



ABN AMRO Group N.V.

Value-creating topics

We carry out a regular assessment of our operating environment. This allows us to identify our most important social, economic, financial and environmental issues. These issues – or ‘value-creating topics’ – are where we believe ABN AMRO can create most value for stakeholders and society. This report sets out the results of our 2018 assessment, the process and methodology used and the importance of this assessment to both our strategy and reporting.

This report should be read in conjunction with our 2018 Integrated Annual Review. The Review is our ‘core’ report, and covers both the bank’s financial and non-financial performance. The Review contains more information on ABN AMRO’s strategy and approach to its value-creating topics. In addition to this Review, ABN AMRO publishes a number of other reports. These include the Annual Report, which contains the bank’s financial statements, as well as our Executive and Supervisory Board reports. We also issue regular Pillar 3 disclosures and updates on ABN AMRO’s sustainability performance, human rights and stakeholder engagement.

For more information on our approach to reporting, see abnamro.com

Importance of value creation

We recognise that society expects more of companies than it did ten or twenty years ago. It's no longer sufficient just to make a financial profit. Companies must also add value; they must make a positive overall contribution to stakeholders¹ and society.

To be effective, 'value' should be built into everyday business practice, so that decisions are not taken on the basis of financial profit alone, but on 'value created'. Our assessment tells us where, as a business, we have most impact and therefore where we may create the most value for our stakeholders.

It's clear that value depends on the company's function. As a bank, we are a lender; we provide financial services. But we're also an employer and an investor. In these different functions, we create different value – and different forms of value for different stakeholders.

We recognise of course that, as well as creating value, we may also 'destroy' or 'deplete' value and that, in creating value for *some* stakeholders, we may deplete value for others. If we invest, for example, in a new infrastructure

project, this may bring social and economic benefits (job creation, business for local suppliers etc.), but it could also have a negative effect on the local environment (depleting 'environmental value').

Value may also change over time. Impact may be short or long term. We realise that value creation is part of our social contract – society's tacit agreement for us to continue our business. If we fail to create value for society, on a consistent basis, we risk losing this 'social licence to operate'. Through our business activities, our aim is to create long-term value for our stakeholders and society.

For more details, see our 2018 Integrated Annual Review (abnamro.com/annualreport).

¹ For a definition and list of our main stakeholder groups, see [page 7](#).

Process & methodology

Background

We decided this year to carry out a full assessment of our operating environment; this was to update our previous 'materiality' assessment in 2016. The assessment would form the basis of ABN AMRO's external reporting; it would also offer a clearer understanding of the issues that needed to be at a centre of our strategy if we were to continue to create long-term value for both our stakeholders and society. We also wanted our assessment to conform to the highest possible analytical standards. EY provided reasonable assurance on process and methodology.

Project management

To oversee the assessment, we formed a Materiality Project Team (MPT). This team held regular meetings and calls to monitor progress, and take major decisions. The MPT worked closely with our Expert Advisory Group (EAG). This group provided subject-matter feedback during the process. The EAG comprised representatives from different departments within the bank (Investor Relations, Customer Experience, Strategy, Communications

and Operational Risk; the EAG also included two representatives of ABN AMRO's Employee Council).

Step-by-step process

Our assessment was based on input from both stakeholders and senior management. We also drew on other external sources. As a bank, our operating environment is affected by numerous factors.

These include:

- ▶ Social (labour standards, human rights, increased use of technologies etc.)
- ▶ Environmental (pollution, climate change etc.)
- ▶ Economic (market performance, interest rates, economic growth etc.)
- ▶ Regulatory (changes in capital requirements, employment practices, product regulations etc.)
- ▶ Governance (corporate governance, leadership, taxes etc.)

The purpose of our assessment was to narrow down these factors to those where we have most potential to create value for society.

