

# Progress report on the Banking Code - Rabobank Group

No	Banking code	Note content
<b>1 Sound and ethical operation</b>		
1.1	To build and maintain its position as a stable and reliable partner, a bank must formulate its mission, strategy and objectives. These focus on the long term and are expressed in part in the bank's risk policy and the policy for sustainability and corporate social responsibility.	<p>The Rabobank <a href="#">mission and strategy</a> explicitly states that the bank wants to be a meaningful cooperative and to remain successful over the long term for customers, members, employees and society. This <a href="#">new strategy</a> was defined at the end of 2015. Our <a href="#">ambition</a> is to be the most customer focused bank in the Netherlands and a leading food and agriculture bank worldwide. The visions outlined in Banking for the Netherlands and Banking for food give substance to the customer-focused cooperative. The sustainability strategy Sustainably Successful Together is an important building block within these visions.</p> <p>For further information see the Strategy section in the <a href="#">Annual Report 2015</a>.</p>
1.2	A bank chooses its positioning such that its commercial interests and social role are extensions of each other. This is also expressed in the bank's governance structure guides the implementation of its policy based on its mission, strategy and objectives.	<p>Rabobank, after years of operating under a so-called two-tier cooperative structure, now operates, as of 1 January 2016, as a cooperative with one banking licence and one set of financial statements. In the new cooperative structure, all the local Rabobanks and Rabobank Nederland work together as Rabobank. In doing so, the bank is seeking to invigorate both its cooperative identity and its banking business. The new structure enables Rabobank to anticipate future legislation and regulations and to respond to future developments more effectively and efficiently.</p> <p>For further information see the Governance section in the <a href="#">Annual Report 2015</a>.</p>
1.3	The executive board and supervisory board are – with due regard for each other's duties and powers – responsible for setting up a sound governance structure and compliance with the governance principles. The members of these boards will set an example to all of the bank's employees and exhibit this in their day-to-day activities. The supervisory board will evaluate the way the members of the executive board are setting an example each year.	<p>As set out in the <a href="#">rules of procedure</a> governing the Executive Board and Supervisory Board, these bodies share responsibility for the corporate governance structure and a robust and transparent organisational structure at Rabobank. The guidelines for corporate governance are evaluated at least once per year.</p> <p>In addition, the Executive Board ensures that every substantial change to the corporate structure of governance of Rabobank is presented for discussion at the General Members Council as a separate agenda item. This principle was applied at the General Meeting held in December 2015, when the amendments to the operational management of Rabobank and the new governance structure were approved unanimously.</p> <p>The performance of members of the Executive Board work is regularly reviewed by the Supervisory Board, which ascertains whether the members of the Executive Board can continue to meet the criteria for eligibility as demanded by the regulator.</p>
1.4	<p>The executive board and supervisory board are – with due regard for each other's duties and powers – responsible for developing, communicating and enforcing standards on integrity, morals and leadership in the bank. In addition, they ensure there are proper checks and balances and they safeguard a solid IT infrastructure that is vital for the functioning of the bank. Among other things, thorough checks and balances mean that the compliance function is also safeguarded within the executive board and supervisory board.</p> <p>The executive board will promote responsible behaviour and a healthy culture both at the top of the bank and throughout its organisation. In this, it will consider the interests of the bank's customers and other stakeholders. The supervisory board supervises this.</p> <p>A bank's culture must also express the assumptions in the Social Charter of the Dutch Banking Association. These must be embedded in the bank's organisation and the bank will include them in its contact with its stakeholders. It will provide an insight into the way in which the bank deals with the assumptions in the Charter.</p> <p>All employees will comply with the formal regulations and self-regulation that apply to them. The executive board and supervisory board are –with due regard for each other's duties and powers – responsible for this. The executive board is responsible for employees being and remaining familiar with all rules, values and standards applicable to the bank and will continue to pay attention to this. The supervisory board supervises this.