

Appendix 1: Progress report on the Banking Code Principles - Rabobank Group

7 February 2014

2 Supervisory Board

2.1 Composition and expertise

Banking Code Principle

2.1.1 The Supervisory Board shall be composed such that it can properly discharge its duties. Complementarity, collective management, independence and diversity are preconditions for the Supervisory Board to properly discharge its duties.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

Compliance with this principle has been enshrined in the Supervisory Board's rules of procedure and in its resulting general profile. Both documents have been assessed for their compatibility with the principles of the Banking Code and further aligned to the Code where required.

The Supervisory Board's rules of procedure dictate that its composition should be such that the members can operate independently and critically of each other and of the members of the Executive Board and whatever subsidiary interest, and that the Supervisory Board as a whole should properly understand the risks incurred by Rabobank Nederland and the approach to managing these risks. In addition, allowance is made for diversity regarding gender and age, as well as complementarity as far as the professional backgrounds of the members are concerned.

The profile of the Supervisory Board lists the following specific qualities and experience that need to be represented on the Supervisory Board:

- all-finance: global and domestic banking experience, experience in insurance and asset management;
- experience and expertise in labour relations and HRM;
- recent experience in managing large enterprises;
- knowledge of/experience in accountancy, business economics and risk management, and financial expertise;
- affinity with corporate social responsibility (CSR);
- legal expertise;
- expertise in cooperative affairs;
- innovation;
- international (i.e. European) orientation and experience;
- retail experience in a broad sense;
- experience with the Rabobank organisation (including at local level);
- ICT knowledge.

Additionally, Rabobank attaches great value to affinity with its cooperative identity and its related core values.

The Supervisory Board of Rabobank Nederland has a diverse composition. New members of the Supervisory Board follow an extensive induction programme to acquaint them with the organisation and prepare them for their role as supervisory directors. In their capacity as highly qualified advisers and executive and/or supervisory directors in the private or public sector, the individual members of the Supervisory Board have long-standing experience in, and in-depth knowledge of, one or more of the areas of expertise listed above.

The Supervisory Board evaluates its profile once every year, drawing conclusions about the Supervisory Board's composition, size and procedures.

When nominating candidates for appointment or reappointment, allowance is made - within the boundaries of the general profile - for the Supervisory Board's ideal composition and the competencies represented on the Supervisory Board. In 2013 the Supervisory Board drew up a succession plan for the Board. This plan describes the policy the Supervisory Board intends to follow with regard to its present and future composition. On the basis of the key qualities of each of its current members in combination with the rotation schedule, the Supervisory Board considers the profile to be met by members to be selected in the next round(s) of appointments. Succession planning is evidently a continuing and dynamic process. The knowledge and experience domains and other qualities and competencies that are deemed to be necessary at the time concerned to enable the Supervisory Board, as a collective, to operate optimally in discharging its duties will be considered upon each appointment or reappointment.

The Supervisory Board's rules of procedure and its general profile have been posted on www.rabobank.com, as have the CVs of the individual supervisory directors.

In 2012, the members of the Supervisory Board of Rabobank Nederland underwent a suitability check in accordance with the new requirements imposed by the Dutch Central Bank (DNB). Based on its findings and the recommendations of the Netherlands Authority for the Financial Markets (AFM), DNB issued a positive opinion on all supervisory directors of Rabobank Nederland whose suitability was checked. In checking suitability, the regulator not only considered individual members' knowledge, experience and skills, but also the Supervisory Board's composition as a whole. The suitability of the two new members who joined the Supervisory Board in 2013 was also checked by DNB as part of the process of their appointment.

Banking Code Principle

2.1.2 The Supervisory Board shall have a sufficient number of members in order to properly discharge its duties, including in its committees. The appropriate number of members shall depend, in part, on the nature, scale and complexity of the bank.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

As of 31 December 2013, the Supervisory Board had 10 members. Given Rabobank Group's size, complexity, all-finance orientation and cooperative identity, this is an appropriate number to be able to properly discharge the duties of the Supervisory Board and the related committees.

The Supervisory Board evaluates its profile once every year, drawing conclusions about the Supervisory Board's composition, size and procedures.

Banking Code Principle

2.1.3 The members of the Supervisory Board shall have in-depth knowledge of the bank's role in society and of all of the bank's stakeholders.

The Supervisory Board shall carefully weigh the interests of all its stakeholders, including its clients, shareholders and employees.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The Supervisory Board's rules of procedure dictate, among other things, that the Supervisory Board should discharge its duties from the broad perspective of the continuity of Rabobank Nederland and its affiliated entities, acting in the interest of all stakeholders. The members of the Supervisory Board weigh the interests of all stakeholders of Rabobank Nederland and its affiliated entities, also having regard to CSR aspects affecting the different divisions.

The Supervisory Board's profile stipulates that all members should at least share the following basic orientation and attitude that define Rabobank:

- affinity with Rabobank client groups;
- affinity with the cooperative identity;
- understanding of social relevance of cooperative;
- focus on financial services (people business);
- feel for cultural and environmental sensitivities;
- focus on reaching consensus;
- social engagement;
- ability to carefully weigh - sometimes opposing - interests.

These aspects are weighed in the periodic evaluation of the performance of the individual supervisory directors and in recruiting new supervisory directors.

In 2013, the members of the Supervisory Board of Rabobank Nederland underwent a suitability check in accordance with the new requirements imposed by DNB. Based on its findings and the recommendations of the AFM, DNB issued a positive opinion on all supervisory directors of Rabobank Nederland whose suitability was checked. In checking suitability, the regulator not only considered individual members' knowledge, experience and skills, but also the Supervisory Board's composition as a whole. The suitability of the two new members who joined the Supervisory Board in 2013 was also checked by DNB as part of the process of their appointment.

Banking Code Principle

2.1.4 Every member of the Supervisory Board shall be capable of assessing the main aspects of the bank's overall policy and to independently form a balanced opinion of the associated basic risk exposures. Every member of the Supervisory Board shall also have the specific expertise required to fulfil their role in the Supervisory Board. To this end, an individual profile shall be written for any vacancy opening up on the Supervisory Board. This individual profile shall be in keeping with the profile of the Supervisory Board as a whole.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The Supervisory Board's rules of procedure dictate, among other things, that the Supervisory Board as a whole should have a good understanding of the risks that Rabobank Nederland incurs and of the approach to managing these risks. In this context, every member of the Supervisory Board is expected to be able to be capable of assessing the main aspects of Rabobank's overall policy and to independently form a balanced opinion of the associated basic risk exposures.

