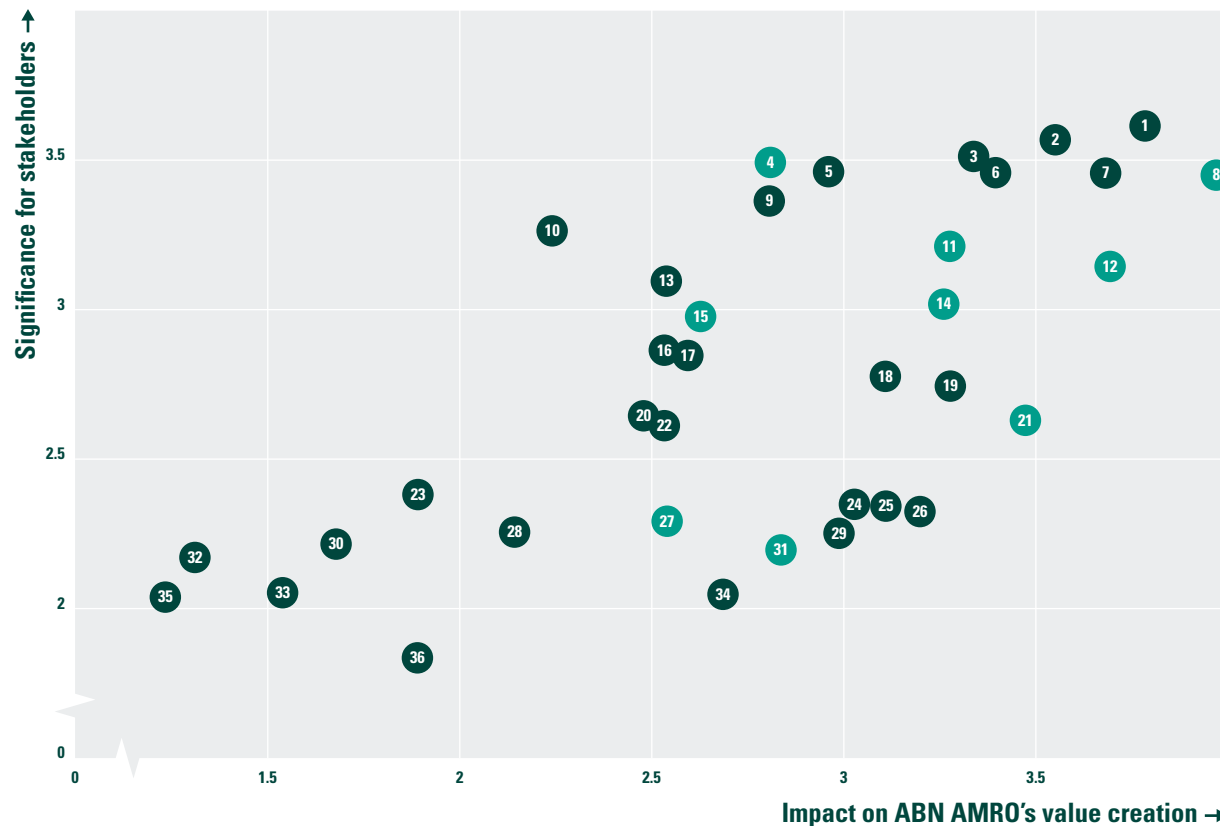
² Stakeholders are asked to rank topics according to their own view of value creation. Management, on the other hand, are asked to select those topics where the bank – through its strategy – is concentrating its value creation efforts.

³ As part of our process, the Executive Committee may modify results from senior management, if necessary. No changes were made this year to Strategic Differentiators or Fundamental Value Creators.

⁴ The Risk Event Register and Scenario Booklet were both included in input data to step 1.