1 Create a long list

For our 2018 assessment, we first created a 'long list' of possible topics. This was based on several sources. These included our own analysis, as well as media, peers, trend reports, ESG¹ and other non-financial frameworks, guidelines and regulations. We divided our list into 'main topics' and 'sub-topics'. We also carried out an initial 'big data' search (covering social media, websites and other online sources). This gave us a consolidated 'long list' of approximately 300 social, environmental, financial and economic topics. This 'long list' was verified by independent experts. Topics were assessed based on the following:

- ▶ ABN AMRO's value creation model
- ▶ Our existing material topics (from the previous 2016 assessment)
- ▶ Our Driving Forces analysis
- ▶ Sustainability rating agencies' areas of focus

This ensured no relevant topics had been overlooked. Topics on the long list were then linked to our 'big data' search, so that results from this search could be fully integrated.

¹ Environmental, social and governance.

2 Data analysis

We then carried out a thorough analysis. On the basis of this analysis, we drafted an initial 'short list' of approximately 60 topics, using the following sources²: media, regulations and other guidelines, reporting from peers and other companies, relevant reporting frameworks, trend reports and ABN AMRO's 2017 Annual Report. We also conducted an additional 'big data' analysis. This analysis covered more than 130 different sources. To calculate results, sources were weighted as follows: big data (30%), ABN AMRO Annual Report (30%), desk research³ (40%).

3 Draft a short list

Based on our data analysis, we drafted a 'short list'. In some cases, we grouped together topics (where justified by subject or scoring). Topics were also combined with ABN AMRO's 2017 material issues; this was to maintain consistency, where possible, in the definitions used. Our draft short list was sent for comment to stakeholders and subject-matter experts within ABN AMRO. Feedback was collated by the EAG, and used to refine definitions and topics. Our final short list contained 35 value-creating topics (including definitions for each topic).

4 Prioritise topics

We asked external stakeholders to rank short-listed topics. To do so, we used the 'MaxDiff' method; this involves respondents ranking issues according to importance (rather than scoring topics on a specific scale). We received more than 1,000 responses from our clients; these included private banking and retail clients as well as small business owners⁴. Surveys were also sent to our other three main stakeholder groups: employees, investors and 'society'. For groups with a potentially lower number of respondents, we adjusted the methodology to increase reliability (using the Sparse MaxDiff, which increases the number of topics shown to each respondent).

An identical survey was sent to senior management; this included members of ABN AMRO's Executive Committee, their direct reports (ExCo -1) and the bank's C40 group of managers and experts. Results were analysed, and plotted on a draft 'materiality matrix'. Stakeholder groups were given equal weighting (25% each). Further feedback sessions were organised with both the EAG and other departments. The matrix was then presented to the bank's Executive Committee for discussion and approval.

5 Executive Committee discussion and approval

The Executive Committee decided to designate nine VCTs as 'strategic differentiators' and a further nine as 'fundamental value creators' for ABN AMRO. ExCo members did not challenge stakeholder input to the matrix, but did make changes to internal input to reflect the bank's strategy refresh (and impact on its ability to create long-term value). Results from the 2018 assessment are included in this year's Integrated Annual Review.

