



# Return on Employee Development Investment

Summary report

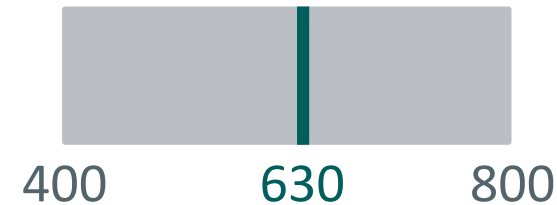
Measurement performed by  **True Price™**

# ABN AMRO creates € 400 – 800m in Human Capital

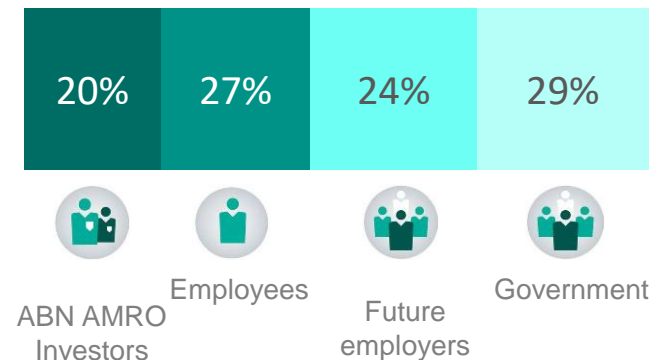
- » ABN AMRO aims to create long-term value for its clients, employees, society and investors. This means we must invest in employees
- » ABN AMRO employees grow by gaining experience, learning from others and receiving formal training
- » ABN AMRO already measures elements of value creation resulting from investment in employees – for instance by measuring employee engagement and results of training
- » ABN AMRO is also interested in understanding the total amount of Human Capital created per year
- » This report provides a first analysis of total Human Capital creation and benefits of training

## Total Human Capital creation

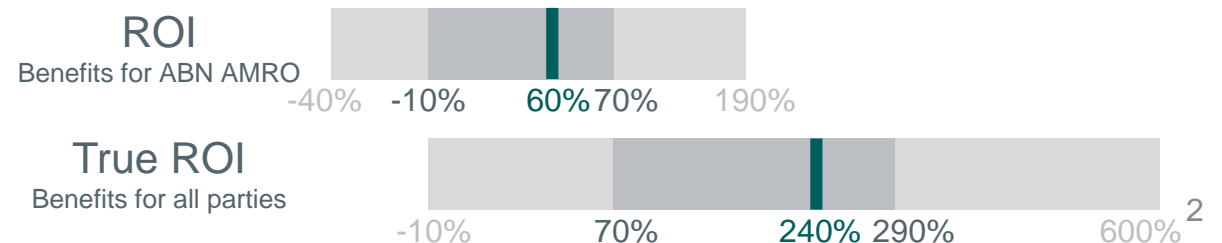
Future value creation potential of employees  
(in million EUR)



## Multiple benefit of the value created



## Investments in training programmes are more than paying off



# ABN AMRO aims to create long-term value

ABN AMRO aims to create long-term value for its clients, its employees, society and its investors.

Investing in employee development is a prerequisite for creating long-term value. These investments come in the form of formal training, supervision, coaching and on-the-job learning. The resulting Human Capital is the future value creation potential, resulting from knowledge, skills, experience and motivation.

The key questions in this report are:

- » How does development of ABN AMRO employees create value for clients, employees, society and investors?
- » Can the total amount of Human Capital creation be assessed? How does this compare to conventional profits?
- » To what degree do investments in formal training pay off to ABN AMRO? And how do other parties benefit as well?