Results of 2020 assessment

Materiality matrix



Strategic differentiators

These are topics, vital to our strategy, where we believe we can create the most value for our stakeholders:

- 4 Risk profile/management
- 14 Clear and appropriate advice
- 8 Viable business model
- 15 Financial performance
- 11 Responsible investment & financing
- 21 Digitalisation
- 12 Customer experience
- 27 Circular economy
- 31 Diversity & equal opportunity

Fundamental Value Creators

These are topics that play a vital role in implementing our strategy:

- 1 Ethics & integrity
- 22 Non-financial performance
- 2 Secure banking
- 23 Environmental impact
- 3 System stability
- 24 Talent attraction
- 5 Client data protection
- 25 Employee empowerment
- 6 Strong balance sheet
- 26 Co-creation and innovation
- 7 Vision & leadership
- 28 Community investment
- 9 Anti-corruption
- 29 Employee training and education
- 10 Corporate governance
- 30 Responsible procurement
- 13 Regulatory compliance
- 32 Fair taxes
- 16 Human rights
- 33 Geopolitical instability
- 17 Financial inclusion
- 34 Platforms and eco-systems
- 18 Stakeholder engagement
- 35 Remuneration policy
- 19 Adaptability
- 36 Policy influence
- 20 Employee health & safety

Results are based on answers to the question: *Which of these topics do you think should be the most important and which should be the least important for ABN AMRO? Participants were also given the opportunity to add a topic or topics of their own.*

Comparison with 2018 assessment

Five strategic differentiators remain unchanged from the 2018 assessment; four are new: *Clear and appropriate advice*, *Diversity & equal opportunity*, *Risk profile / management*, and *Financial performance* – a reflection, in all likelihood, of the prospects for economic recession going into 2021, changing social attitudes and the bank’s renewed focus on maintaining a moderate risk profile.

Differentiators added
(+) Clear and appropriate advice
(+) Diversity & equal opportunity
(+) Financial performance
(+) Risk profile /management
Differentiators removed
(-) Co-creation and innovation
(-) Ethics & integrity
(-) System stability
(-) Talent attraction
Unchanged
Circular economy
Customer experience
Digitalisation
Responsible investment and financing
Viable business model

Covid-19 analysis

In addition to our main assessment, we also carried out a separate Covid-19 analysis (given the significance of the pandemic for ABN AMRO’s operating environment).

Findings were based on:

- ▶ An analysis of internal /external sources (including media reports, regulatory snapshot, and ABN AMRO’s internal risk analysis)
- ▶ Responses from survey participants (to the following question: *On which topics do you think the consequences of Covid-19 have had the greatest impact?*)

As a result of our analysis, we:

- ▶ Confirmed selection of our nine strategic differentiators
- ▶ And increased priority given to two further topics: *Adaptability* and *Employee health & safety*.

Integrating VCTs into our strategy and decision-making

All strategic differentiators are linked directly to one or other of ABN AMRO’s three strategic pillars (see table below). For each differentiator, we analyse impact, and set clear targets and KPIs, measured quarterly. Internally, reporting is the responsibility of designated experts, known as Single Points of Contact (SPOCs). Definitions, methodology and choice of strategic differentiators are fully aligned with the bank’s risk management framework.

Externally, progress against the Strategic differentiators and other VCTs is reported every year in ABN AMRO’s Integrated Annual Report (for page references, see table below). The 2020 Integrated Annual Report, published in March 2021, also contains details of the bank’s value creation model. Please note, however, that the 2020 Integrated Annual Report is based on results from the 2018 VCTs assessment; reporting against the 2020 assessment will be included in the 2021 Integrated Annual Report.

Strategic targets 2024

Strategic pillars	Metric	2024 targets
Customer experience		
	Relational NPS mortgages ¹	> 0
	Relational NPS SMEs (incl. self-employed) ¹	> 0
	Market share growth in focus segments ²	2-5 percentage points in focus segments
Sustainability		
	Percentage sustainability (acceleration) asset volume ³	30%
	Percentage of women at subtop ⁴	34%
Future-proof bank		
	Straight-through-processing rate of high volume processes	90%
	Absolute cost base	EUR ≤ 4.7 billion
	Cost of risk	25-30bps through-the-cycle
	Return on equity	8% (10% ambition with normalised rates)
	CET1 ratio (Basel IV)	13%

¹ Net Promoter Score is calculated as the percentage of promoters minus the percentage of detractors.