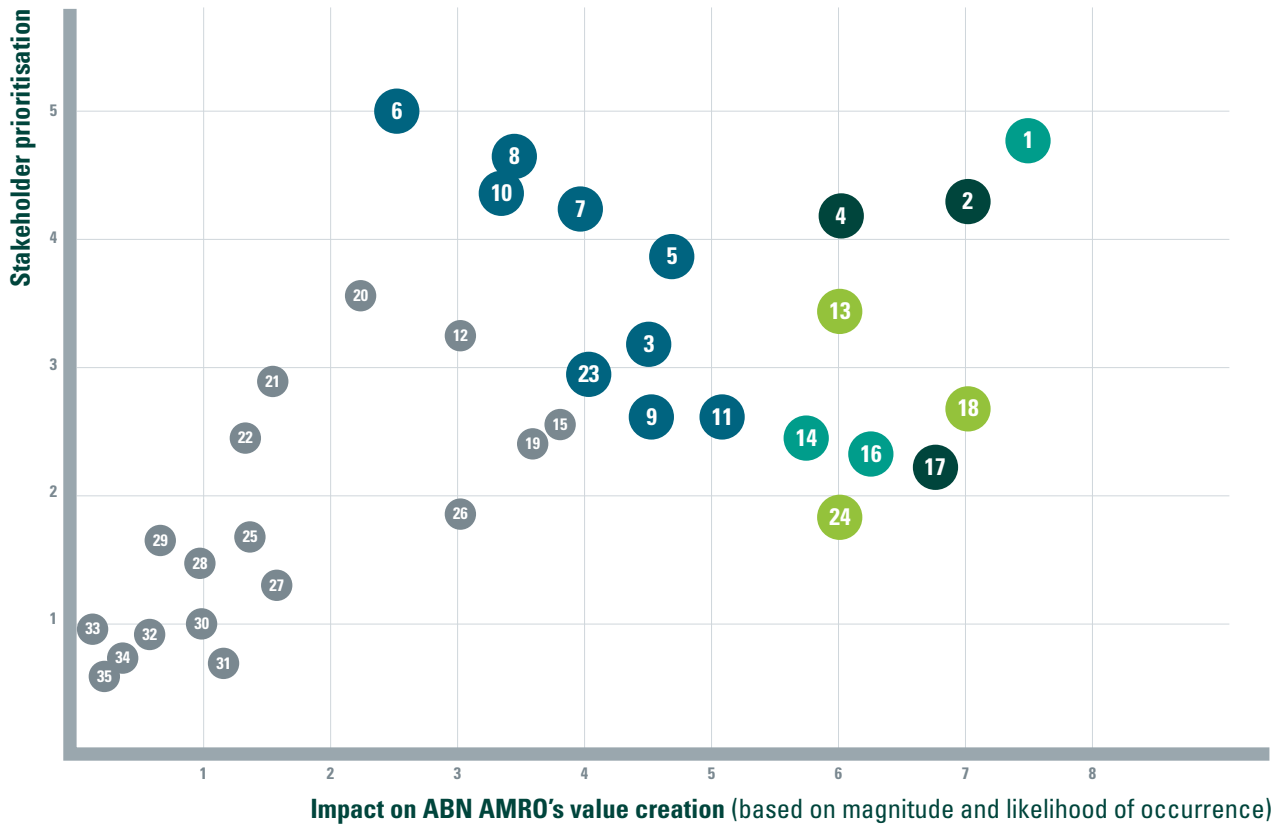
Changes to methodology: We made significant changes to our methodology this year. This was to improve the overall process, and ensure more accurate, reliable results. As part of these changes, we reclassified certain topics, brought in new topics and agreed detailed definitions (see page 8). Consequently, 2018 results cannot be directly compared with the previous year's assessment.

² In total, 1,242 separate articles were included in our analysis.

³ This desktop research included reporting from peers and other companies (15%), trend reports (10%), sustainability ratings agencies (10%) and media (5%).

⁴ A total of 1,046 clients responded to the survey.

Our 2018 assessment: results



Value-creating topics

Strategic differentiators

These are the topics, vital to our strategy, where we believe ABN AMRO has the potential to create most value for stakeholders.

- 1 Customer experience
- 2 Viable business model
- 4 System stability
- 13 Ethics & integrity
- 14 Co-creation & innovation
- 16 Digitalisation
- 17 Talent attraction
- 18 Responsible investment & financing
- 24 Circular economy

Fundamental value creators

These topics support implementation of ABN AMRO's strategy and the bank's ability to create value for stakeholders and society.

- 3 Adaptability
- 5 Corporate governance
- 6 Secure banking
- 7 Strong balance sheet
- 8 Client data protection
- 9 Employee empowerment
- 10 Regulatory compliance
- 11 Vision & leadership
- 23 Anti-corruption

Other value-creating topics

We may also create value with the following topics, but our impact is, by definition, less material than with our strategic differentiators.

- 12 Customer journeys
- 15 Financial performance
- 19 Policy influence
- 20 Risk profile
- 21 Clear & appropriate advice
- 22 Financial literacy
- 25 Platforms & eco-systems
- 26 Human rights
- 27 Stakeholder engagement
- 28 Financial inclusion
- 29 Remuneration policy
- 30 Employee health & safety
- 31 Diversity & equal opportunity
- 32 Employee training & education
- 33 (Fair) taxes
- 34 Community investment
- 35 Environmental impact

Each of our strategic differentiators is linked directly to our overall strategy. We have grouped these topics in the matrix above by 'strategic pillar'. For more details, see Our strategy, page 4, below. For definition, see page 8.

