

DUTCH COUNCIL FOR COOPERATIVES (N.C.R.)—NATIONAL CODE FOR COOPERATIVES

The N.C.R. National Code for Cooperatives 2019 (hereafter referred to as “the Code”) sets out the rules and guiding principles for cooperatives. By correctly observing these rules the cooperative will foster collaboration between its most important bodies (Management, Supervisory Board(s), and the General Members’ Council/member councils).

The Code is based on cooperative principles and rules of behavior which enjoy broad support. The Code contains Principles and Rules, with the Principles distinguishing the legal form of the cooperative. They relate to collective entrepreneurship (the cooperative runs as a business), the collective ethos and mutuality (members collaborate with each other and with the cooperative to add value) and member engagement. The Principles are described in more detail in a brief list of Rules. These Rules describe the detailed behaviors or conditions to put the Principles into practice.

Rabobank is a member of the N.C.R. and as such is expected to observe its Principles and Rules.

The N.C.R. requires its members to report transparently on their adherence the Principles and Rules as laid down in the Code and to be answerable for their actions.

Rabobank’s Annual Report contains a summary of the application of and adherence to the Code.

The account given below largely reflects the content of Rabobank’s Articles of Association, local regulations, and internal guidelines and procedures. In the near future, Rabobank intends to refocus and tighten its cooperative governance further. The most recent evaluation of our governance and its structures took place in fall 2019. The evaluation—which was based on a survey conducted by TIAS School for Business and Society—showed that both the structure and operation of governance at Rabobank is more than adequate. At the same time, the evaluation noted that the governance must be structured in such a way that it can respond adequately to continuous changes to the context and national and international environments in which the bank operates. A temporary Governance Evaluation Committee was set up on behalf of the GMC to advise the Managing Board on how to achieve future-proof good governance.

The Governance Evaluation Committee made two recommendations. The first governance change was debated and approved by the GMC in December 2020. The second change will be dealt with in spring 2021. This second change includes certain proposals and recommendations which will be referred to in the account given below.

Utrecht/digital, March 2021

Cooperative Entrepreneurship

Principles and Rules	Adherence	Rabobank Accountability
Principles		
<p>1. A cooperative is a form of association run as a business. Cooperative entrepreneurship means doing business with and on behalf of the members.</p> <p>2. The ideas underpinning a cooperative are an acknowledgment of a common need.</p> <p>3. Cooperatives focus on the long-term impact of their activities.</p>		<p>In 2019, Rabobank initiated a cooperative renewal pathway which gave rise to eight cooperative principles which will serve as the basis for the bank's service provision and its management. One of these principles is: the cooperative and the bank are one and the same thing.</p> <p>The bank's mission is: "Growing a better world together." This is a long-term mission to make society more sustainable.</p> <p>Sustainability with and on behalf of our customers, through our products and services, for our employees, for society, and for the climate.</p> <p>In the General Members' Council and the Annual Report the Managing Board reports on how it complies with the cooperative principles and takes sustainability measures. On behalf of members, Rabobank's Supervisory Board supervises the policies implemented by the Managing Board and the general progress made by Rabobank. The Supervisory Board also advises and guides the Managing Board where necessary.</p>
Rules		
A The objective of a cooperative must reflect the interests of the members. In the course of business, however, management and supervisory boards shall consider the interests of all stakeholders and are answerable to members in this respect.	Green	<p>Rabobank reflects the interests of members and customers. We have done this ever since our cooperative bank was created. Putting the customer first is also enshrined in the regulations for financial institutions. When drawing up and implementing the bank's policies we strive to create impact for the long term and to consider the interests of all stakeholders. Management has developed a long-term vision and formulated a strategy to achieve it.</p> <p>In the bank's Annual Report the Managing Board reports on progress on its policies and how it puts cooperative principles into practice. Rabobank's Supervisory Board monitors this progress. Subject to satisfactory implementation, the General Members' Council discharges the members of the Managing Board and the Supervisory Board for fulfilling their respective tasks of implementing and monitoring the bank's policies.</p>
b. The common requirements may highlight the mutual need of members to bolster their social and/or cultural and/or economic positions, but may also be focused on social impact.	Green	<p>For Rabobank, the common requirements relate primarily to social impact and focus on sustainability, continuity, and stability. A precondition applies, namely that members and customers are satisfied with all aspects of our banking service provision which are intended to meet their financial-economic needs.</p> <p>When the General Members' Council approved the proposal for cooperative renewal in September 2019, it (re)confirmed that Rabobank values its members and wishes to engage even more closely with its member organization.</p> <p>The cooperative banking mentality enhances the connections between the members and the strategy. The thinking behind this is:</p> <ol style="list-style-type: none"> Both Rabobank employees and member representatives (members of the member councils and local supervisors) actively engage in dialog with members; We use the output of these dialogs to connect the bank to the views of the outside world and take them into account in everything the bank does: drawing up business plans, improving (or innovating) products and services; The business plans are connected to social themes. As a cooperative bank Rabobank should seek to achieve its social ambitions through profitable business activities. The bank looks to the interest of individual customers but also emphatically to the collective interest. Collaboration makes the bank distinctive; The bank collaborates with members to translate its ambitions on national, regional, and local levels. Member participation is not restricted to the local level; they can take part at other levels if they wish. Employees can also make their contribution at these three different levels. <p>All the bank's products and services must be based on cooperative principles.</p>
c. Cooperatives themselves are not run to make a profit; rather, the organization's business serves the members (and their interests).	Green	<p>Rabobank is run to make a profit in the interests of customers and members. We see profit as a means to an end, not as an end in itself. It is needed for continuity and future growth. The bank can only realize its social goals if it makes sufficient profit.</p> <p>As a financial institution the bank must comply with regulations on capital, capital buffers and specific ratios, and must therefore retain a certain level of capital as a buffer.</p>
d. Any surplus made shall be used for one or more of the following objectives:	Green	<p>Rabobank surplus funds are not distributed to members. However, a responsible part of the profit is made available to members in the form of a cooperative dividend to be used to serve society. Furthermore, as a financial institution, the bank is obliged by law to retain a certain level of reserves.</p> <ol style="list-style-type: none"> redistribution among the members; support for activities endorsed by the members; building up reserves, benefits for members in relation to their transactions with the cooperative; the further development of the cooperative.
e. Cooperatives build up capital as required for healthy operations in both the short and longer term.	Green	<p>As a financial institution, Rabobank is obliged by law to build up capital. Capital serves as a yardstick/parameter for regulators, investors, and rating agencies.</p>
NCR The management shall adopt a reserves policy and a policy for the redistribution of surplus funds, and address such matters on an annual basis with the members in light of the cooperative's objective and strategy.	Green	<p>Every four years, Rabobank draws up its strategic annual plan, which also sets the percentage for the cooperative dividend. The cooperative dividend is comparable to a dividend to shareholders from general reserves.</p>