² Focus segments are mortgages, SMEs, wealthy and affluent clients, entrepreneurs, and corporate banking in Northwest Europe.

³ The definition of sustainability (acceleration) asset volume is based on ABN AMRO's Sustainability Acceleration Standards. These standards contain clear definitions with regard to clients' sustainability policies, practice and governance. The overall target for sustainability (acceleration) asset volume is calculated as the sum of sustainability (acceleration) asset volume (mortgages and corporate loans) and sustainability (acceleration) client asset volume, divided by the sum of the outstanding mortgage loan book, corporate loan book and relevant client asset volume.

⁴ Percentage of women at Hay scales 12 and 13 in the Netherlands.

Scope & boundaries

To conduct our assessment, we examined each topic from the perspective of the bank and its ability to create value for stakeholders over the short, medium and long term. The assessment was based on two factors:

- **Magnitude:** the extent of a topic's potential impact on the bank's value creation
- **Likelihood:** how likely a specific topic is to bring about this impact.

Definitions for all topics may be found on [page 9](#).

The 2020 assessment covered all ABN AMRO businesses and consolidated entities worldwide.

Appendix

Defining our stakeholders

ABN AMRO defines its stakeholders as: *any group or individual that the bank affects through its activities or products and services, or that, in turn, may affect the bank's ability to achieve its goals.* Using this definition, we recognise four main stakeholder groups: clients, employees, investors and society. These are the four groups we use throughout our reporting. Examples of stakeholders include:

Clients	<ul style="list-style-type: none"> ▶ Retail Banking clients (including individuals, SMEs) ▶ Commercial Banking clients ▶ Corporate & Institutional Banking clients ▶ Private Banking clients <p>Also: public sector clients; brokers, intermediaries and other distributors</p>
Employees	<ul style="list-style-type: none"> ▶ Full-time and part-time employees ▶ Sub-contractors
Investors	<ul style="list-style-type: none"> ▶ Shareholders and bondholders
Society	<ul style="list-style-type: none"> ▶ Suppliers, external consultants and other business partners ▶ Local communities ▶ Governments and regulators ▶ Non-Governmental Organisations (NGOs)

Reporting Frameworks

For its Integrated Annual Report, ABN AMRO uses the Integrated Reporting <IR> Framework, published by the International Integrated Reporting Council (IIRC). We also use this Framework to conduct our VCTs assessment. Central to the <IR> Framework are the concepts of materiality and value creation. The <IR> Framework states that “an integrated report should disclose information about matters that substantively affect the organisation’s ability to create value over the short, medium and long term.” It also states that an organisation’s materiality process should involve the following:

- ▶ Identifying relevant matters based on their ability to affect value creation
- ▶ Evaluating the importance of relevant matters in terms of their known or potential effect on value creation
- ▶ Prioritising the matters based on their relative importance
- ▶ Determining the information to disclose about material matters.

This materiality process should apply to both positive and negative aspects of an organisation’s operating environment, business, strategy and performance. To be most effective, materiality should be integrated into the organisation’s internal management processes (see [page 7](#)).

Definitions of value-creating topics (VCTs)

In alphabetical order:

Topic	Examples	Categorisation
Adaptability	Keeping pace with, and constantly adapting to, developments within the bank and in the outside world	Fundamental Value Creator
Anti-corruption	Detecting and preventing corruption and other illegal financial activities (particularly money laundering and terrorist financing)	Fundamental Value Creator
Circular economy	Promoting the responsible use of resources by financing circular business activities	Strategic Differentiator
Clear and appropriate advice	Giving advice that is relevant, in the client's interest, and understandable	Strategic Differentiator
Client data protection	Ensuring that clients' data is protected by ABN AMRO's policies and systems in compliance with relevant regulatory requirements	Fundamental Value Creator
Co-creation and innovation	Collaborating and innovating to meet clients' needs, and creating more efficient services and operations	Fundamental Value Creator
Community investment	Supporting community projects and initiatives, contributing to society and benefiting future generations	Fundamental Value Creator
Corporate governance	Adhering to policies and practices that ensure accountability, fairness and transparency	Fundamental Value Creator
Customer experience	Ensuring all interactions meet clients' expectations by putting clients at the centre of everything the bank does	Strategic Differentiator
Digitalisation	Harnessing advances in digital technology to improve service to clients	Strategic Differentiator
Diversity & equal opportunity	Reflecting the diversity of society in ABN AMRO's employee population, and taking diversity into account in the bank's products and services	Strategic Differentiator
Employee empowerment	Creating an open culture where employees are empowered to perform to the best of their ability	Fundamental Value Creator
Employee health & safety	Advocating best practice in vitality, health and safety for ABN AMRO employees	Fundamental Value Creator
Employees training and education	Providing employees with training and education to increase their knowledge and stimulate personal and professional development	Fundamental Value Creator
Environmental impact	Monitoring the environmental impact of ABN AMRO's own operations	Fundamental Value Creator
Ethics & integrity	Complying with laws and regulations, and acting in a morally correct manner by considering the rights and interests of all legitimate stakeholders	Fundamental Value Creator
Fair taxes	Adhering to and advocating transparent tax policies to promote tax integrity	Fundamental Value Creator
Financial inclusion	Ensuring equal access to affordable and clear financial services in generally understandable language	Fundamental Value Creator
Financial performance	Delivering stable, healthy results that meet the bank's financial targets	Strategic Differentiator
Geopolitical instability	Responding to political, social, economic, demographic and geographical developments and trends	Fundamental Value Creator
Human rights	Respecting human rights in ABN AMRO's operations and in business relationships through the bank's value chain	Fundamental Value Creator
Non-financial performance	Delivering stable and healthy non-financial results in areas such as customer satisfaction and diversity	Fundamental Value Creator
Platforms and eco-systems	Facilitating clients' access to products and services by working with innovative companies across different distribution channels	Fundamental Value Creator
Policy influence	Fostering constructive dialogue with politicians, policymakers and others to exert influence and encourage positive change	Fundamental Value Creator
Regulatory compliance	Complying with internal /external rules and regulations, both existing and upcoming	Fundamental Value Creator
Remuneration policy	Having a responsible and transparent remuneration policy for Board members, senior managers and other employees	Fundamental Value Creator
Responsible investment and financing	Selling and /or investing in products, companies or initiatives that endeavour to make a positive environmental and /or societal impact	Strategic Differentiator
Responsible procurement	Respecting social and environmental standards throughout the bank's procurement chain and in related business relations	Fundamental Value Creator
Risk profile /management	Ensuring that the bank's risk profile, systems and procedures enable the bank to manage risk effectively	Strategic Differentiator

Topic	Examples	Categorisation
Secure banking	Protecting data belonging to ABN AMRO and the bank's clients against potential security breaches and attacks	Fundamental Value Creator
Stakeholder engagement	Involving stakeholders in the bank's decision-making and activities	Fundamental Value Creator
System stability	Ensuring that ABN AMRO's banking systems and services are reliable, stable and accessible for clients	Fundamental Value Creator
Strong balance sheet	Ensuring that ABN AMRO has sufficient financial resources to withstand possible stress	Fundamental Value Creator
Talent attraction	Attracting and retaining qualified, motivated and future-fit professionals	Fundamental Value Creator
Viable business model	Maintaining a business model that delivers positive financial and non-financial results over both the medium and long term	Strategic Differentiator
Vision & leadership	Clearly defining, communicating and implementing a vision, purpose and strategy for the bank	Fundamental Value Creator

Enquiries & contact details

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ABN AMRO welcomes feedback on all its publications. Please send any comments and suggestions to brand.marketing.communications@nl.abnamro.com.

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Abbreviations

This report uses the following abbreviations:

EAG	Expert Advisory Group
ESG	Environmental, social and governance
IR	Integrated reporting
IIRC	International Integrated Reporting Council
KPI	Key performance indicator
MTP	Materiality project team
SME	Small and medium-sized enterprises
SPOC	Single point of contact
VCT	Value-creating topic