- Strategic pillar 1: Support our clients' transition to sustainability
- Strategic pillar 2: Reinvent the customer experience
- Strategic pillar 3: Build a future-proof bank
- Fundamental value creators
- Other value-creating topics

Scope & boundaries of assessment

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

- ▶ The extent of a topic's potential impact on the bank's value creation (magnitude); and
- ▶ How likely a topic is to bring about this impact (likelihood).

The 2018 assessment covered all ABN AMRO businesses and consolidated entities worldwide.

Our strategy

By linking our 'strategic differentiators' directly to the bank's strategy, we ensure that, through our strategy, we address those topics most important to us and our stakeholders. As part of our strategy, we have assigned three differentiators to each of our three strategic pillars (see table below). These differentiators are supported by our 'fundamental value creators', ensuring effective implementation of our strategy and continued value creation for our stakeholders. For more information on our strategy, see ABN AMRO's 2018 Integrated Annual Review at abnamro.com/annualreport.

| Strategic pillar | Strategic differentiators | Other fundamental value creators |
|--|---|---|
| Support our clients' transition to sustainability | <ul style="list-style-type: none"> ▶ Responsible investment & financing ▶ Circular economy ▶ Ethics & integrity (supported by human rights, anti-corruption) | <ul style="list-style-type: none"> ▶ Employee empowerment ▶ Regulatory compliance (supported by corporate governance) ▶ Strong balance sheet ▶ Client data protection ▶ Adaptability ▶ Vision & leadership ▶ Secure banking ▶ Anti-corruption |
| Reinvent the customer experience | <ul style="list-style-type: none"> ▶ Customer experience (supported by customer journeys, clear & appropriate advice) ▶ Co-creation & innovation (supported by platforms & eco-systems) ▶ Digitalisation | |
| Build a future-proof bank | <ul style="list-style-type: none"> ▶ Viable business model (supported by financial performance) ▶ System stability (supported by secure banking) ▶ Talent attraction | |

We are embedding these VCTs into our internal reporting. In 2019, we will define our approach to each topic, including goals and objectives. Teams will be assigned responsibility for specific topics; they will report quarterly

on progress made. These reports will be included in ABN AMRO's quarterly management report and in the bank's overall strategic risk assessment.

References

Further information on each topic can be found as stated below.

| Report | Topic | Reference |
|--------------------------|------------------------------------|-----------------|
| Integrated Annual Review | Responsible investment & financing | Page 22, 29, 33 |
| | Circular economy | Page 22, 29 |
| | Ethics & integrity | Page 22, 42 |
| | Customer experience | Page 22, 35 |
| | Digitalisation | Page 23, 28, 35 |
| | Co-creation & innovation | Page 22, 28 |
| | Viable business model | Page 12, 23 |
| | System stability | Page 23, 28, 29 |
| | Talent attraction | Page 23, 30 |

Appendix

Our stakeholders

We define our stakeholders as: 'any group or individual we affect through our activities or our products and services or who, in turn, affects our ability to achieve our goals as a business'. Using this definition, we've defined four main stakeholder groups: clients, employees, 'society' and investors. These are the four groups we use in our reporting.

| Stakeholder group | Examples |
|-------------------|---|
| Clients | Retail and SME clients; commercial, corporate and institutional banking clients; private banking clients; public sector clients; brokers, intermediaries and other distributors |
| Employees | All full-time and part-time employees; sub-contractors |
| Society | Suppliers and external consultants; business partners; local communities; governments and regulators; other non-governmental organisations |
| Investors | Shareholders; bondholders |

Reporting frameworks

Value creation and 'materiality' are central to integrated and sustainability reporting. As a concept, it is included in all main non-financial reporting frameworks. Materiality is one of the seven guiding principles⁵ included in the integrated reporting framework, published by the International Integrated Reporting Council (IIRC). This is the framework used by ABN AMRO as the basis for its 2018 Integrated Annual Review⁶.

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 the materiality process should involve:

- ▶ 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 process applies to both positive and negative matters, including risks and opportunities, and favourable and unfavourable performance or prospects. To be most effective, the framework states that materiality should be integrated into a company's management processes.