In their capacity as highly qualified advisers and executive and/or supervisory directors in the private or public sector, the individual members of the Supervisory Board have long-standing experience in, and in-depth knowledge of, one or more of the specific areas of expertise listed in principle 2.1.1 above.

In nominating candidates for appointment or reappointment, account is taken within the framework of this general profile of the desired composition and the competencies represented in the Board. In 2013 the Supervisory Board drew up a succession plan for the Board. This plan describes the policy the Supervisory Board intends to follow with regard to its present and future composition. On the basis of the key qualities of each of its current members in combination with the rotation schedule, the Supervisory Board considers the profile to be met by members to be selected in the next round(s) of appointments. Succession planning is evidently a continuing and dynamic process. The knowledge and experience domains and other qualities and competencies that are deemed to be necessary at the time concerned to enable the Supervisory Board, as a collective, to operate optimally in discharging its duties will be considered upon each appointment or reappointment.

In 2013, the members of the Supervisory Board of Rabobank Nederland underwent a suitability check in accordance with the new requirements imposed by DNB. Based on its findings and the recommendations of the AFM, DNB issued a positive opinion on all supervisory directors of Rabobank Nederland whose suitability was checked. In checking suitability, the regulator not only considered individual members' knowledge, experience and skills, but also the Supervisory Board's composition. The suitability of the two new members who joined the Supervisory Board in 2013 was also checked by DNB as part of the process of their appointment.

Banking Code Principle

2.1.5 As part of the process to fill the vacancy of Chairman of the Supervisory Board, an individual profile shall be written focusing on the bank's requirements in terms of expertise and experience in relation to the financial sector, and knowledge of the socio-economic and political culture, and the social environment of the bank's main markets.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

An individual profile will also be written as part of the process to fill the position of Chairman of the Supervisory Board.

In addition to the general requirements for Rabobank supervisory directors, as described in the general profile of the Supervisory Board, the individual profile will address the specific knowledge and skills that are required to properly fulfil the role of Chairman in terms of substance and procedure, and both within and outside Rabobank Group. Principle 2.1.5 of the Banking Code and the relevant provisions of the Supervisory Board's rules of procedure will serve as a guideline in this respect.

Judging from his CV as posted on the [corporate website](#), the incumbent Chairman of the Supervisory Board has extensive expertise and years of experience in the financial sector, and knowledge of the socio-economic and political culture, and the social environment of Rabobank's main markets.

Banking Code Principle

2.1.6 Every member of the Supervisory Board, and the Chairman in particular, shall be able to commit sufficient time and availability to properly discharge their duties on the Supervisory Board and its committees.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

When appointed, the Chairman and the members of the Supervisory Board promised to commit sufficient time and availability to properly discharge their duties on the Supervisory Board and its related committees.

The Supervisory Board, headed by its Chairman, evaluates its own performance as a collective body and that of the separate committees and individual supervisory directors on an ongoing basis. In addition, the Chairman has one-on-one meetings with each of the members of the Supervisory Board annually to assess their individual performance, including their time and availability committed.

In 2013, the members of the Supervisory Board of Rabobank Nederland underwent a suitability check in accordance with the new requirements imposed by DNB. Based on its findings and the recommendations of the AFM, DNB issued a positive opinion on all supervisory directors of Rabobank Nederland whose suitability was checked. In checking suitability, the regulator not only considered individual members' knowledge, experience and skills, but also the Supervisory Board's composition. The suitability of the two new members who joined the Supervisory Board in 2013 was also checked by DNB as part of the process of their appointment.

In 2013, none of the supervisory directors repeatedly missed Supervisory Board meetings or meetings of its committees.

Banking Code Principle

2.1.7 Every member of the Supervisory Board shall receive appropriate compensation for the amount of time spent discharging supervisory duties. This compensation shall not depend on the bank's earnings.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The Confidential Committee of the Central Delegates Assembly sets the remuneration of the supervisory directors; this remuneration is not linked to the financial performance of Rabobank Nederland. The level of the remuneration for sitting on the Supervisory Board and/or its committees is evaluated periodically and adjusted as required.

Rabobank pursues a prudent, restrained and sustainable remuneration policy. The remuneration paid to supervisory directors of Rabobank Nederland is appropriate to the amount of time they spend performing their duties.

Banking Code Principle

2.1.8 The Chairman of the Supervisory Board shall ensure that a continuing professional education (CPE) programme is in place for the members of the Supervisory Board, the aim being to keep the supervisory directors' expertise up to standard and to improve it where necessary. The continuing professional education programme shall at least cover relevant developments at the bank and in the financial sector, corporate governance in general and that of the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audits.

Every member of the Supervisory Board shall take part in the programme and meet the requirements of continuing professional education.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The Chairman of the Supervisory Board is responsible for the effectiveness of the Supervisory Board. In this context, the Chairman ensures that the supervisory directors follow an induction programme and take CPE courses.

Based in part on ongoing reflection on, and periodic evaluation of, the performance of the Supervisory Board, its committees and individual members, it is reviewed which individual or collective efforts are needed to keep the supervisory directors' expertise up to standard and to broaden it where necessary.

Every member of the Supervisory Board participates in the CPE programme and takes additional tailor-made courses in dialogue with the Chairman and depending on their needs. The CPE curriculum also includes training sessions taught by in-house or external experts depending on the topic. The supervisory directors also undertake working visits.

In 2013, the Supervisory Board received extensive information on relevant current and future European regulations, their expected impact on Rabobank and on representing Rabobank's interests in that connection, the recovery plan that Rabobank has drawn up at the request of DNB, megatrends in the food and agri sector and the new food and agri strategy of Rabobank Group (Banking4Food) and governance and the performance of the Supervisory Board in its various roles. In addition, several members of the Supervisory Board took up the invitation to attend a session for the CPE of the Executive Board on virtualisation and changing customer conduct. As part of their CPE, the members of the Audit, Compliance & Risk Committee received information on hedge accounting in the spring of 2013. In the autumn the Risk Committee (in the presence of several members of the Audit Committee and the Executive Board) received detailed information on the quality of the mortgage loan portfolio of Rabobank and the top risks identified by Rabobank and the DNB risk analysis.

