

ABN AMRO Bank N.V.

Application of the Dutch Banking Code by subsidiaries in 2023



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1. Introduction

How the subsidiaries apply the principles of the Code in 2023 is explained below in relation to each part of the Code.

ABN AMRO Bank N.V. (**ABN AMRO**) has four subsidiaries with a banking licence granted by De Nederlandsche Bank N.V., namely ABN AMRO Clearing Bank N.V., ABN AMRO Hypotheken Groep B.V., International Card Services B.V. and ABN AMRO Groenbank B.V. These subsidiaries are referred to below as 'AACB', 'AAHG', 'ICS' and 'Groenbank', or together as 'the subsidiaries'.

In essence, ABN AMRO applies the principles of the Dutch Banking Code (**Code**) on a consolidated basis to all entities within its group by developing group-wide guidelines and standards to ensure compliance with internal and external rules and best practice provisions. This entails, for example, that templates are available for the subsidiaries for such matters as shareholder resolutions, rules of procedure for the Managing Boards and Supervisory Boards and questionnaires for the (bi)annual self-evaluation of these boards. However, in view of the differences between the activities, organisation and risk management of the subsidiaries, the manner in which the group-wide guidelines and standards are applied can differ from one subsidiary to another.

2. Sound and ethical operational management of the subsidiaries

As mentioned above, ABN AMRO applies these principles in essence on a consolidated basis to all entities within the group. The answers given by ABN AMRO in the overview of the application of the Code by ABN AMRO therefore also largely apply by analogy to the subsidiaries.

An example of the consolidated implementation of the principles of the Code on sound and ethical operational management is the application of the core values adopted by ABN AMRO. These values serve as a guide for the conduct of all employees, including those of its subsidiaries. The principles can also be further specified by the subsidiaries. AACB, for example, has the subject conflicts of interests on the agenda of every Supervisory Board meeting.. Another example is that Groenbank's employees have completed the Customer Integrity training.

Naturally, all members of the Managing Boards and Supervisory Boards of the subsidiaries have taken the banker's oath. The criteria underlying the banker's oath form part of ABN AMRO's core values. In carrying out their duties, the Board members disseminate these standards and thus set an example for their

staff. Moreover, the banker's oath is taken by the subsidiaries' employees. By taking the banker's oath, the members of the Managing Boards and Supervisory Boards of the subsidiaries and their employees become personally responsible for complying with the rules of conduct and can be held accountable for any non-compliance therewith.

Good IT infrastructure is considered essential to the proper functioning of the subsidiaries' businesses. For this purpose, Groenbank and, increasingly AAHG, use the IT infrastructure of ABN AMRO under an intra-group agreement. ICS and AACB have put in place independently functioning IT infrastructures within their own organisations with fully-fledged IT processes.

The subsidiaries are responsible for the general business operations and their continuity. From time to time the Managing Board of each subsidiary thus adopts its own strategy document (within the overall context of the group strategy) tailored to the specific situation of the subsidiary and focusing on long-term value creation. For example, in 2023 the various subsidiaries gave further substance to the three pillars as part of the refined long-term strategy. These pillars are i) "support clients' transition to sustainability", ii) "Customer experience", and iii) "Future-proof bank". In relation to the three pillars, each subsidiary also pays attention to its own positioning within the society in which it

operates.

AACB gives substance to the three pillars by making sustainability an integral part of its business, by maximising its impact on society. Together with their stakeholders, they address climate change with the aim to mitigate global warming. They demonstrate their social impact by addressing inequalities in their communities,. Groenbank shares knowledge about sustainability and guiding customers in the application process at the Rijksdienst voor Ondernemend Nederland of the green statement. Groenbank closely works together with the colleagues of the Subsidy Expertise team, which advises customers who invest in sustainable real estate about the subsidy options and can also apply for this subsidy if requested. For ICS, the second pillar is reflected in further developing of the self-service options and ease of use in the ICS app. AAHG implemented five strategic themes based on ABN AMRO's three pillars. For the first pillar the strategic themes are sustainability and growth & innovation. For the second pillar the strategic themes are renewal of the application request, proactive customer management and growth & innovation. For the third pillar the strategic themes are data & application foundation.

Each subsidiary has a Managing Board and a Supervisory Board with its own responsibility for organising an effective governance

structure, including adequate provisions for the Compliance and Risk function, whether or not on a consolidated basis. In this way the subsidiaries arrange for good, independent management as well as for supervision of that management. Where desirable, use can also be made of the knowledge and expertise within ABN AMRO.