</p>	<p>Rabobank has drawn up its own <a href="#">Code of Conduct</a>. This includes the basic premises of who 'we the Rabobank employees' are and sets out the principles that govern the (ethical) behaviour of all Rabobank Group employees. The Code of Conduct provides Rabobank employees guidelines on which they can base their actions: in relation to customers, society and each other. The Executive Board ensures compliance with the Code of Conduct and acts in line with the moral and ethical conduct declaration signed by each member.</p> <p>The Supervisory Board increasingly regards IT, which is essential to innovation, as the driving force behind the bank's strategy. For that reason, the Supervisory Board discusses the subject of ICT in-depth twice a year during its regular meetings. Throughout the year, the Supervisory Board also held lifelong learning sessions covering the subjects of IT, innovation and digitalisation. As stated in the succession plan, the Supervisory Board aims to make the most of its IT knowledge by reappointing existing members in 2016, and to subsequently extend it at a later time. The Chairman of the Executive Board is directly responsible for the compliance function.</p> <p>In 2014, Rabobank launched the Culture Collective programme, which focuses on the daily interaction with customers and the collaboration between employees. In various ways, the Culture Collective challenges executives, managers, team leaders and staff alike to reflect on their own attitudes and behaviour and how it affects others.</p> <p>In 2015, all the boards of directors of the local Rabobanks and the management teams of Rabobank Nederland (in total 133 teams) participated in meetings with the themes of the 'Individual', 'Employee' and 'Organisation: Complete customer focus'.</p> <p>The Supervisory Board discusses, supervises and monitors the progress of the Culture Programme at its meetings, and has taken part in the Culture Programme Forum to gain first-hand experience.</p> <p>To encourage dialogue about attitude and conduct and the associated dilemmas in day-to-day work situations, Rabobank organised a 'Values Week' worldwide in June 2015. The week also marked the kick-off for making and signing the banker's oath (the Executive Board and Supervisory Board included) as set out in the NvB package 'Future-oriented Banking'. For further information see the Corporate social responsibility report section in the <a href="#">Annual Report 2015</a>.</p>

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<b>2 Supervisory Board</b>		
2.1	<p>The supervisory board will be composed in such a way that it is able to perform its tasks properly. It will form a risk committee and an audit committee. The members of the supervisory board will be prepared and able to make sufficient time available for their duties and exhibit effort and commitment. They will at the same time be critical and independent.</p>	<p>Adherence to this principle is embedded in the <a href="#">rules of procedure</a> for the Supervisory Board and in the <a href="#">profile</a> based on that. The contents of both documents have been checked against the Dutch Banking Code and, where necessary, adapted to better align with the principles of the code.</p> <p>In accordance with the rules of procedure, the Supervisory Board has appointed an Audit Committee and Risk Committee.</p> <p>The areas of knowledge and experience, as well as other qualities and competences that are considered to be necessary at that time to operate optimally as a collective Supervisory Board will be assessed at the time of each (re)appointment to the Supervisory Board, based on multi-year succession plan. The succession plan is based on, among other things, external laws and regulations, directives and codes, as well as on internal guidelines. In the dynamic process of succession planning, the Supervisory Board anticipates in good time the internal and external developments, and ensures that the Supervisory Board continues to perform as professionally and appropriately as possible.</p> <p>For further background information see the <a href="#">CVs</a> of the members of the Supervisory Board. The suitability of all members of the Supervisory Board have been assessed by both De Nederlandsche Bank (DNB) and the ECB. During the suitability assessment the regulator not only checked the knowledge, experience and skills of the individual members of the Supervisory Board, but also the composition of the Supervisory Board as a whole. When they were appointed, the Chairman and the members of the Supervisory Board agreed to be available as required and contactable, in order to be able to fulfil their tasks for the (committees of) the Supervisory Board. The DNB/ECB suitability assessment explicitly examines the available time of the members of the Supervisory Board.</p> <p>Rabobank complies with Art. 3:8, Paragraphs 3 and 4, Financial Supervision Act (Wet financieel toezicht [Wft]) (new), and Art. 91, Paragraphs 4 to 6, Directive, which states that members of executive boards and supervisory boards of significant banks and investment companies may not hold more than the following positions:</p> <ul style="list-style-type: none"> <li>a) one executive position and two non-executive positions; or</li> <li>b) four non-executive positions</li> </ul> <p>DNB can give members of executive boards and supervisory boards permission to take on one additional non-executive position, which DNB reports to EBA.</p>