In addition, in its periodic meetings and in its committees, the Supervisory Board regularly speaks with the Executive Board about the bank's duty of care, risk management, financial reporting and audits. As a matter of course, the supervisory directors address relevant developments at Rabobank and in the financial sector in all its meetings, as well as inviting directors and managers of Rabobank Nederland to educate them or the committees about a wide range of topics.

Tailor-made induction programmes are put together for new supervisory directors. This gives them the opportunity to meet with many in-house and external experts whose input can help the supervisory director properly discharge their duties. As a minimum, the induction programme addresses the duties and responsibilities that come with being a supervisory director, as well as general financial, social and legal issues, financial reporting by Rabobank Nederland and aspects specific to Rabobank Nederland and its business operations.

Banking Code Principle

2.1.9 The assessment of the effectiveness of the continuing professional education referred to in principle 2.1.8 shall be part of the annual evaluation of the Supervisory Board.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The required individual or collective efforts in the area of CPE, and the curriculum's effectiveness are an integral part of the ongoing reflection on, and periodic evaluation of, the performance of the Supervisory Board, its committees and its individual members.

Banking Code Principle

2.1.10 In addition to the Supervisory Board's annual evaluation of its own performance, the Supervisory Board's performance is assessed once every three years under independent guidance. The commitment of each supervisory director, the culture within the Supervisory Board and the relationship between the Supervisory Board and the Executive Board are part of this assessment.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The Supervisory Board's rules of procedure stipulate that the Supervisory Board should assess its own performance under external independent guidance once every three years. The commitment of each supervisory director, the culture within the Supervisory Board and the relationship between the Supervisory Board and the Executive Board are part of this assessment. In the first part of 2014, an independent (external) party will assess the performance of the Supervisory Board in the year 2013. The commitment of each supervisory director, the culture within the Supervisory Board and the relationship between the Supervisory Board and the Executive Board are part of this assessment.

2.2 *Duties and procedures*

Banking Code Principle

2.2.1 As part of its supervisory duties, the Supervisory Board shall pay special attention to the bank's risk management. Any discussion of risk management shall be prepared by a risk committee or similar committee, which the Supervisory Board shall appoint from amidst its ranks.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The Supervisory Board decided in 2013 to establish a separate Risk Committee. The Audit, Compliance & Risk Committee was split into an Audit Committee and a Risk Committee in September 2013.

Risk management is considered in detail in both the Risk Committee and the Supervisory Board.

Based on its rules of procedure, the Risk Committee helps prepare for:

- the implementation, maintenance and effectiveness of internal risk management and control systems;
- the Executive Board's report on targets, strategy and any associated risks;
- the policy for managing credit, market, liquidity and operational risk.

The Risk Committee's rules of procedure have been published on www.rabobank.com.

Banking Code Principle

2.2.2 The members of the Risk and Audit Committee shall be subject to specific competency and experience requirements. A number of members of the Risk Committee, for instance, shall have in-depth knowledge of the financial aspects of risk management or have the experience required to make a thorough assessment of risks. A number of members of the Audit committee shall have in-depth knowledge of financial reporting, internal controls and audits, or have the experience required to thoroughly supervise these areas.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The rules of procedure of the Audit Committee require the composition of the Audit Committee to be such that a number of its members possess in-depth knowledge of internal and external controls, technical accounting matters relating to the financial statements, financial reporting requirements, audits and developments in these areas, or possess the required experience that makes thorough supervision of the topics referred to above possible.

The rules of procedure of the Risk Committee require its composition to be such that a number of its members possess in-depth knowledge of financial and technical aspects of risk management and/or the required experience that makes a proper assessment of the risks to which the Rabobank is exposed and their management possible, or possess the required experience that makes thorough supervision of the topics referred to above possible.

The Annual Report 2013 of Rabobank Group, as published on the [website](#), provides an overview of the members of the Audit Committee and the Risk Committee. The CVs of the members show that this Banking Code principle is being met.

3. Executive Board

3.1 Composition and expertise

Banking Code Principle

3.1.1 The Executive Board shall be composed such that it can properly discharge its duties. Complementarity, collective management and diversity are preconditions for the Executive Board to properly discharge its duties.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The Articles of Association of Rabobank Nederland, the rules of procedure for the Executive Board and the Executive Board's profile describe in detail the duties and responsibilities, and the experience and competencies required of the members of the Executive Board. Rabobank is a collective management organisation. In filling vacancies on the Executive Board, the Supervisory Board and its Appointment Committee also consider issues such as complementarity and diversity.

The CVs of the current members of the Executive Board show its complementarity and diversity in terms of the background and age of its members.

Banking Code Principle

3.1.2 Every member of the Executive Board shall have in-depth knowledge of the financial sector in general and of banking in particular. Every member shall also be thoroughly familiar with the bank's role in society and of the interests of all stakeholders. In addition, every executive director shall have the in-depth knowledge that is required to be able to assess and determine the main aspects of the bank's overall policy and to independently form a balanced opinion of the associated risk exposures.

Comply or explain	Rabobank has opted to comply with this principle.
Practical application of principle	<p>This principle has been enshrined in the Executive Board's profile and is applied by the Supervisory Board and its Appointment Committee when filling vacancies on the Executive Board.</p> <p>The CVs of the incumbent executive directors show that this principle is being met. The members of the Executive Board take CPE courses to keep their knowledge up to date (see 3.1.3).</p>
Banking Code Principle	<p>3.1.3 The Chairman of the Executive Board shall ensure that a continuing professional education programme is in place for the members of the Executive Board, the aim being to keep the executive directors' expertise up to standard and to broaden it where necessary. The continuing professional education programme shall at least cover relevant developments at the bank and in the financial sector, corporate governance in general and that of the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audits.</p>
Comply or explain	Rabobank has opted to comply with this principle.
Practical application of principle	<p>The Executive Board's rules of procedure and its profile ensure that the members follow a programme of CPE courses. The members of the Executive Board take a number of half-day CPE courses every year. The CPE curriculum covers at least relevant developments at Rabobank and in the financial sector, corporate governance in general and that of the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audits.</p> <p>Depending on the topic, the CPE sessions are taught by both in-house and external experts.</p> <p>In 2013, the Executive Board received information on topics including risk management and virtualisation and changing customer conduct. Several members of the Executive Board also took up the invitation to attend the sessions for CPE of the Supervisory Board: on relevant current and future European regulations, their expected impact on Rabobank and on representing Rabobank's interests in that connection, the recovery plan that Rabobank has drawn up at the request of DNB, mega-trends in the food and agri sector and the new food and agri strategy of Rabobank Group (Banking4Food).</p> <p>In addition to the CPE curriculum, newly appointed executive directors are offered a tailor-made induction programme, within the context of which they talk to several in-house and external experts, and make working visits.</p>
Banking Code Principle	<p>3.1.4 Every member of the Executive Board shall take part in the programme referred to in 3.1.3 and meet the requirements of continuing professional education. Their appointment to the Executive Board shall be subject to this condition. The Supervisory Board shall ascertain whether the members of the Executive Board continue to be in a position to satisfy the expertise requirements of the Dutch Central Bank (DNB).</p>
Comply or explain	Rabobank has opted to comply with this principle.