Collective Ethos and Mutuality

Principles and Rules	Adherence	Rabobank Accountability
<p>Principles</p> <p>4 The relationship between individual members is based on collaboration and solidarity.</p> <p>5 Cooperatives believe in the strength of the collective.</p> <p>6 The relationship between individual members is based on reciprocal rights and responsibilities.</p>		<p>At Rabobank, solidarity among members disappeared over the course of several decades. In the early days (1895), members acted as each other's guarantors. Later this liability was gradually reduced to a limited liability of FL 5,000. In 1998 the liability of members and financial mutuality between local banks and members was abolished entirely. This is reflected in the bank's official name: Coöperatieve Rabobank U.A. where "U.A." stands for "excluded from liability."</p> <p>At this time, reciprocity between members and Rabobank is expressed in other ways. First and foremost, a member must be a customer of a local Rabobank. Rabobank's governance gives members rights and few responsibilities. This is largely how the level of reciprocity is determined at this time. Members can participate in democratic governance processes within the bank. Member representatives (members of member councils and local supervisory boards) have certain responsibilities to their support base (the members). Their task is to bring in the views of the outside world to which the bank must listen.</p> <p>In terms of solidarity and collaboration, the GMC operates on the principle of simple majority votes. But if a motion is supported by 60% of the votes, the GMC will find that there is insufficient consensus and the voting outcome will not be recognized. A qualified majority is required for important decisions in the GMC.</p> <p>By law, the bank is not allowed to apply different pricing for ordinary customers and member customers. In that respect, solidarity is a given, by law.</p>
<p>Rules</p>		
a. Cooperatives and their individual members do business with each other in a significant way.	Green	<p>The only requirement for membership is that a Rabobank member must also be a Rabobank customer. Eligibility for membership is not related to the volume of business or the number of products and services they have with the bank.</p> <p>It is the bank's responsibility to offer products and services which best suit each customer.</p>
b. Cooperatives and their members are transparent in their transactions with one another and actively provide one another with relevant verifiable information	Green	<p>The bank is subject to regulations relating to transparency towards customers/members. In general, as a financial institution Rabobank is obliged to comply with extensive regulations about which information it is allowed to share with members and non-members. For instance, the regulations governing price-sensitive information limit the extent of internal and external transparency.</p> <p>Members give the local banks and the central Rabobank organization useful information and insights on social developments to which the bank can respond. These external insights and member contributions (through the governance bodies) feed into the strategy on banking issues, but also determine how the bank expresses its cooperative identity in practice.</p> <p>Just like an ordinary customer, a member/customer must provide the bank with all kinds of information prior to and during the banking relationship in order to meet regulatory requirements on know your customer/client integrity.</p> <p>The members of the General Members' Council receive at least the information specified in the Articles of Association relating to uniform data and information from other bodies within the bank.</p>
c. Member control is related to members' use and the extent of reciprocity. The extent of the stake in the capital of the organization may also play a role in this, albeit a subsidiary role	Pale green	<p>Members do not have a direct stake in the bank's capital. However, from the start the Articles of Association, which are approved by the members, have always included a provision that the net profits be added to the bank's reserves. In this way, for decades they have indirectly provided the bank with member capital. Currently that capital amounts to around EUR 28 billion. This is how the members (representatives) play an ownership role at Rabobank.</p> <p>Certificates issued by Rabobank are an investor instrument. Both members and non-members may own certificates.</p> <p>Just like customers who are not members, member/customers make an important contribution to Rabobank funding through their savings and deposits, thereby allowing the bank to issue loans and credit facilities.</p>
d. Cooperatives have an admission policy for members and are transparent on how this policy is implemented.	Green	<p>Rabobank has an open, transparent, and growth-oriented member admission policy. However, the background research into customers which is mandatory for financial institutions plays a key role in accepting new customers. This background research has therefore become part of the member admission process.</p>