2.2	<p>Each member of the supervisory board will be aware of the social role of a bank and of the interests of the various stakeholders. There are specific competence and experience requirements for members of the supervisory board's risk and audit committees.</p> <p>Members of the risk committee must have thorough knowledge of the financial aspects of risk management or the necessary experience to permit a thorough assessment of risks. Members of the audit committee must have thorough knowledge of financial reporting, internal control and audit or the necessary experience to permit thorough supervision of these subjects.</p>	<p>In accordance with its <a href="#">rules of procedure</a>, the Risk Committee consists of at least four <a href="#">members</a> including the Chairman of the Supervisory Board and the Chairman of the Audit Committee. All members are also members of the Supervisory Board. The members of the Risk Committee have suitable knowledge, skills and expertise to be able to fully understand and monitor the risk strategy and risk acceptance of Rabobank.</p> <p>The Audit Committee, in line with its <a href="#">rules of procedure</a>, consists of at least four members, including the Chairman of the Supervisory Board and the Chairman of the Risk Committee. All members are also members of the Supervisory Board.</p> <p>The composition of the Audit Committee is such that a number of members have in-depth knowledge of internal control, technical aspects of the financial statement, requirements for financial reporting, audit and developments in these areas, as well as recent and relevant practical experience of financial markets or the necessary experience to provide sound supervision in these areas.</p> <p>For further background information see the <a href="#">CVs</a> of the members, which show that this principle has been applied.</p>
2.3	<p>The chairman of the supervisory board will organise a programme of lifelong learning for all members of the supervisory board with the aim of maintaining their expertise at the required level and improving it where necessary. The learning programme will in any event cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, IT infrastructure, risk management, financial reporting and audit. Every member of the supervisory board will take part in the programme and meet the requirements for lifelong learning. The assessment of the effectiveness of the programme of lifelong learning will be part of the annual evaluation performed by the supervisory board.</p>	<p>The Chairman of the Supervisory Board, in accordance with the <a href="#">rules of procedure</a> for the Supervisory Board, is responsible for ensuring correct functioning of the Board. In this way, the Chairman ensures that the members of the Supervisory Board follow an introductory programme and the lifelong learning programme.</p> <p>A fixed part of the annual evaluation of the members of the Supervisory Board is the effectiveness of the lifelong learning programme.</p> <p>In 2015, the members of the Supervisory Board met five times for sessions within the framework of lifelong learning. In the first session, the Supervisory Board received information on the progress of the Culture Collective, Rabobank's culture programme. The second education session focused on the current state of affairs regarding the socio-cultural context of the Netherlands. During the third session, various internal and external experts informed the Supervisory Board about the Volcker Rule and the impact it will have on Rabobank. The fourth education session was entirely focused on 'IT, the core of banking'. The fifth and last session concerned talent management and management development. Several members of the Supervisory Board also took up the standing invitation to attend educational sessions for the Executive Board. The themes at these sessions were: compliance USA, staff potential review, performance management/remuneration and talent management.</p>
2.4	<p>In addition to the supervisory board's annual self-evaluation, the functioning of the supervisory board will be evaluated under independent supervision once every three years. The involvement of each member of the supervisory board, the culture within the supervisory board and the relationship between the supervisory board and the executive board will be part of this evaluation.</p>	<p>For more information see the Report of the Supervisory Board section in the <a href="#">Annual Report 2015</a>.</p> <p>In November 2015, in accordance with this principle, the performance of the Supervisory Board was assessed by an external party.</p> <p>The commitment of each member of the Supervisory Board, the culture within the Supervisory Board and the relationship between the Supervisory Board and the Executive Board form part of this assessment. The assessment identified several themes on which the Supervisory Board intends to focus on more closely.</p> <p>For more information see the Report of the Supervisory Board section in the <a href="#">Annual Report 2015</a>.</p>