Practical application of principle	The Executive Board's rules of procedure and its profile ensure that the members follow a programme of CPE courses. The members of the Executive Board take a number of half-day CPE courses every year.
	As formalised in the Supervisory Board's rules of procedure, the performance of the members of the Executive Board is evaluated periodically, in which process the Supervisory Board ascertains whether the executive directors continue to satisfy DNB's expertise requirements.
Banking Code Principle	3.1.5 The bank shall disclose in its annual report how principles 3.1.3 and 3.1.4 have been applied.
Comply or explain	Rabobank has opted to comply with this principle.
Practical application of principle	This principle is being met. See the sections on corporate governance and the Banking Code in the annual report.
Banking Code Principle	3.1.6 Subject to the risk appetite approved by the Supervisory Board, the Executive Board shall be responsible for the balanced weighing of the bank's commercial interests and risk exposures.
Comply or explain	Rabobank has opted to comply with this principle.
Practical application of principle	This principle has been included in the Executive Board's rules of procedure.
	The Supervisory Board approved a risk appetite update in 2013. In its decision-making, the Executive Board weighs the bank's commercial interests against risk exposures, with due observance of the risk policy and the risk appetite that were approved by the Supervisory Board.
Banking Code Principle	3.1.7 One member of the Executive Board shall be responsible for preparing for the Executive Board's decision-making on risk management. This executive director shall be involved at an early stage in preparing decisions that are material to the bank's risk profile, particularly where these decisions may result in a departure from the risk appetite that was approved by the Supervisory Board. In exercising the risk management function, focus shall be placed also on the importance of financial stability and the impact that systemic risks might have on the bank's risk profile.
Comply or explain	Rabobank has opted to comply with this principle.
Practical application of principle	The CFRO is responsible for preparing for the Executive Board's decision-making on risk management. He is involved at an early stage in preparing decisions that are material to Rabobank's risk profile, particularly where these decisions may result in a departure from the risk appetite that was approved by the Supervisory Board. In exercising the risk management function, focus is placed also on the importance of financial stability and the impact that systemic risks might have on Rabobank's risk profile.
Banking Code Principle	3.1.8 The member of the Executive Board who is responsible for preparing the decision-making on risk management shall be able to combine these duties with other areas of focus, provided that they do not bear individual responsibility for sales, and that they operate independently of sales.

Comply or explain	Rabobank has opted to comply with this principle.
Practical application of principle	The CFRO is responsible for Rabobank Group Control, Group Risk Management, Credit Risk Management, Central Treasury, Rabobank Group Treasury and Rabobank Group Special Asset Management.
	His roles in respect of these functions and any related achievements do not entail any customer-driven sales activities, but follow from a portfolio approach to risk management.
Banking Code Principle	3.2 Duties and procedures
	3.2.1 In its actions, the bank's Executive Board shall carefully weigh the interests of all stakeholders, such as its customers, shareholders and employees. In doing so, allowance shall be made for the continuity of the bank, the bank's role in society, and the laws, regulations and codes that govern the bank.
Comply or explain	Rabobank has opted to comply with this principle.
Practical application of principle	The Executive Board of Rabobank Nederland is responsible for managing Rabobank Nederland and its affiliated entities.
	Rabobank Group's governance is based on its strategic principles and, by extension, on the inter-relationship between risk, return and capital. This includes responsibility for achieving the objectives of Rabobank Group as a whole, for its strategic policy and associated risk profile, for its financial results, for the relevant corporate social responsibility aspects of the business, for synergies within Rabobank Group, for compliance with all relevant laws and regulations, for managing business risks, and for the financing of Rabobank Group. Subject to the risk appetite approved by the Supervisory Board, the Executive Board is responsible in particular for the balanced weighing of commercial interests and risk exposures.
	A careful weighing of all interests of Rabobank's stakeholders is standing practice (see Rabobank Group's ambition statement and Code of Conduct).
Banking Code Principle	3.2.2 The bank shall maintain a focus on customers to secure its continuity.
	Without prejudice to principle 3.2.1, the Executive Board shall ensure that the bank treats its customers with due care at all times. The Executive Board shall see to it that the duty of care is embedded in the bank's culture.
Comply or explain	Rabobank has opted to comply with this principle.
Practical application of principle	As a cooperative, Rabobank places customer interests at the heart of its service provision. It is Rabobank's ambition to provide customers with the best possible service, while exercising due care and treating them fairly. This has been enshrined in the Rabobank Group Code of Conduct and the Rabobank Ambition Statement. Rabobank has a cooperative organisational structure with autonomous banks whose conduct in respect of their customers is based on the three pillars: involved, leading and nearby. As every local Rabobank has established a Member Council, customers can influence and monitor the course steered by Rabobank. In addition, the local Supervisory Committees oversee the actions of the local Rabobanks, to ensure that they are in the customers' best interests. These are the essential aspects of the local governance at local Rabobanks that guarantee customer focus.

The central policy that is proposed and implemented by Rabobank Nederland is only implemented after being approved by the permanent representatives of the local Management Teams and Supervisory Committees.

As a result, the voice of the customer is heard in group-level decisions as well.