ABN AMRO is continuously engaged in strengthening its corporate governance and establishing a consistent corporate governance structure within the group. To this end, ABN AMRO has developed guidelines for its own corporate governance and that of its subsidiaries, which include implementation of the relevant governance principles of the Code. The Managing Boards and Supervisory Boards of the subsidiaries are guided by these guidelines.

The duties and responsibilities of the Supervisory Boards and Managing Boards of the subsidiaries and the manner in which these are performed within the context of the Code are explained below in more detail.

3. Supervisory Boards of the subsidiaries

All four subsidiaries have a Supervisory Board. The role of the Supervisory Board is to advise and oversee the activities and policies of the Managing Board and the general affairs of the subsidiary. In doing so, the Supervisory Board is guided by the interests of the subsidiary. These interests are the sum total of all the different relevant interests, including those of the shareholder and the group interest. Each member of the Supervisory Board is aware of the social role of banks. Among the subjects covered by the supervision of the Managing Board are the corporate strategy, achievement of objects, the structure and operation of the internal risk management and control systems, the non-financial and financial reporting process, regulatory compliance, the company-shareholder relationship and corporate social responsibility issues relevant to the subsidiary.

Each Supervisory Board has as many members as necessary for the proper performance of its duties. The members of the Supervisory Board are both willing and able to make sufficient time available for the proper discharge of their duties and exhibit effort and commitment. At the same time, they adopt a critical and independent stance. In addition, each of them must fulfil the fit and proper requirements set by the regulator. Members of the

Supervisory Board of the subsidiaries who are employed by ABN AMRO do not receive separate remuneration for their work in that capacity. Supervisory Board members who are not employed by ABN AMRO receive appropriate remuneration that is not dependent on the results of the subsidiary concerned. This is the case for three Supervisory Board member of Groenbank, two members of the Supervisory Board of AAHG, three members of the Supervisory Board of ICS and two members of the Supervisory Board of AACB.

Annually, the chair of the Supervisory Board assesses to determine whether the Permanent Education (**PE**) is satisfactory and makes any necessary improvements. Each Supervisory Board member must have sufficient knowledge, expertise and experience to carry out his/her duties properly. For this purpose, a PE agenda has been established at group level, which is also available for Supervisory Board members of subsidiaries. This programme contains subjects listed in the Code and addresses subjects listed in the EBA Guidelines. Sessions may also be organised to deal in greater depth with topics of specific relevance to the activities of particular subsidiaries. For example, ICS organised a masterclass about cyber security and crypto. AAHG covered the topics ECB supervisory expectations on interest only mortgages, the impact of the Russia/Ukraine war, data governance and the EBA guidelines on outsourcing. Groenbank

covered the topic of how to make commercial real estate more sustainable.

As the subsidiaries are part of the ABN AMRO organisation and all of the members of the Supervisory Boards (with the exception of the independent Supervisory Board member and two other Supervisory Board Members at Groenbank, two independent Supervisory Board members at AAHG, three independent Supervisory Board members at ICS and two Supervisory Board members at AACB) are, employed by ABN AMRO, these Board members are appraised annually by ABN AMRO. The Supervisory Boards also, in principle, carry out a(n) (bi-)annual evaluation of their own functioning and that of their individual members. The effectiveness of the PE is one of the subjects covered by the subsidiaries in the evaluation and follow-up measures are formulated, if necessary. The evaluation of the functioning of the Supervisory Boards of the subsidiaries is carried out once every three years under external supervision. In 2021 this applied to Groenbank, AAHG, AACB and ICS.

All Supervisory Boards of the subsidiaries have set up committees. AACB has established a combined audit, risk and compliance committee, and AAHG, ICS and Groenbank each have a combined audit and risk committee which regularly discusses the risk appetite and any departures from it. These

committees are governed by rules of procedures that each subsidiary itself adopts. To ensure that the members of the various committees possess the right skill set to perform their duties, the rules of procedure prescribe specific requirements regarding experience and expertise. Close attention is paid to these requirements when appointing new Supervisory Board members.

4. Managing Boards of the subsidiaries

The Managing Board of each subsidiary is collectively responsible for managing the company and the general affairs of its business. It has as many members as is necessary for the proper performance of its duties. Each Managing Board must have sufficient knowledge, expertise and experience to carry out its duties properly. All members have a thorough knowledge of the financial services industry, the banking industry, the social functions of the bank and the risks inherent to the particular activities of the subsidiary. In addition, each of them must fulfil the 'fit and proper' requirements set by the regulator.