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2.5	Each member of the supervisory board will receive appropriate compensation for the amount of time that he or she spends on supervisory board activities. This compensation will not depend on the bank's results.	<p>The remuneration received by the Chairman of the Supervisory Board consists of two parts. The first part of the remuneration relates to his role of Chairman of the Supervisory Board and his participation in the various committees of the Supervisory Board. The second part of the remuneration relates to ensuring the effective representation of cooperative members' influence, something that is unique to Rabobank and derives from its cooperative structure. These duties include, among other things, acting as Chairman of the General Members Council (GMC). The remuneration of the Supervisory Board and Committees is established by the GMC, up to and including 2015 by the Committee on Confidential Matters of the Central Delegates Assembly. This remuneration does not depend on the results of Rabobank.</p> <p>For further information see the Remuneration section in the <a href="#">Annual Report 2015</a>.</p>
<b>3 Executive Board</b>		
3.1	The executive board will be composed in such a way that it is able to perform its tasks properly. Each member of the executive board will be aware of the social role of a bank and of the interests of the various stakeholders.	<p>The members of the Executive Board are appointed by the Supervisory Board in accordance with the <a href="#">rules of procedure</a> for the Executive Board. After seeking advice from the Executive Board, the Supervisory Board will prepare a profile describing, among other things, the integrity, expertise and availability of the Executive Board which it considers necessary. The Supervisory Board also prepares, after hearing the opinion of the Committee on Confidential Matters, job profiles for each vacancy on the Executive Board.</p> <p>All members of the Executive Board undergo a suitability check by both De Nederlandsche Bank (DNB) and the ECB.</p> <p>See the <a href="#">CVs</a> of the Executive Board here.</p>
3.2	<p>One member of the executive board will have the duty of preparing decision-making by the executive board on risk management. The member will be involved in good time in the preparation of decisions that are of material importance for the risk profile, especially where these decisions may result in a departure from the risk appetite approved by the Supervisory Board. This member may combine his or her function with other responsibilities, provided that he or she does not bear any individual commercial responsibility and operates independently from commercial areas.</p> <p>Risk management will also include a focus on the impact that systemic risk could have on the bank's risk profile.</p>	<p>As of 1 January 2016, the positions of Chief Risk Officer (CRO) and Chief Financial Officer (CFO) have been separated within Rabobank.</p> <p>The CRO is charged with preparing the Executive Board's decision-making on issues relating to risk management. The CRO reports at least once a year to the Supervisory Board on the strategy and risks connected to Rabobank's activities, the outcomes of the assessment of the set-up and performance of internal systems for risk management and control and of the organisational structure, along with any significant changes therein.</p> <p>The CRO will be involved in a timely manner in the preparation of decisions that are of material importance to the risk profile, in particular when these decisions may diverge from the risk appetite approved by the Supervisory Board. When exercising the risk management function, attention will also be paid to the importance of financial stability and how systemic risk could affect the risk profile of Rabobank.</p>
3.3	The chairman of the executive board will organise a programme of lifelong learning for all members of the executive board with the aim of maintaining their expertise at the required level and improving it where necessary. The learning programme will in any event cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audit. Each member of the executive board will take part in the programme and meet the requirements of lifelong learning.	<p>The members of the Executive Board follow a lifelong learning programme, in accordance with the <a href="#">rules of procedure</a> of the Executive Board. In 2015, the members of the Executive Board had several meetings on a wide range of substantive themes. The Executive Board also devoted specific attention to culture during several off-sites.</p> <p>In addition to the lifelong learning programme, newly appointed members of the Executive Board are offered a tailor-made introduction programme involving several discussions with internal and external experts and working visits.</p>
<b>4 Risk policy</b>		