In 2008, Rabobank launched the 'Caring for the customer' programme to underscore its ambition to treat customers fairly and provide them with the best possible service. The programme has been included in the line organisation since 2010. A steering committee monitors whether customers' interests are continually well served. Monitoring is done by reference to a number of key principles. The key principles for treating customers fairly were reviewed in 2013, which resulted in refocused principles and tighter monitoring. The revised principles are:

- appropriate advice;
- good service;
- good products;
- accessible, involved and sustainable banking.

Periodic management information is drawn up on the basis of these principles. This management information (consisting of information including customer surveys, complaints, product reviews and feedback from the AFM) is used as input for ceaselessly managing for improvements. As in 2012, these reports were discussed at the level of the Executive Board and the Supervisory Board.

The individual local Rabobanks themselves also have management information available on the quality of the advice provided and on customer satisfaction and other matters. This information is based, for instance, on internal audits, customer satisfaction surveys and complaints handling. In addition, the local Compliance Officer reviews whether customers are treated with due care. The local Supervisory Committee monitors the local Management Team based, in part, on this information.

The product approval committee, which has now been operational for ten years, monitors the quality of the products, their benefits for the customer, as well as their safety and the quality of the information provided with respect to these products. Products offered by Rabobank are not added to the product range until they meet the criteria applied by this committee.

Knowledge of the bank's founding principles provides guidance in the day-to-day activities for everyone who works at Rabobank. The employees of the local Rabobanks and Rabobank Nederland aim to provide top-quality, conscientious services. The performance targets agreed with them are balanced. Variable remuneration was discontinued with effect from 2014 for all employees of Rabobank Nederland and the local Rabobanks. A performance management system is used for employee evaluations and setting their fixed remuneration. The system is designed to foster performance and competencies. In 2013 and 2014, customer focus and teamwork will continue to be compulsory elements in the performance management system. A balanced set of performance targets is agreed with each employee. Employees who have direct or indirect contact with clients always have an explicit target geared to treating customers fairly. A sufficient focus on the customers' interests is a precondition for a favourable evaluation for employees. Rabobank uses management and compliance reports to monitor the quality of customer service and customer care on an ongoing basis.

Banking Code Principle

3.2.3 The members of the Executive Board shall discharge their duties carefully, expertly and with integrity, and with due observance of the relevant laws, regulations, codes and rules of procedure. Every member of the Executive Board shall sign a moral and ethical declaration (for a standard declaration, see the notes to this Code). Every bank shall be free to supplement this standard declaration to its particular requirements.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

Respect, integrity, professionalism and sustainability are the four core values that derive from Rabobank Group's mission and ambition statement. The Executive Board's rules of procedure and its profile also ensure that the members of the Executive Board discharge their duties carefully, expertly and with integrity, and that they duly observe the relevant laws, regulations, codes and rules of procedure.

Every executive director has signed the moral and ethical declaration, which is available on the [website](#).

The Rabobank Group Code of Conduct encompasses all of the principles contained in the moral and ethical declaration. The starter pack for new employees refers to this Code of Conduct. Furthermore, the standard contract of employment has a section on the Rabobank Group Code of Conduct.

In 2013, the members of the Executive Board and the Supervisory Board will sign the new moral and ethical declaration as required by the Dutch Minister of Finance.

Banking Code Principle

3.2.4 The Executive Board shall ensure that the declaration mentioned in principle 3.2.3 is transposed into guiding principles for the actions of all the bank's employees.

It shall expressly be pointed out to every new employee that these principles need to be observed by including a section on these principles in their contract of employment.

Comply or explain

Rabobank has opted to comply with this principle

Practical application of principle

The moral and ethical declaration posted [online](#) refers to Rabobank Group's four core values as mentioned in 3.2.3. These core values have been fleshed out in the Rabobank Group Code of Conduct, reference to which is made in individual employment contracts.

In addition, the interpretation of the core values in everyday practice is part of Rabobank's management and talent development programmes.

4. Risk management

Banking Code Principle

4.1 The Executive Board, and the Chairman of the Executive Board in particular, shall be responsible for defining, executing, monitoring and, where needed, adjusting the bank's overall risk policy. The risk appetite proposed by the Executive Board shall be submitted to the Supervisory Board for approval at least annually. Any interim material changes in risk appetite shall also be submitted to the Supervisory Board for approval.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

Risk management is a central theme of the Banking Code. Rabobank Group's conservative risk profile stems from the sound objectives in relation to stability and solidity that Rabobank has pursued since its establishment. Rabobank has a tradition and a culture of prudent risk policy, as part of which it acts with a keen awareness of risks and uses its scarce resources with caution and due consideration. This prudence is applied in taking as well as in implementing strategic decisions. Rabobank applies a risk strategy that is aimed at continuity. Compliance with this principle has been enshrined in the Executive and Supervisory Boards' rules of procedure, and in the extensive internal committee structure that ensures adequate and timely monitoring, analysis and adjustment of risk exposures where needed.

In 2010, the Risk Charter and the risk appetite were adopted by the Executive Board and approved by the Supervisory Board. In 2013, a risk appetite update was adopted by the Executive Board and approved by the Supervisory Board. Following on from the risk appetite at group level, separate risk appetite papers were prepared for all material group operations. The risk appetite cycle was further improved in 2013 by taking such actions as setting up a monitoring process for comparing the risk profile to the defined risk appetite.

As stipulated in the Supervisory Board's rules of the procedure, any interim material changes in risk appetite are also submitted to the Supervisory Board for approval.

Banking Code Principle

4.2 The Supervisory Board shall oversee the risk policy pursued by the Executive Board. As part of its oversight, the Supervisory Board shall discuss the bank's risk profile and assess at strategic level whether capital allocation and liquidity requirements in general are in keeping with the approved risk appetite. In exercising this oversight role, the Supervisory Board shall be advised by the risk committee formed for this purpose from the ranks of the Supervisory Board.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

This principle has been included in the rules of procedure for the Supervisory Board and for the Risk Committee.

The Supervisory Board's rules of procedure stipulate that the Supervisory Board should oversee the Executive Board's policies with regard to:

- credit risk;
- market risk;
- liquidity risk;
- operational risk;
- internal procedures and internal controls.

The Supervisory Board assesses whether capital allocation and liquidity requirements in general are in keeping with the approved risk appetite and whether the business operations in general are appropriate to the bank's risk appetite. This is reflected, for instance, in the annual approval of the group budget and the funding mandate. In addition, Rabobank's risk profile is discussed on the basis of a report.