Clients



Employees



Society at large



Investors

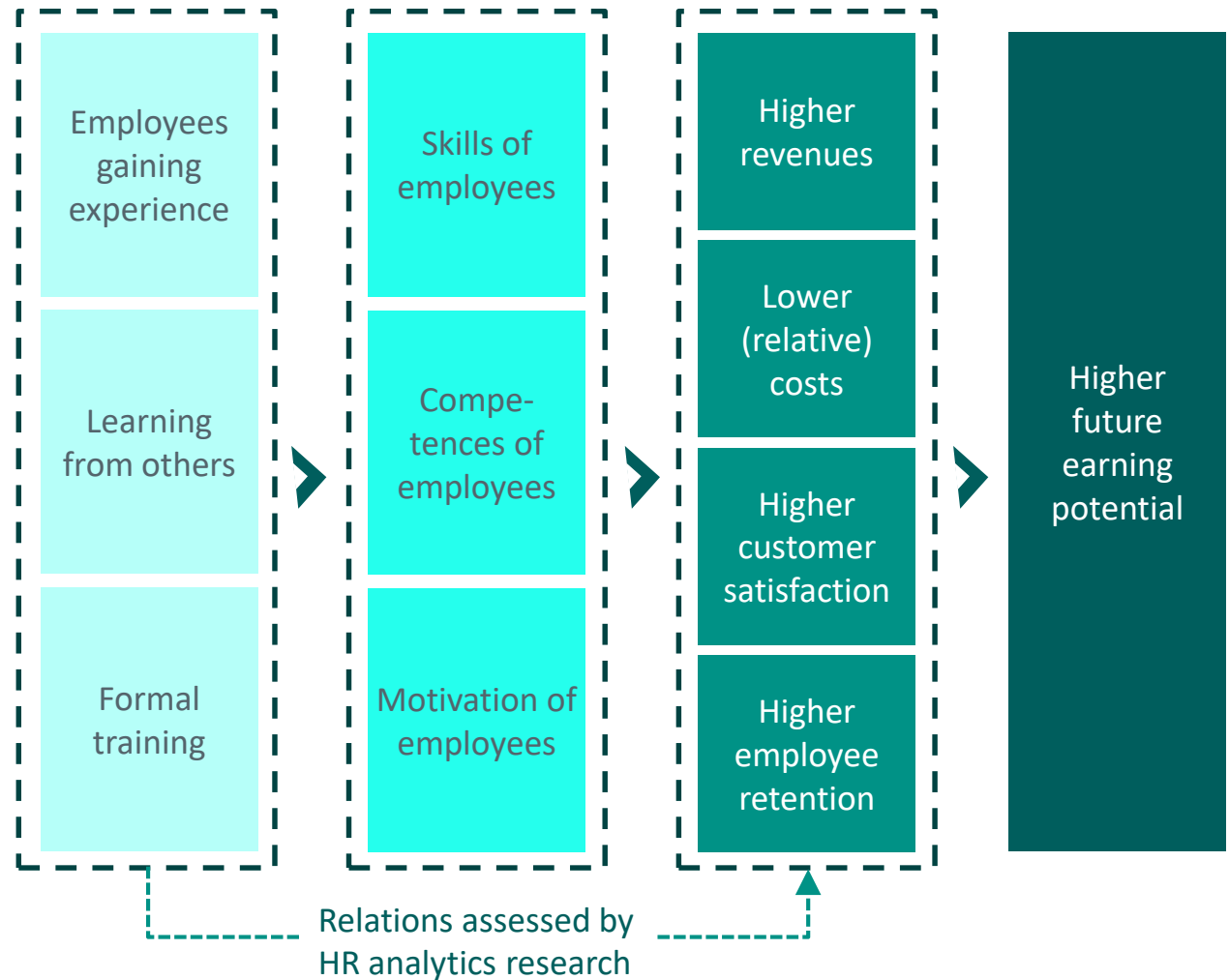
# Investing in employees is key to creating long term value

ABN AMRO continuously invests in its ~20,000 FTEs worldwide.

Every day, ABN AMRO employees get valuable experience from their work, which allows them to grow. ABN AMRO believes that ~70% of how employees learn is actually realised through experience.

Learning from others is strongly encouraged at ABN AMRO – even more now that teams are self-steering to a large degree and coaching is of central importance. ABN AMRO estimates that learning from others contributes to as much as 20% of overall employee learning.

Lastly, ABN AMRO offers formal training to its employees: on average 60 hours per year with a budget of €2,100 per employee. ABN AMRO estimates that this drives 10% of employee learning.



*Diagram of how investing in employees leads to higher future earning potential, or Human Capital creation*

# Various programs further stimulate Human Capital creation

Alongside general opportunities for growth, ABN AMRO offers its employees a variety of specialised training programmes

The list on the right gives a number of examples. The total number of training programmes offered exceeds 7,500, ranging from brief courses for online learning to full business courses.



*A program to improve the understanding of risk and return in the investment landscape. This has helped Investment Professionals to be better advisors to clients and has led to increased client satisfaction.*



*Facilitates the coaching of employees and teams on work related topics.*



*A platform where employees can see and choose available trainings.*



*Consists of 10 different modules that are mainly focused on listening better to clients.*

*Develop365*

*A 12-month programme mandatory for new-to-role managers (and available for all)  
Focuses on strengthening the Leadership Qualities and also offers in-depth modules, designed to teach experienced managers specific Leadership Qualities.*

# ABN AMRO already monitors the creation of Human Capital

ABN AMRO wants its employees to feel encouraged to work on their personal development. This has been evaluated for the fifth time through the global Employee Engagement Survey (EES) in 2017, which had a high response rate of 82%.