4.1	A bank's risk policy is characterised by a comprehensive approach, is transparent and has both a short- and long-term focus. The risk policy also takes reputational risks and non-financial risks into account.	<p>Rabobank Group takes a prudent approach to risk with rigorous management controls to keep the bank safe, support the sustainable risk strategy and minimise losses within the risk appetite. Rabobank Group has installed a strong risk function and maintains a robust risk management framework to identify emerging risks and to take decisions based on a conscious and careful risk-return trade-off in line with the risk strategy appropriate to the risk appetite.</p> <p>Rabobank identifies and manages the risks it takes on an ongoing basis. This has led to a comprehensive risk management framework, which includes for example determining the risk appetite, conducting stress-testing and risk assessments for each group entity and for Rabobank Group as a whole, and measuring and monitoring risks.</p> <p>Rabobank's risk strategy supports management in realising the business strategy by defining boundaries within which the business must operate. Rabobank's risk strategy focuses on the following goals: a) protecting profit and profit growth; b) maintaining a solid balance sheet; c) protecting identity and reputation; Rabobank wants to protect the fundamental trust that its stakeholders have in the bank, and d) a healthy risk-return ratio; Rabobank wants to make more transparent choices related to where capital can be used most efficiently or where sector/concentration risk management must be applied.</p>
4.2	A bank's executive board will be responsible for its risk policy and ensure proper risk management. The executive board will propose the risk appetite to the supervisory board for approval at least once a year. Any material changes to the risk appetite in the interim will also require the supervisory board's approval.	<p>The risk policy is established by the Executive Board. In line with previous years, the risk appetite is adopted by the Executive Board and approved by the Supervisory Board. Intermediate material changes to the risk appetite are also submitted to the Supervisory Board for approval.</p>

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4.3	The supervisory board will supervise the risk policy pursued by the executive board. As part of its supervision, the supervisory board will discuss the bank's risk profile and assess at a strategic level whether capital allocation and liquidity requirements are generally in line with the approved risk appetite and whether operations in general are in line with the bank's risk appetite. In the performance of this supervisory role, the supervisory board will be advised by its risk committee.	<p>In accordance with the <a href="#">rules of procedure</a> of the Supervisory Board and the Risk Committee, the Supervisory Board will supervise the policy of the Executive Board in respect of all material risk categories (such as credit risk, market risk, liquidity risk and operational risk), internal procedures and control mechanisms.</p> <p>The Supervisory Board assesses whether the capital allocation and liquidity requirements are generally in line with the approved risk appetite and whether the operations in general are in agreement with Rabobank's risk appetite. This is accomplished by, among other things, the annual approval of the group budget and the funding mandate. Additionally, Rabobank's risk profile is discussed on the basis of a report.</p> <p>The Risk Committee is responsible for the preparatory work regarding these subjects for the Supervisory Board.</p> <p>In order to perform this task, the Risk Committee and the Supervisory Board are provided, on a quarterly basis, comprehensive information on the development of the group entities in terms of their results, risks, capital requirements and other relevant parameters.</p>
<b>5 Audit</b>		
5.1	A bank's executive board will ensure that a systematic audit is conducted of the management of the risks related to the bank's operations. To this end, a bank will have its own internal audit department with an independent position within the bank. The head of the internal audit department will report to the chairman of the executive board and also have a direct reporting line to the chairman of the supervisory board's audit committee.	The Executive Board depends on Audit Rabobank, which holds an independent position within the organisation, to ascertain whether the internal risk controls meet the applicable requirements. Every year, Audit Rabobank carries out audit procedures based on an extensive risk assessment in order to check whether important business processes function effectively and whether the procedures and measures for managing Rabobank's risks are sufficient. The Director of Audit Rabobank reports directly to the Chairman of the Executive Board and has a direct reporting line to the Audit Committee of the Supervisory Board. The <a href="#">Annual Report</a> includes a statement by the Executive Board declaring that the internal risk management and control systems have been designed in such a way so as to ensure that the financial reporting can be considered reliable.