The Risk Committee helps the Supervisory Board prepare for its decision-making on these issues.

To be able to discharge this duty, the Risk Committee and the Supervisory Board also receive, on a quarterly basis, detailed information about developments at group entities with respect to earnings, risk exposures, capital requirements and other relevant parameters.

Banking Code Principle

4.3 The Supervisory Board shall assess periodically at strategic level whether the business operations in general are in keeping with the bank's risk appetite. The Executive Board shall submit any information relevant to this assessment to the Supervisory Board such that the Supervisory Board is able to form a sound opinion.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The principle has been included in the rules of procedure for the Supervisory Board and for the Risk Committee, and is a standard aspect of the management cycle.

At least once a year, the Supervisory Board discusses, assesses and expresses an opinion on the strategy and risk profile of the Rabobank Nederland entities, and the outcome of the assessment of the Executive Board of the design and effectiveness of the internal risk management and control systems, and the structure of the organisation, as well as any relevant significant changes. In addition, the Supervisory Board compares the actual outcomes to the strategy and targets formulated in the preceding period or periods. The Supervisory Board reviews whether capital allocation and liquidity requirements in general are in keeping with the approved risk appetite and whether the business operations in general are appropriate to the bank's risk appetite.

The Risk Committee helps the Supervisory Board prepare for its decision-making on these issues.

The Supervisory Board bases its assessment of this in part on the Strategic Framework, the budget documents, the funding mandate and the information on developments at the group entities that it receives once every quarter. The periodic determination of the risk appetite involves a discussion of the risk profile.

Banking Code Principle

4.4 The Executive Board shall ensure that the risk management structure is adequate such that the Executive Board is duly informed of any material risks that the bank incurs so that these risks can be managed properly. Any decisions that are material to the risk profile, capital allocation or liquidity requirements shall be taken by the Executive Board.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The roles, duties, procedures and processes of Group Risk Management (GRM) are structured such that the Executive Board is duly informed of any material risks, including those attaching to investment decisions, capital allocation and remuneration policy. As part of this, the Executive Board receives a number of periodic updates, including management information (monthly reports supplemented by a detailed risk section every quarter), the Management Information Credit Risk Report (quarterly reports offering insight into the credit portfolio) and reports via meetings of the Balance Sheet & Risk Management Committee Rabobank Group (BRMC-RG) and the Investment Committee Financial Markets (ICFM).

GRM and Rabobank Group Control (CRG) have worked in even closer collaboration to be able to advise the Executive Board and its individual members in their capacity as supervisory directors of subsidiaries on relevant risks and to help them prepare for their decision-making in the relevant meetings.

The power to take decisions that might have a material impact on the risk profile, capital allocation or liquidity requirements has been formalised in the rules of procedure for the Executive Board.

Banking Code Principle

4.5 Every bank shall have a product approval process. The Executive Board shall structure the product approval process and be responsible for its effectiveness. Products that go through the bank's product approval process shall not be marketed or distributed without careful weighing of the attaching risks by the bank's risk management function and careful assessment of any other relevant aspects, including the duty or care towards customers. Based on an annual risk assessment, the internal audit department shall audit the design and effectiveness of the existing process and inform the Executive Board and the relevant Supervisory Board committee (risk-related or otherwise) of the outcome of the audit.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

A group-wide product approval and review policy and framework is in place, which dictates that products will not be marketed until the associated risks have been carefully weighed, and several aspects, such as duty of care and reputation risk, have been assessed. It is important that the key departments are involved in the day-to-day assessment process relating to new products and product changes, with the product approval committee concerned monitoring compliance with the criteria set, as well as supervising the total product range. The need to update group policy is monitored by the Product Approval & Review Committee. This committee was established by the Executive Board and is chaired by the CFRO of Rabobank Group.

In 2013 the group-wide policy was updated to reflect new regulations on product approval, as formulated for instance in the Market Conduct Supervision (Financial Institutions) Decree.

Audit Rabobank Group and the internal audit departments of the subsidiaries carry out a risk analysis for the product approval process once every year and an audit of its effective operation once every three years. The results are shared with the Executive Board and the Supervisory Board's Risk Committee.

The product approval process is tightened and improved on an ongoing basis.

5. Audit

Banking Code Principle

5.1 The Executive Board shall ensure that systematic audits are conducted of the management of any risks attaching to the bank's business operations.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The Executive Board monitors, via reports of such departments as Group Control, Group Risk Management, Compliance, and Legal and Tax Affairs, the adequate internal control of business processes and asks Group Audit (ARG) to establish whether the business as a whole is in control.

Banking Code Principle

5.2 The bank shall have its own internal audit department (Audit Rabobank Group), which shall occupy an independent position. The head of the ARG shall report to the Chairman of the Executive Board and shall have a reporting line to the Chairman of the Audit Committee.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle	<p>The Executive Board uses the independently positioned ARG department to ascertain that internal controls in respect of risks meet the applicable requirements. This department performs audit procedures annually based on an extensive risk assessment in order to verify whether key business processes are effective and whether the bank's risk management procedures and measures are adequate. The director of this department reports directly to the Chairman of the Executive Board and has a direct reporting line to the Supervisory Board's Audit Committee. The Annual Report includes a statement from the Executive Board to the effect that the internal risk management and control systems are designed such that financial reporting can be considered to be accurate and reliable.</p>
Banking Code Principle	<p>5.3 The internal audit department shall be responsible for assessing whether the existing internal controls are effective in their design, existence and execution. This shall include an assessment of the quality and effectiveness of the bank's governance, risk management and control procedures.</p> <p>The internal audit department shall report its findings to the Executive Board and the Audit Committee.</p>
Comply or explain	Rabobank has opted to comply with this principle.
Practical application of principle	<p>This task is defined in the Audit Charter. ARG periodically reports on the findings arising from its procedures to the Internal Audit & Compliance Committee (consisting of the members of the Executive Board) and to the Audit Committee and the Supervisory Board.</p>
Banking Code Principle	<p>5.4 The internal audit department, the independent external auditor and the Supervisory Board's Risk or Audit Committee shall periodically exchange information. The information exchanged shall also include the risk assessments and audit plans of the internal audit department and of the independent external auditor.</p>
Comply or explain	Rabobank has opted to comply with this principle.
Practical application of principle	<p>The risk assessment and the audit plan are discussed in the Audit Committee following confirmation with the independent external auditor.</p>
Banking Code Principle	<p>5.5 As part of the overall audit of the financial statements, the independent external auditor shall address in its report to the Executive Board and the Supervisory Board any findings concerning the quality and effectiveness of the bank's governance, risk management and control procedures.</p>
Comply or explain	Rabobank has opted to comply with this principle.
Practical application of principle	<p>The independent external auditor and Group Audit issue a joint management letter annually containing such findings.</p>
Banking Code Principle	<p>5.6 The internal audit department shall take the initiative in arranging talks with the Dutch Central Bank (DNB) and the independent external auditor to discuss each other's risk assessments, findings and audit plans at least once a year at an early stage.</p>
Comply or explain	Rabobank has opted to comply with this principle.