Member Engagement

Principles and Rules	Adherence	Rabobank Accountability
<p>Principles</p> <p>7 Cooperatives are organizations with democratic member control</p> <p>8 The extent of control is determined by several factors, such as the extent to which the cooperative is used by its members. Mutual solidarity applies to this on principle.</p> <p>9 Self-financing on the part of members is the starting point, and is related to the level of reciprocity and/or member engagement.</p>		<p>At Rabobank, members who have been elected to member councils have democratic voting rights. These rights apply in tiers up to the General Members' Council.</p> <p>In the future, it may be possible for members to vote on ideas and visions (dialogs to gain more insight) via the Rabo banking app. However, the app will not be used to vote on key strategic decisions (expressing the democratic principle).</p> <p>At this time, all members may vote on how to use the cooperative dividend.</p> <p>Indirect member financing (retained earnings) safeguards the ownership role of members at Rabobank.</p> <p>To further strengthen our cooperative governance, in spring 2021 proposals will be submitted for approval to the General Members' Council with the aim of utilizing the potential and engagement of the growing group of members:</p> <ol style="list-style-type: none"> Both member representatives and employees will engage in dialogs with the broad member base on various topics through a range of channels and resources. Regional/local geographies will continue to be the guiding principle. The job profile for members of member councils and local supervisory boards may include sectoral or thematic connections The aim is to achieve the highest possible membership of the member council in order to reinforce the links with the local community, proactively engage in dialog with members, and act on important local social themes. The scope of the General Members' Council remit will be expanded to include international and group activities. Simultaneously a GMC Committee will be set up that focuses on international activities. Every member of the GMC has a single vote. The total number of votes is equal to the total number of GMC members. The General Members' Council has at least 70 members. <p>In addition another three recommendations will be made to strengthen the functioning and interconnectedness of the various forums in the bank:</p> <p>A. The connection between the Group Supervisory Board and the General Members' Council can be enhanced through improved communication and sharing of information by the Group Supervisory Board. The GMC can proactively request this from the Group Supervisory Board.</p> <p>B. Clear guidelines will be created for communication to and between the different forums. They will include who will be informed, which topics they will be informed of, and the time and through which channels they will be informed.</p> <p>C. The Directors' Conference will be adapted to reflect the new ways of working introduced in Banking 3.5. The purpose of the conference will be communicated in advance.</p>
<p>Rules</p> <p>a. Good cooperative entrepreneurship assumes full participation on the part of members in respect of the formulation of opinions and decision-making at the level of departments, circles, districts, the members' council and/or the general meeting of members.</p>	Green	<p>The cooperative Rabobank is characterized by tiered representation to the General Members' Council.</p> <p>Members elect a local member council, and the member council elects a local supervisory board. The chair of the local member council is a member of the General Members' Council.</p> <p>The General Members' Council has extensive tasks and responsibilities, such as appointing members of the Rabobank Supervisory Board and approving Rabobank's annual accounts.</p> <p>Connections to the member support base are important to how the cooperative works. This is not just about engaging in dialog but also about shaping member representation. It touches among other things on: how much contact does the member representative have with the members in his/her electoral region (kring); which points will be raised in the member council; do members know who their representative is? The bank has addressed all these points in detail and a revised approach will be submitted to the GMC for approval in spring 2021. For example, one of the proposed recommendations is to achieve the highest possible membership of the member council in order to reinforce the links with the local community, proactively engage in dialog with members, and act on important local social themes. Another proposal is to increase diversity in the member councils and local supervisory boards. Guidelines will be given on how to achieve this.</p> <p>The regulations governing price-sensitive information limit the extent of internal and external transparency and information provision.</p>
<p>b. In terms of voting rights, cooperatives use the principle of "one member, one vote" or multiple voting rights in proportion to the scope of individual members' transactions. Voting rights granted to non-using members are subject to substantiation and such rights shall be restricted.</p>	Green	<p>At this time, as laid down in our Articles of Association, voting at central level (General Members' Council) takes place through a weighted voting system. Replacement by a "one (wo)man one vote" system is currently under discussion. The weighted system is complex and no longer corresponds to the bank's structure.</p>