The HR analytics research provides insight into the results of ABN AMRO's business line training activities and the effect on performance KPI's within specific business lines. This has revealed the existence of a number of positive relationships, but also refuted various hypotheses.

ABN AMRO also wanted to discover the total Human Capital creation of the bank as a whole. This study presents an estimate.

Employee satisfaction on talent and development at ABN AMRO declined slightly to 79%, but the current score remains 9 percent points higher than that of ABN AMRO's industry peers

The EES (October 2017) showed that personal development within ABN AMRO is 10% higher than at other financial service providers

On-the-Job training courses have the most impact on Net Promoter Score (Retail banking)

Clients are more satisfied with Relationship Managers who feel that they have had sufficient training

An extensive pilot Business Leadership Program among eight managers showed a positive ROI

*Overview of a number of insights related to the creation of Human Capital*

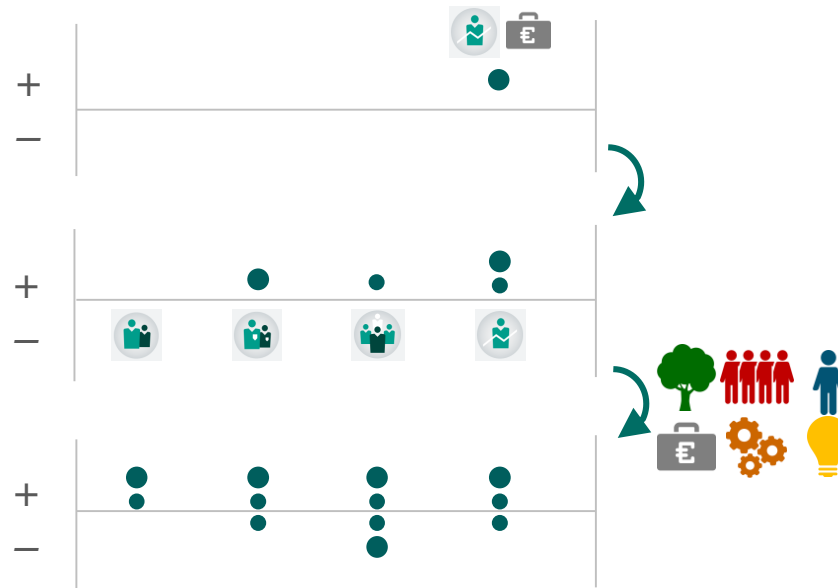
# The next step: Measuring value creation using the IP&L

True Price and ABN AMRO have worked together before to assess annual value creation using the signature Integrated Profit & Loss (IP&L) method.

As shown schematically on the right, the IP&L can be seen as a logical extension of the conventional way of measuring profits.

In particular, the IP&L provides a framework to assess the total Human Capital creation. This centres around the question of how a year at ABN AMRO enables an employee to create value over the rest of his or her career.

## FROM P&L TO IP&L IN TWO STEPS (SCHEMATIC)



At the bottom line: the P&L account is one-dimensional. There is a profit or a loss: financial capital creation or loss for investors.

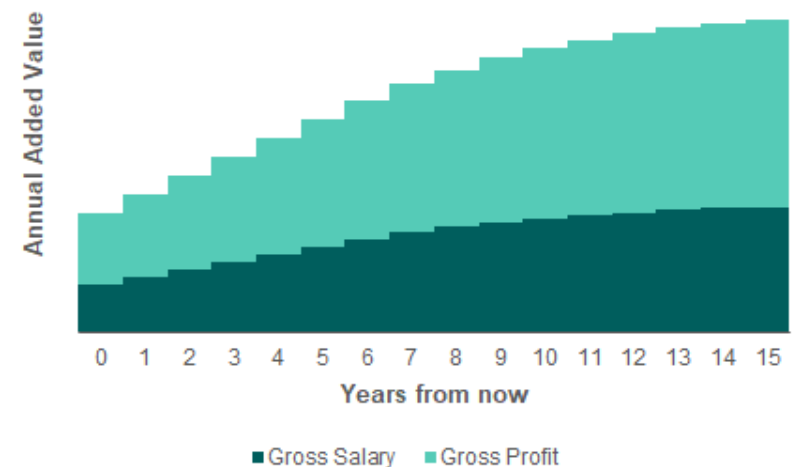
First arrow: including financial capital creation for other parties: clients, employees and society

Second arrow: including non-financial value creation.