Practical application of principle

The issues mentioned in the principle are discussed in annual tripartite talks between DNB, the external auditor and Rabobank (including ARG). In addition, Group Audit successively shares its risk assessment, findings and audit plan annually with the independent external auditor and with DNB in bilateral meetings.

6. Remuneration policy

A Group Remuneration Policy applies to local Rabobanks, Rabobank Nederland, Rabobank International and all entities and subsidiaries forming part of Rabobank Group in the Netherlands and abroad. The Executive Board has designated a group of employees who, because of their positions, may have a material impact on Rabobank Group's risk profile. Additional remuneration policy measures have been taken to mitigate the risks relating to these employees.

6.1 Basis

Banking Code Principle

6.1.1 The bank shall pursue a prudent, restrained and sustainable remuneration policy that is in keeping with its strategy and risk appetite, objectives and values, taking into account the bank's long-term interests, the relevant international context and the level of support in society. The Executive and Supervisory Boards shall observe this principle in discharging their duties in relation to remuneration policy.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

Rabobank pursues a prudent, restrained and sustainable remuneration policy. This is appropriate to the bank's strategy, the chosen risk profile, the cooperative objectives and the core values. The remuneration policy is in keeping with the focus on the customer and has regard for Rabobank's long-term interests, the global context of the markets in which it operates, and the related socially accepted customs. Based on its cooperative identity, Rabobank wrote the Vision of Remuneration in 2010, which further underpins the prudent application of these principles by every group entity. In 2011, Rabobank fleshed out the Vision of Remuneration by drawing up a Group Remuneration Policy, taking into account applicable laws and regulations relating to remuneration. The Vision of Remuneration is available on the [website](#). The Group Remuneration Policy is subject to the approval of the Supervisory Board, which supervises its execution by the Executive Board. Rabobank's Group Remuneration Policy is reflected in the Collective Labour Agreement (CLA), as well as in the employment conditions for the Executive Board, senior managers and the employees of Rabobank International. In view of developments in society in general, members of the Executive Board no longer receive variable pay or bonuses with effect from 2013. Variable remuneration has also been abolished or is being curtailed for other groups of employees.

The Group Remuneration Policy is embedded in the applicable terms of employment for employees of the subsidiaries of Rabobank Group in the Netherlands and abroad.

6.2 Governance

Banking Code Principle

6.2.1 The Supervisory Board shall be responsible for executing and evaluating the adopted remuneration policy for the members of the Executive Board. In addition, the Supervisory Board shall subject the remuneration policy for senior management to its approval and oversee its execution by the Executive Board. The Supervisory Board shall also subject the principles of the remuneration policy for other bank employees to its approval.

The bank's remuneration policy shall also comprise the policy for awarding retention, exit and welcome packages.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

The Supervisory Board is responsible for executing and evaluating the adopted remuneration policy for the members of the Executive Board. In addition, the remuneration policy for senior management, as well as the principles of the remuneration policy for other Rabobank employees, are subject to Supervisory Board approval. These responsibilities have been formalised in the rules of procedure for the Supervisory Board and its Remuneration Committee.

Members of the Executive Board no longer receive variable pay or bonuses with effect from 2013. Variable remuneration has also been abolished or is being curtailed for other groups of employees. Material retention, exit packages and other guaranteed bonuses are not permitted. New recruits can be awarded a welcome bonus for their first year only, to compensate for any lost bonuses, deferred or otherwise, from their former employer. Material exceptions to the Group Remuneration Policy are subject to the prior consent of the Executive Board and the Supervisory Board. The Supervisory Board discusses the highest earners every year via a group remuneration report.

Banking Code Principle

6.2.2 The Supervisory Board shall discuss the highest variable pay figures annually. The Supervisory Board shall oversee that the Executive Board ensures that the bank's variable pay is in keeping with its adopted remuneration policy and, in particular, that it complies with the principles of this section. The Supervisory Board shall also discuss material retention, exit and welcome packages, and monitor that they are in keeping with the bank's adopted remuneration policy and are not excessive.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

Rabobank fully complies with this principle, see 6.2.1.

Rabobank HR prepares a report annually that gives the Supervisory Board insight into the highest income and variable pay earners across Rabobank Group in the preceding year. Any retention, exit and welcome packages are included.

The Supervisory Board prepares a remuneration report annually. In it and during its discussion, the Supervisory Board renders account of the remuneration of the members of the Executive Board to the Confidential Committee of the Central Delegates Assembly (CDA). The report addresses the level and the structure of the executive compensation. Based on this report, the Confidential Committee reports its findings to a plenary session of the CDA.