The Dutch Banking Code obligation to appoint a Chief Risk Officer is applied by Groenbank at group level, with one of the Managing Board members having responsibility for risk management. AAHG, AACB and ICS have their own Chief Risk Officer. In performing its duties, each Managing Board member is guided by the interests and continuity of the subsidiary and its activities, as well as by the interests of ABN AMRO as a whole. Subsidiaries are also expected to be guided independently by the interests of the client and to fulfil their duty of care towards the client. They are also expected to do this within the limits of the strategy formulated by ABN AMRO, including the principle of client

centricity.

To facilitate the Managing Board in carrying out their duties properly a PE has been established at group level for their benefit. This programme deals from time to time with the lifelong learning subjects listed in the Code.

Each year, the Managing Board assesses whether the PE is satisfactory and makes any necessary improvements. In 2019, a structured work instruction was drawn up in collaboration with experts from throughout the organisation to ensure that the PE for Board members is in keeping with the requirements of the EBA Guidelines on Internal Governance. This work instruction also provides guidelines for the PE for the coming years.

This ensures that members of the Managing Board gain a deeper understanding of relevant developments within the financial sector and how they influence the subsidiary concerned.

Together with members of the senior management, the members of the Supervisory Board and the Management Board participated as well in the Permanent Education programme of 2023 with the following topics:

- Winning the talent game;
- Your brain at work;

- Sound risk taking as a catalyst for business growth;
- Climate Plan & Governance: Social Impact – Banking is about people;
- Judgement & Decision Making;
- Understanding of impact of SFR: Bringing sustainable finance regulations to the core of our business;
- Data Privacy: core to our operational process and client strategy;
- Hyper personal with data: how ABN AMRO wins with customers;
- Macro-Economic trends; and
- An effective gatekeeper.

All sessions of the Lifelong Learning Programme and Permanent Education Programme were offered online. Sessions may also be organised to deal in greater depth with topics of specific relevance to the activities of particular subsidiaries.

5. Subsidiaries' risk policy

In keeping with the principles of the Code, ABN AMRO determines the risk appetite, risk policy and risk management at the group level. ABN AMRO's Supervisory Board is responsible for approving the risk appetite of the group as a whole and regularly assesses at a strategic level whether the business activities of each individual subsidiary are compatible with the defined risk appetite. ABN AMRO's Executive Board and its Chief Risk Officer are also responsible for the risk policy pursued by the subsidiaries. This is why not every Supervisory Board of a subsidiary has set up a separate risk committee or appointed a Chief Risk Officer to the Managing Board. However, AAHG, AACB and ICS have appointed their own Chief Risk Officer, who is also a Managing Board member.

Regardless of the group's policy on risk appetite, risk policy and risk management, the subsidiaries also have their own responsibility in these areas. The members of the Supervisory Board of each of the subsidiaries pay specific attention to the company's risk management, within the framework formulated at group level. The Managing Board of the subsidiary makes a balanced assessment of the commercial interests and the risks to

be run, taking into account the risk appetite formulated at group level.

6. Audit at subsidiaries

ABN AMRO is responsible at group level for carrying out systematic checks on the management of risks connected with the business activities of the subsidiaries. Within ABN AMRO, Group Audit is responsible for the auditing of the group as a whole, while an external auditor is engaged to assess the financial reporting of the group. Consultations at group level are held between Group Audit, the external auditor and the Audit Committee of ABN AMRO's Supervisory Board. Important issues about the subsidiaries are also discussed in those consultations. Group Audit discusses relevant audit issues at subsidiary level with members of the Managing Board and Supervisory Board of all subsidiaries.

7. Subsidiaries' remuneration policy

The employees of the subsidiaries and the members of their Managing Boards have an employment contract with ABN AMRO and are therefore covered by ABN AMRO's collective agreement or by ABN AMRO's remuneration policy for the top management layer.

The present remuneration policy applicable to all four subsidiaries is in keeping with national and international laws and regulations on remuneration in the financial services industry and with the relevant principles of the Code. The remuneration policy is detailed, restrained and sustainable and is clearly focused on ABN AMRO's long-term interests, strategy, limited risk appetite, goals and values as well as the relevant interests of the bank's stakeholders. The remuneration policy is evaluated periodically.