This gives the IP&L: an overview of how ABN AMRO creates or reduces value in the broad sense

*Schematic overview of how an employee's gross salary and contribution to gross profit grow over his or her career. For most employees, this increases over time, as learning and experience make the employee more productive.*

*In other words: the future earning potential increases, and Human Capital is created.*



# Total HC creation in 2017 ranges from € 400 – 800m

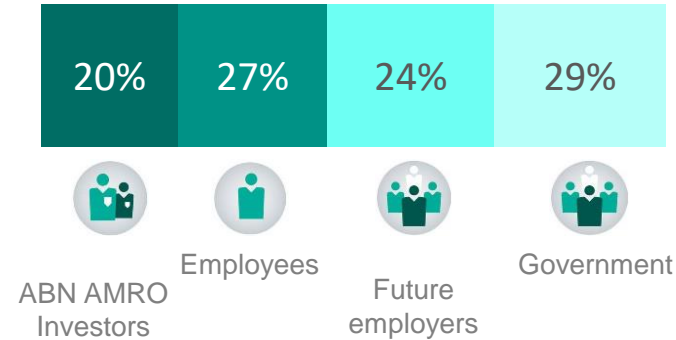
The midpoint estimate of the total Human Capital creation in 2017 is € 630m, spanning a range between € 400 and 800m. This is the total value to society created by providing employees a job at ABN AMRO.

Of the total value, about 27% are net future earnings for employees. 20% of the value created are net profit contributions for ABN AMRO's investors. Future employers and the government also benefit.

## Key findings:

- » Most value per employee is created for young professionals – working at ABN AMRO sparks a career with increasing earning potential
- » As a group, professionals between 30 and 40 years create most value
- » The total Human Capital value creation is 15-30% of net profits of ABN AMRO in FY 2017 – Human Capital creation contributes significantly towards value creation

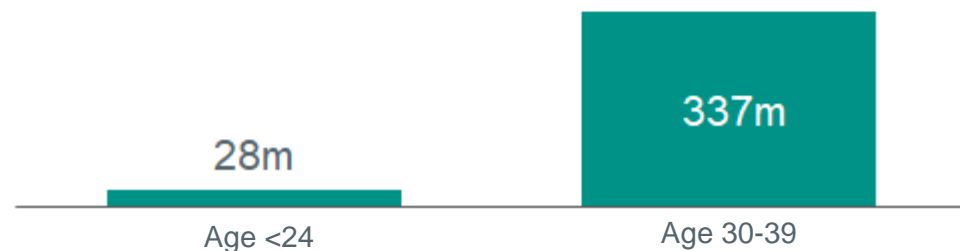
Share of total Human Capital value created for:



Total created Human Capital per employee



Total created Human Capital per age group





# Training programmes have a positive return-on-investment

One of the ways in which ABN AMRO helps its employees grow, is through formal training. This is training that is given at designated times, often by external parties. Training budgets – both in terms of time, and in terms of financial resources – are specifically tracked.

For some training programmes, returns can be measured in specific metrics, such as productivity increases, or re-sale percentages.

Assessing exactly how much is gained by training employees is complicated. This study uses estimates from literature, with input of data tailored to ABN AMRO's situation (e.g., applied actual budget).

Note however that estimates in the literature span a large range. Some attribute little value to training, where others claim that it contributes strongly to employee development. In the results on the right, this translates to a wide range for ROIs and true ROIs.

$$\text{ROI} = \frac{\text{Benefits to ABN AMRO} - \text{Costs of investment}}{\text{Costs of investment}}$$

≈ 60% (in a range of -40 to 190%)

*A positive ROI in most of the range indicates that trainings pay off: benefits are higher than costs*

$$\text{True ROI} = \frac{\text{Benefits to ABN AMRO} + \text{others} - \text{Costs of investment (to ABN AMRO)}}{\text{Costs of investment (to ABN AMRO)}}$$