6.3 Executive compensation

Banking Code Principle

6.3.1 The total income of a member of the Executive Board shall be in reasonable proportion to the bank's remuneration policy. Their total income, at the time it is determined, shall be slightly below the benchmark median for the financial and non-financial sectors, weighing the relevant international context.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle	This is standing practice at Rabobank, as is demonstrated by the employment conditions of the Executive Board and the outcome of benchmark surveys.
	The executive compensation is periodically benchmarked.
	Members of the Executive Board no longer receive variable pay or bonuses with effect from 2013. In 2013 the Hay Group benchmarked the pay of the members of the Executive Board against the relevant reference market. The results of this comparison were discussed with the Supervisory Board and show that the total remuneration of members of the Executive Board is below the median for comparable positions in and outside the financial sector. The fixed salaries of the members of the Executive Board have been frozen since 2008 and not been adjusted for inflation since that year.
Banking Code Principle	6.3.2 Any severance payment to a member of the Executive Board shall not exceed one year's annual base salary. If a payment of up to one year's annual base salary should be manifestly unreasonable for a member of the Executive Board who is removed in their first term of service, this Executive Board member shall qualify for a severance payment of up to two times their annual base salary.
Comply or explain	Rabobank has opted to comply with this principle.
Practical application of principle	This provision has been applied to newly appointed members of the Executive Board since 1 January 2010. For members of the Executive Board appointed prior to 1 January 2010, a (subdistrict) court could decide, in line with the provisions of the Dutch Civil Code, to grant a higher severance pay than the maximum under the Dutch Banking Code.
Banking Code Principle	6.3.3 In awarding variable pay to a member of the Executive Board, allowance shall be made for the long-term component, as well as for profitability and/or continuity. A material part of the variable pay shall be awarded on a conditional basis to be payable no earlier than after three years.
Comply or explain	Not applicable.
Practical application of principle	Members of the Executive Board no longer receive variable pay or bonuses with effect from 2013.
Banking Code Principle	6.3.4 Shares awarded to members of the Executive Board at no financial consideration shall be retained for a period of at least five years or at least until the end of the term of service if shorter. If options should be awarded, they shall not be exercised within the first three years of having been granted.
Comply or explain	Not applicable.
Practical application of principle	As Rabobank does not award shares or options to any of its employees, this provision does not apply.

6.4 Variable pay

Banking Code Principle

6.4.1 Awarding variable pay shall be related in part to the bank's long-term objectives.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

Variable remuneration is now only applied to a very limited extent within Rabobank in the Netherlands. It has been discontinued for the Executive Board and for employees covered by the Collective Labour Agreement. All employees are managed on the basis of a performance management system by reference to the extent to which the targets set in advance have been achieved. The agreed targets consist of a combination of results and competence targets and are derived from the annual plans and the strategic framework that focus on achieving sustainable growth. If employees receive variable remuneration, it is based on the evaluation of performance against the agreed targets.

Banking Code Principle

6.4.2 Every bank shall set a maximum ratio of variable pay to base salary that is appropriate to the bank. The annual variable pay of members of the Executive Board shall not exceed 100% of their annual base salary.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

Variable remuneration is now only applied to a very limited extent within Rabobank in the Netherlands. It has been discontinued for the Executive Board and for employees covered by the Collective Labour Agreement. Jobs (from high-level to starter-level) have been described and they have been graded in accordance with the Hay system. Jobs have been linked up to a salary scale based on the number of Hay points. The top of the salary scale and, if applicable, the maximum percentage of variable pay (relative to base salary) have been determined for each salary scale.

Rabobank International Wholesale does not always use a system of job evaluation in countries other than the Netherlands. Job grading is then based on benchmarks.

If variable remuneration is granted to Identified Staff it is discussed in advance in the Supervisory Board's Remuneration Committee. Variable remuneration in excess of 100% of fixed salary is submitted to the full Supervisory Board.

The Vision of Remuneration and the Group Remuneration Policy contain further details of Rabobank Group's remuneration policy.

Banking Code Principle

6.4.3 Variable pay shall be based on the performance of an individual, and that of their division and of the bank as a whole, based on preset and assessable performance criteria. In addition to financial performance criteria, non-financial performance criteria shall also play an important role in an individual's assessment. The bank's remuneration policy shall objectify the performance criteria as much as possible.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

Variable remuneration is now only applied to a very limited extent within Rabobank in the Netherlands. It has been discontinued for the Executive Board and for employees covered by the Collective Labour Agreement. All employees are managed on the basis of a performance management system by reference to the extent to which the targets set in advance have been achieved. The agreed targets consist of a combination of results and competence targets and are derived from the annual plans and the strategic framework that focus on achieving sustainable growth. If employees receive variable remuneration, it is based on the evaluation of performance against the agreed targets.

The applicable procedures are laid down in the Group Remuneration Policy and in electronic and other forms.

Compliance with the Performance Management cycle is monitored on a regular basis. Each division and subsidiary has a Monitoring Committee in place which monitors the correct application of the remuneration policy. The group Monitoring Committee reports on this to the Supervisory Board.

Banking Code Principle

6.4.4 In assessing performance based on set performance criteria, financial performance shall be adjusted for estimated and actual risks and cost of capital.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

Variable remuneration is now only applied to a very limited extent within Rabobank in the Netherlands. It has been discontinued for the Executive Board and for employees covered by the Collective Labour Agreement. This principle hardly applies to Rabobank Nederland and its local Rabobanks, if at all, in material terms.

In determining variable pay at Rabobank International, allowance is made for financial performance based partly on trends in Economic Capital and Risk Adjusted Return on Capital (RAROC).

Banking Code Principle

6.4.5 In exceptional circumstances, e.g. if application of the set performance criteria were to result in a member of the Executive Board being awarded an undesirable amount in variable pay, the Supervisory Board shall have the discretionary power to adjust the variable pay if, in its opinion, it should have unfair or unintended effects.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

Members of the Executive Board no longer receive variable remuneration with effect from 2013. The Supervisory Board is authorised, in respect of variable remuneration previously awarded or deferred, to adjust any variable remuneration that in its judgement leads to unfair or unintended outcomes. In 2013, all deferred variable remuneration of members of the Executive Board was cancelled further to the Libor events.

The Supervisory Board prepares a remuneration report annually. In it and during its discussion, the Supervisory Board renders account of the remuneration of the members of the Executive Board to the Confidential Committee of the Central Delegates Assembly (CDA). The report addresses the level and the structure of the executive compensation

Banking Code Principle

6.4.6 The Supervisory Board shall have the power to recover from a member of the Executive Board any variable pay that was awarded to that member based on inaccurate financial or non-financial information.

Comply or explain

Rabobank has opted to comply with this principle.

Practical application of principle

Members of the Executive Board no longer receive variable pay or bonuses with effect from 2013. The Supervisory Board is authorised, in respect of variable remuneration previously awarded or deferred, to reclaim variable remuneration awarded to a member of the Executive Board on the basis of inaccurate financial or other information. This power is derived from the Supervisory Board's rules of procedure. In addition, this claw-back option is part of the employment conditions policy of the Executive Board. It is included in the remuneration letter that is issued to each member of the Executive Board annually upon the start of the new Performance Management cycle in April.