5.2	The internal audit department, external auditor and the supervisory board's audit committee will consult periodically.	The risk assessment, the audit plan, the report on the audit findings and other reports are discussed by the Audit Committee. The risk assessment, the audit plan, the report on the audit findings are introduced following consultations with the external auditor. Internal audit regularly conducts discussions with the Chairman of the Audit Committee and the external auditor. Once a year, the Audit Committee convenes a private session with the Chief Audit Executive.
5.3	The internal audit department will take the initiative in arranging talks with DNB (the Dutch central bank) and the external auditor at least once a year to discuss each other's risk analyses, findings and audit plans at an early stage. The bank's executive board and internal audit department will encourage these tripartite talks, aiming for a clear delineation of each other's duties and responsibilities.	A tripartite consultation on the aforementioned subjects is held on an annual basis between DNB, the external auditor and Rabobank (including Audit Rabobank). In addition, Audit Rabobank bilaterally and consecutively shares the risk assessment, the findings and the audit plan with the external accountant and the DNB/ECB joint supervisory team.
<b>6 Remuneration policy</b>		
6.1	The bank will implement a detailed, restrained and long-term remuneration policy that is unambiguous and transparent and in line with national and international regulations. The remuneration policy will have a primarily long-term focus and be in line with the bank's risk policy. It will incorporate an internal and external balance of ratios, taking into account the expectations of the various stakeholders and social acceptance. It will also take the relevant international context into account.	<p>Rabobank pursues a prudent, restrained and sustainable remuneration policy. It fits with the strategy, the desired risk profile, the cooperative objectives and the core values.</p> <p>The remuneration policy is in keeping with a customer-focused approach and takes into account the long-term interests of Rabobank, the international context of the markets in which Rabobank operates and with the socially accepted practices in this area. With the bank's cooperative identity as its basis, in 2010, Rabobank drew up its <a href="#">Vision on Remuneration</a>, which further underpins the prudent application of these principles by every Rabobank Group entity. In 2011, the 'Vision on Remuneration' was further substantiated with the preparation of the Group Remuneration Policy (Groepsbreed Beloningsbeleid (GBB)), which takes into account current legislation and regulations on remuneration. The GBB is updated annually in order to reflect new developments and current laws and regulations. The Supervisory Board approves the GBB and supervises its implementation by the Executive Board.</p> <p>The GBB is reflected in the Rabobank CLA and in the terms of employment for the Executive Board, the senior management and the terms of employment of all divisions and subsidiaries of Rabobank Group in the Netherlands and abroad. In consideration of social developments, as from 2013 the members of the Executive Board no longer receive any variable remuneration or bonuses. Variable remuneration has also been eliminated for other groups of employees or limited, and remuneration packages have been cut back. Within this context, a multiannual baseline (from 2012 up to and including 2016) was introduced in the Rabobank CLA. This multiannual baseline also applies to the Executive Board and the senior management.</p> <p>For further information see the Remuneration section in the <a href="#">Annual Report 2015</a>.</p>
6.2	The total income of a member of the executive board will at the time it is set be below the median for comparable positions inside and outside the financial industry, taking into account the relevant international context.	<p>The remuneration of the Executive Board is periodically benchmarked against the market. As of 2013, the members of the Executive Board no longer receive any variable remuneration or bonuses. In 2014, as in 2013, Hay Group conducted benchmark research, where the incomes of the members of the Executive Board were compared with the relevant reference market. The results of this research have been discussed with the Supervisory Board and show that the total income is lower than the median for comparable positions both inside and outside the financial sector. A baseline has been in place since 2008 for the fixed incomes of the members of the Executive Board; these have not been adjusted for inflation since 2008.</p> <p>For further information see the Remuneration section in the <a href="#">Annual Report 2015</a>.</p>
6.3	The variable remuneration of a member of the executive board will be set in accordance with national and international regulations.	As of 2013, the members of the Executive Board no longer receive any variable remuneration or bonuses.