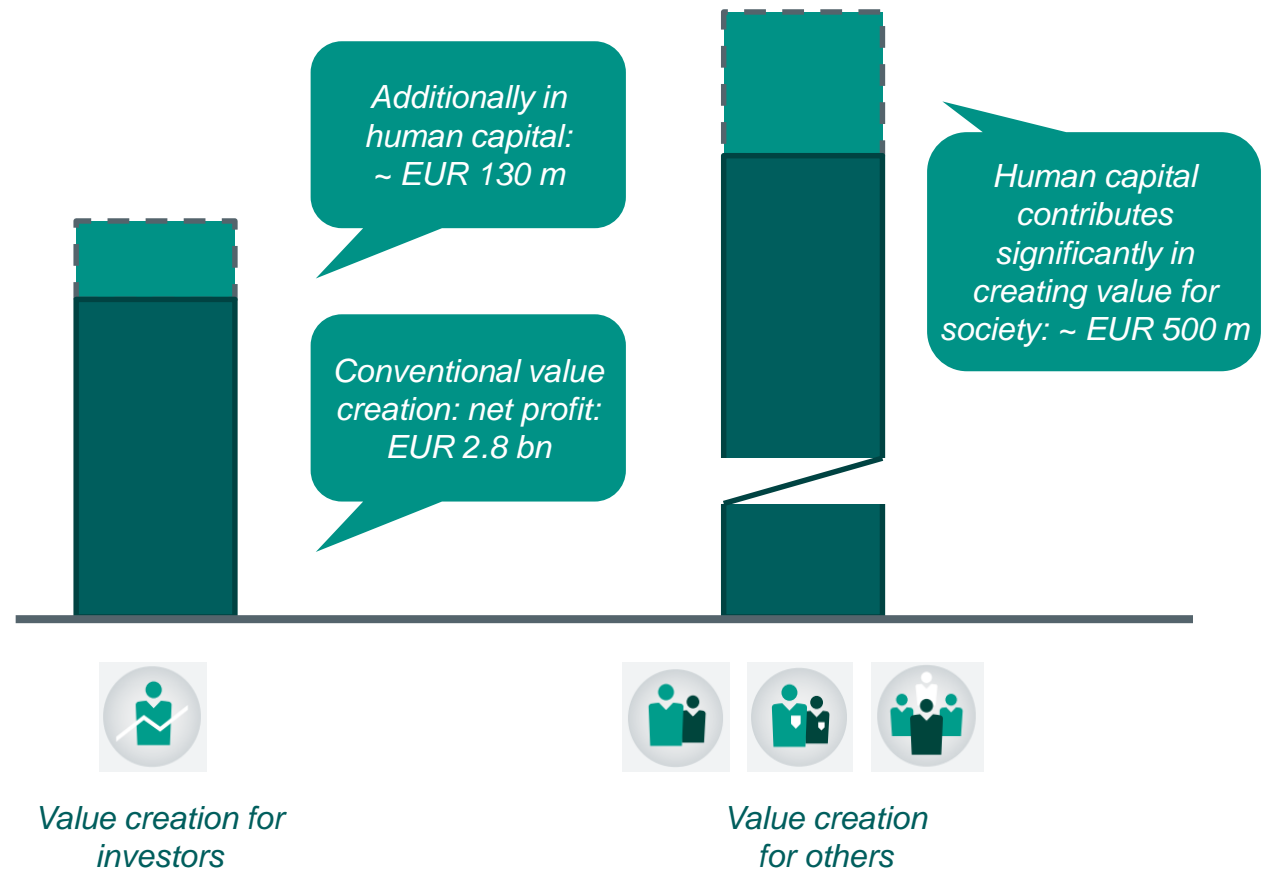
≈ 240% (in a range of -10% to 600%)

*A strongly positive true ROI indicates that strong benefits are created for all parties involved: ABN AMRO, employees, future employers and the government. This is one of the ways in which ABN AMRO creates value for society*

# To summarise: ABN AMRO creates € 630m in Human Capital

- » ABN AMRO aims to create long-term value for its clients, employees, society and investors – Human Capital is one of the forms in which this happens
- » This report finds that the total Human Capital value created is around € 630m (in a range of € 400 – 800m)
- » Approximately € 130m goes to ABN AMRO, the remaining € 500m to other parties in society
- » This creates value to society, as shown in the diagram to the right
- » Moreover, investments in training its employees are a way to create value. This is shown by a ROI in a mainly positive range (-40 to 190%), that shows that investments more than pay off
- » In addition, the true ROI indicates how benefits to all, relate to the investments. This is even more positive, in a range between -10 to 600%

## How does ABN AMRO create value?





ABN AMRO Sustainable Banking

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# Get in touch!

Measuring value creation