<p>c. The relationship between the various bodies [decision-making or otherwise] of cooperatives shall be configured in line with a system of checks and balances, so that each individual is able to fulfil his or her role and that there is a healthy tension between the parties. Cooperatives and their members shall strive to achieve good dialog.</p>	<p>Green</p>	<p>The member council appoints and dismisses the local supervisory board, and the chair of the local supervisory board participates in the General Members' Council.</p> <p>Participation in the General Members' Council takes place without instruction or consultation.</p> <p>To safeguard the checks and balances in the bank, a proposal to adapt the governance (spring 2021, see below at "h.") will include a provision that the minimum number of GMC members be set at 70.</p> <p>The GMC has many sub-committees which have influence on the business of the council (for instance the agenda committee) and on projects of strategic importance in the bank (for instance, the evaluation of the governance for cooperative renewal).</p> <p>The General Members' Council appoints and dismisses Rabobank's Supervisory Board.</p> <p>The dialog is based on ample information supplied by the bank. Region ("Kring") meetings, which take place in advance of the General Members' Council meetings, give the opportunity for dialog between the region ("kring") and members of Rabobank's Managing Board and Supervisory Board. One of the agenda items is preparation and advance discussions relating to the General Members' Council meeting.</p> <p>After the General Members' Council meeting, the chair of the local supervisory board who attended the GMC reports back to the member council about the meeting and the decisions taken.</p> <p>Alongside the consultations with member representatives in the formal bodies, the dialog with all members is the foundation of a cooperative and is embedded in the bank's cooperative principles. It ensures that the voice of the outside world is heard, and that members' needs and interests are sufficiently clear at all times. It is then the task of the member representatives and employees to represent these interests and meet these needs. The current dialog does not yet fully tap into areas of great potential concerning who participates, the purpose, cohesion, and implementation.</p> <p>The dialog with the broad member base relates to both banking service provision and how we act on social themes. We engage in dialog in different ways, depending on the topic and purpose of the dialog. The members are a heterogeneous community with different preferences. Given the size of the membership group, one obvious opportunity would be to give a more prominent role to digital channels, alongside face-to-face dialog. The proposal is to engage in digital dialog with groups of members who are open to the idea at national, regional, and local levels.</p>
<p>e. Decisions made by the management board in relation to a significant change to the identity or character of individual cooperatives or the work they perform must be submitted to the general meeting of members/members- council.</p>	<p>Green</p>	<p>In line with the current rules in the bank's Articles of Association, decisions by the management on significant modifications to the identity or character of the bank must be submitted to the General Members' Council for approval.</p> <p>On the other hand, there are a couple of topics which by law the bank is not allowed to put to the General Members' Council: for instance, pricing.</p>
<p>f. Cooperatives shall make provision for the training of their members, elected members of the management and supervisory boards, floor managers, and employees so that they can make the best possible contribution to the development of individual organizations.</p>	<p>Green</p>	<p>Training and education are one of the bank's principles in the cooperative renewal program. In order to further boost the cooperative mentality of employees and member representatives and to facilitate the dialog, soon we will be setting up and promoting the education program and the digital and other processes and systems to support it.</p> <p>There is already a training program for young supervisory board members which was given accreditation three years ago.</p> <p>All members who sit on member councils have opportunities to take courses. In addition, modules are already available to evaluate the performance of the member council. There are also onboarding programs for new local supervisory board members and programs on specific topics.</p> <p>Furthermore we hold introduction sessions for new member council members, local supervisors, and members of the General Members' Council.</p>
<p>g. Cooperatives convey the essence and benefits of cooperative organizations pro actively to the outside world.</p>	<p>Green</p>	<p>At Rabobank, we organize a "week of the cooperative" once a year, we pay out a cooperative dividend, and in its external communication the bank positions itself as "cooperative Rabobank."</p>
<p>h. The management and supervisory boards, together with the general meeting of members, shall ensure that everyone has a voice, and that robust dialog is encouraged and enshrined in the decision-making processes.</p>	<p>Green</p>	<p>This rule is enshrined in our Articles of Association. The internal and external supervisors monitor compliance. This rule is also audited. Furthermore, the bank's governance is evaluated at regular intervals, with particular focus on ensuring that everyone has a voice and is able to express both dissent and agreement.</p> <p>The most recent evaluation of our governance and its structures took place in fall 2019. The evaluation—which was based on a survey conducted by TIAS School for Business and Society—showed that both the structure and operation of governance at Rabobank is more than adequate. At the same time, the evaluation noted that the governance must be structured in such a way that it can respond adequately to continuous changes to the context and national and international environments in which the bank operates. The temporary Governance Evaluation Committee made two recommendations to the Managing Board relating to future-proof good governance, on behalf of the GMC. The first governance change was debated and approved by the GMC in December 2020. This approval covered the following topics:</p>

