Integrated Profit & Loss: Progress measurement 2014-2016

Reporting 3.0 conference, June 12th 2018

Adrian de Groot Ruiz / True Price
Tjeerd Krumpelman / ABN AMRO
ABN AMRO’s aim: long-term value creation
Challenge

How can ABN AMRO create more value?

For ABN AMRO it is important to have a sustainable business model that creates value for all stakeholders.

In daily reality, it can be challenging to make this practical and balance business and societal considerations, now and in the future.

How can ABN AMRO improve its sustainable business model that creates value for all stakeholders?

ABN AMRO can improve its sustainable business model by measuring, steering and reporting on value creation for all stakeholders.
IP&L Pilot for mortgages and ABN AMRO total

Human Capital / Employee development

IP&L Pilot Cocoa trade finance

Progress report 2014-2016

True Price of diamonds
Measuring, reporting & steering make value creation actionable

A. Measure value creation for all stakeholders

B. Report on value creation for all stakeholders

C. Steer on value creation for all stakeholders
How to measure value creation for all stakeholders?

1. Identify the material impacts on all capitals

<table>
<thead>
<tr>
<th>Natural capital</th>
<th>Social capital</th>
<th>Human capital</th>
<th>Financial capital</th>
<th>Produced capital</th>
<th>Intellectual capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 and energy savings due to bank policies</td>
<td>Facilitation of payment system</td>
<td>Improved life satisfaction of employment</td>
<td>Contribution to bank’s profit</td>
<td>Value of financial services to consumers</td>
<td>More and better data</td>
</tr>
<tr>
<td>Benefits of use of renewable energy</td>
<td>Reputation and trust of sector</td>
<td>on-the-job-learning</td>
<td>Payments to employees</td>
<td>Quality of service provision</td>
<td>Consumer knowledge</td>
</tr>
<tr>
<td></td>
<td>Indirect social benefits</td>
<td>Human capital creation from training</td>
<td>Taxes paid</td>
<td>Change in physical assets of the bank</td>
<td>Increase in brand value of ABN AMRO</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Intellectual capital</td>
</tr>
</tbody>
</table>

Qualitative estimate of ABN AMRO’s material impacts as found in an internal expert session

1) Six capitals as recommended by the International Integrated Reporting Council; impacts shown combine impacts to different stakeholder groups
How to measure value creation for all stakeholders?

2. Match impacts to stakeholders

<table>
<thead>
<tr>
<th>Clients</th>
<th>Employees</th>
<th>Society-at-large (nature)</th>
<th>Society-at-large (other)</th>
<th>Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer surplus</td>
<td>Payments to employees</td>
<td>CO2 and energy savings due to bank policies</td>
<td>Taxes paid</td>
<td></td>
</tr>
<tr>
<td>Facilitation of payment system</td>
<td>Increased life satisfaction of employment</td>
<td>Benefits of use of renewable energy</td>
<td>(Short-term) investor value</td>
<td></td>
</tr>
<tr>
<td>Stress due to payment difficulty at clients</td>
<td>Human capital creation due to on-the-job-learning</td>
<td>Health and safety incidents (value chain)</td>
<td>Internalization opportunities</td>
<td></td>
</tr>
<tr>
<td>Privacy concerns</td>
<td>Human capital creation from training</td>
<td>CD2 and energy use (downstream)</td>
<td>Internalization risks</td>
<td></td>
</tr>
</tbody>
</table>

Qualitative estimate of ABN AMRO’s material impacts as found in an internal expert session

1) Impacts ‘Consumer surplus’ and ‘(Short-term) investor value aggregate impacts of the previous page into tangible benefits to stakeholder groups. Stakeholder groups in line with ABN AMRO’s segmentation, with society-at-large split into a part for natural capital and a part for all other capitals to stress the special character of natural capital.
IP&L allows reporting on net value creation per stakeholder…

Publish integrated Profit & Loss (by capitals and/or stakeholders) to report on progress

- Increase in net profit
- Increase in brand value
- Increase value mortgages
- Increase NPS
- (Decrease revenue)
- Increasing digitalization

- Staff reduction
- Slight increase employee engagement
- Decline in own emissions
- New green initiatives
- Regaining trust

2014 2016

Clients
Employees
Society at large (nature)
Society at large (other)
Investors
Using this to steer on value creation is the next step

1. Track and set targets on progress
Integrated Profit & Loss: Progress measurement 2014-2016

END