⁵ The other guiding principles are: strategic focus & future orientation, connectivity of information, stakeholder relationships, conciseness, reliability & completeness and consistency & comparability.

⁶ In addition to the IIRC, materiality is included prominently in reporting frameworks published by the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI).

Definitions used

| Topic | Examples | Categorisation |
|--|--|---------------------------|
| 1. Customer experience | Listen and respond to clients' needs with care, efficiency and effectiveness | Strategic differentiator |
| 2. Viable business model | Safeguard a viable business model that delivers results in the short, medium and long term | Strategic differentiator |
| 3. Adaptability | Have the ability constantly to adapt to developments within the bank and the outside world | Fundamental value creator |
| 4. System stability | Ensure dependable and stable access to banking systems and services | Strategic differentiator |
| 5. Corporate governance | Adhere to policies and practices that ensure accountability, fairness and transparency | Fundamental value creator |
| 6. Secure banking | Protect the bank's systems against security breaches and attacks | Fundamental value creator |
| 7. Strong balance sheet | Ensure that the bank has sufficient assets to withstand possible economic challenges | Fundamental value creator |
| 8. Client data protection | Protect client data | Fundamental value creator |
| 9. Employee empowerment | Create an open culture where employees are empowered to deliver to the best of their ability | Fundamental value creator |
| 10. Regulatory compliance | Comply with law and regulations | Fundamental value creator |
| 11. Vision & leadership | Clearly define and communicate a company vision, purpose and strategy | Fundamental value creator |
| 12. Customer journeys | Ensure products, services and solutions are intuitive, easy to access and simple | |
| 13. Ethics & integrity | Adhere to the highest moral standards | Strategic differentiator |
| 14. Co-creation & innovation | Collaborate on and invest in new businesses, revenue models and innovation | Strategic differentiator |
| 15. Financial performance | Deliver strong and healthy financial results | |
| 16. Digitalisation | Harness the advances in digital technology to better serve clients | Strategic differentiator |
| 17. Talent attraction | Attract and retain qualified and motivated professionals | Strategic differentiator |
| 18. Responsible investment & financing | Sell and/ or invest in products, companies and initiatives that endeavour to make positive environmental and societal impact | Strategic differentiator |
| 19. Policy influence | Utilise position and influence to encourage positive change in society | |
| 20. Risk profile | Ensure that systems and procedures in the bank effectively manage risk | |
| 21. Clear & appropriate advice | Give advice that is personally relevant, appropriate and understandable | |
| 22. Financial literacy | Provide comprehensive product information that is clear and understandable for everyone | |
| 23. Anti-corruption | Detect and prevent corruption and illegal financial activities | Fundamental value creator |
| 24. Circular economy | Promote the responsible use of resources by financing circular business activities | Strategic differentiator |
| 25. Platforms & eco-systems | Facilitate ease of access to relevant and varied products and services through various channels and companies | |
| 26. Human rights | Advocate human rights throughout the value chain of the bank, its clients and suppliers | |
| 27. Stakeholder engagement | Involve stakeholders (e.g. clients, suppliers) in issues, and the importance of their role in helping address them | |
| 28. Financial inclusion | Ensure equal access to affordable and clear services | |
| 29. Remuneration policy | Have a responsible and transparent remuneration policy for Board members, senior management and other employees | |
| 30. Employee health & safety | Champion safe and healthy work environments | |
| 31. Diversity & equal opportunity | Reflect the diversity of society in the employee population across all levels | |
| 32. Employee training & education | Provide training and education for employees | |
| 33. (Fair) taxes | Adhere to and advocate transparent tax policies that promote tax integrity | |
| 34. Community investment | Support social projects and initiatives in our community | |
| 35. Environmental Impact | Monitor and limit the environmental impact of the bank itself | |

Enquiries & contact details

We welcome feedback on all our reports.
Please send any comments and suggestions to
branding.&communications@nl.abnamro.com

For further enquiries, our postal address is:

P.O. Box 283
1000 EA Amsterdam
The Netherlands

We're also present online at:

abnamro.nl

Our Annual Report may be found at:

abnamro.com/annualreport

Please note that information on our websites is not part
of this report, unless expressly stated otherwise.