1. A continued role for the local SBs.
2. Joint exercise of the supervisory and employer roles with the region ("kring:") banking supervisory tasks will no longer apply.
3. Introduction of distributed tasks within the local SBs.
4. The region ("kring") meeting retains its tasks as set out in the Articles of Association (see Art. 46).
5. The region ("kring") council consists of supervisors from the "kring" who perform the joint employer and (commercial and social) supervisory roles.

The second recommendation and further proposals for modification to the governance will be submitted for approval in spring 2021. These modifications relate specifically to how the governance works, and there is one point that touches on the design of the governance: namely, changing the voting method (please see above under point b.) This overview occasionally refers to these proposals and recommendations.

i. The method by which decisions are made must be open to democratic scrutiny, allowing minority points of view.	Green	Democracy is enshrined in education, in the (supporting) reports and documentation from meetings and events, in the preparation of events at all levels of the organization. It is incorporated into agendas and links to voting rights in practice.
j. Member influence and control is an essential part of the cooperative ethos. Depending on the governance model, members may also have a significant position in day-to-day management and/or supervisory bodies, except where mandatory legislation dictates otherwise. The dominant role for members that is given shape in the general meeting of members or members' council ensures that members have a voice and control in the management and supervision of the cooperative	Green	<p>The General Members' Council is the supervisory body to which the Managing Board and the Rabobank Supervisory Board must answer (GMC grants discharge).</p> <p>The GMC also has rights of recommendation and approval and it appoints and dismisses the members of the Rabobank Supervisory Board.</p> <p>At the local level, member (representatives) may also exercise certain forms of supervision. For instance, relating to the quality of service provision and the way in which the local bank translates its cooperative identity in practice. For example, how it safeguards the social capital (network and connections with members in the local community).</p>
k. The management and supervisory boards are responsible for the standard of their own performance. Each member of the management and supervisory boards must have the required expertise.	Green	<p>The rules on self-assessment of the Managing Board and Rabobank Supervisory Board and its committees are mandatory and are complied with annually.</p> <p>Once every two-to-three years these bodies are subject to external evaluation.</p>
		<p>The General Members' Council assesses the quality of its own actions in a continuous dialog and their performance is controlled in the bi-annual governance survey.</p> <p>The local supervisory board and the member council also evaluate their own performance on a regular basis.</p> <p>Regarding the suitability and expertise of the members of the Managing Board and the Supervisory Board, prior to their appointment all members of these bodies are subject to extensive screening by regulators in respect of knowledge, experience, competences, and skills to do the job satisfactorily.</p>
l. The strategy and the financial framework that this implies shall be determined by the members and/or be submitted to the members for approval, except where the members have delegated authority for this to the management or supervisory board. In that case, it is sufficient for the board in question to be held accountable on this at a later date.	Green	<p>The strategy and the strategic framework drawn up by the Managing Board must ultimately be approved by the General Members' Council. The social themes are a specific component of the Rabobank strategy.</p> <p>Rabobank operates in a strictly regulated environment and there are limits to its freedom.</p>