

## Dutch Corporate Governance Code

This section contains a brief overview of CEB's compliance with the best practice rules of the Dutch Corporate Governance Code (in this section known as the Code). On December 8, 2016, the Corporate Governance Code Monitoring Committee published the revised Dutch Corporate Governance Code<sup>1</sup>. It should be noted that, due to our private ownership structure, the Code's provisions on shareholders and general meetings (rights, meetings, obligations, and protective measures – see Chapter IV of the Code) are, to a large extent, not applicable to CEB. Also, as CEB has adopted a two-tier structure, Chapter 5 of the Code (one-tier governance structure) does not apply. For 2022, CEB reports on its compliance with the Code as follows:

### Long-term Value Creation

The Bank's focus on long-term value creation as opposed to achieving short-term gains is inherent in its private ownership structure. The long-term value creation strategy of the Bank for the period to 2025 is included in its Strategy Document, which was prepared by the Managing Board, involving extensive discussion with and approval by the Supervisory Board (for more details on this document's contents, see Chapter D of the Corporate Governance chapter included in the Bank's annual report).

Long-term sustainability is given a prominent role in determining the Bank's strategy and in its decision-making process. All stakeholders' interests are carefully considered in this process. The strategy is reviewed annually and, where necessary, updated. As a result of the most recent strategic discussions, the Bank will focus on improving its credit ratings, digital transformation, trade finance activities, and sustainability, among other areas. Regular updates enable the Supervisory Board to monitor the implementation of the Bank's strategy. It is of great importance for the Bank to be continuously informed about the latest technological developments in today's rapidly changing society. In order to adequately anticipate these, internal training is conducted and staff members attend external seminars and courses.

CEB has established an Internal Audit Department in accordance with the principles and best practice provisions of the Code. CEB's risk management framework is comprehensive and is managed by an independent risk management function under the direct responsibility of the Chief Risk Officer. Risk management plays a central role in the Bank's decision-making process. More information on CEB's risk management can be found in note 37 of the consolidated financial statements. The Supervisory Board, inter alia, oversees the effectiveness of the design and the operation of the internal risk management and control systems.

Within the Supervisory Board, an Audit and Risk Committee (ARC) has been established. KPMG Accountants N.V. has been appointed by the Bank's general meeting of shareholders (at the nomination of the Supervisory Board) as the Bank's external auditor. At least annually, the ARC discusses the Bank's audit plan and any findings of the external auditor. Exchange of information between the Managing Board,

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<sup>1</sup> On 20 December 2022 the update of the 2016 Corporate Governance Code was released. Companies will for the first-time report on their compliance with the updated Corporate Governance Code as from financial year 2023.

Supervisory Board, and the external auditor takes places in meetings of the ARC and in meetings between the Managing Board and the external auditor. Outside these meetings, there is regular contact with the Bank's external auditor to share information and discuss specific topics in more detail.

## Effective Management and Supervision

The current composition of the Supervisory Board and Managing Board is very well balanced, considering the specific knowledge and experience of each member, with six members<sup>2</sup> on the Supervisory Board and three on the Managing Board. Considering the size and nature of the Bank, these numbers are deemed sufficient to properly perform the Boards' tasks.<sup>3</sup> Since CEB currently has only one Supervisory Board member who meets the criteria laid down in best practice provision 2.1.8 (i) - (v), it now also complies with best practice provision 2.1.7 (i) (in the past years there were two members of the Supervisory Board meeting the aforementioned requirements of best practice provision 2.1.8 (i) - (v)). At this moment, the Supervisory Board consists of two female and four male members<sup>4</sup>. Following the introduction of the Gender Balance Act, the Bank has been setting appropriate and ambitious targets to promote gender diversity on its boards and ExCo and in certain categories of managerial functions; and actions are taken to try to reach these targets.

In 2022, the Bank's Diversity and Inclusion Policy was updated to further embed it into CEB's organization. This Policy sets out the commitment of CEB to inclusion, equity and diversity. A diverse workforce, inter alia, helps CEB to fulfil its purpose, as different perspectives drive innovation, accelerate growth, and lead to more robust decisions and outcomes. For the main DEI actions taken in 2022, please refer to the Diversity, Equity and Inclusion section in the Non-financial Reporting chapter included in the Bank's annual report. The main item for improvement is to establish a more balanced gender ratio among CEB's staff. At the consolidated level of the Banking Group, the male-female ratio is well balanced. However, at entity level in the different countries and within the different seniority levels, there is room for further improvement. A plan of action for 2023 is being developed to reach a more balanced gender ratio and to achieve the Bank's other diversity targets.

At the CEB level, the composition of the Managing Board can be improved in terms of the male-female ratio<sup>5</sup>. No new appointments were made to the Managing Board in 2022 and, following the stepping down of the Bank's former CEO, Mr. Murat Basbay (effective from January 1, 2022), the number of Managing Board members has been reduced from four to three compared to 2021. In case of a vacancy on the Managing Board, the Recruitment and Selection Policy and the Diversity and Inclusion Policy, among others, will be applied, and the recruitment team will be requested to provide a shortlist with at least 50% female candidates before a final selection is made based on candidates' suitability for the position. CEB will continue to strive for a good gender balance at Managing Board level, and the aim remains to appoint

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<sup>2</sup> As from the stepping down of Mr. De Beaufort (with effect from the day of the AGM to be held in March, 2023) the Supervisory Board will continue with five members for the moment, as this is deemed sufficient considering the size and nature of the Bank.

<sup>3</sup> See footnote 2.

<sup>4</sup> Effective from the day of the AGM to be held in March, 2023, the aim is that the Supervisory Board will continue with five members (two female and three male members).

<sup>5</sup> The Managing Board is aware that in addition to gender diversity also the diversity within the Managing Board in terms of age and/or cultural background can be improved. These types of diversity will also be taken into account in case of a vacancy.

female candidates in the case of new appointments to the board and when replacing current members.

The Bank's Supervisory Board has two female members. In view of the requirements applicable to listed companies' supervisory boards following the introduction of the Gender Balance Act, for the moment CEB considers its Supervisory Board sufficiently balanced in terms of gender.

Targets are being set to further improve the gender balance on the ExCo, which currently has one female member. As half of the ExCo members are Managing Board representatives, reference is made to the above explanations regarding gender diversity within the Managing Board.

The rules and procedures for the appointment and reappointment of Supervisory Board and Managing Board members are set out in the Bank's internal policies and charters, such as the Recruitment and Selection Policy for the Supervisory Board and Managing Board. A succession planning document for the Bank's senior management has been prepared and is currently being reviewed taking into account the latest diversity targets. At the same time this document is a key element in enabling the Bank to meet its (future) diversity targets. The functioning of the Managing Board and Supervisory Board and its individual members is evaluated annually.

For the organization of the Supervisory Board, see the relevant paragraphs of the Supervisory Board Report.

The diverse composition of the Supervisory Board (in terms of age, background and expertise) and Managing Board (in terms of expertise) enables balanced decision-making by these bodies. The high level of transparency between the Supervisory Board and Managing Board also contributes to effective and balanced decision-making, as do the Supervisory Board's subcommittees. The respective interests of the Bank's main stakeholders (i.e., CEB's customers, employees, business partners, shareholders, regulators, and wider society) are taken into consideration in the decision-making process. The Supervisory Board and Managing Board members annually discuss other board positions held by their members.

To promote and create the desired culture aimed at long-term value creation, new CEB employees participate in an induction program, during which they are trained in the Bank's core and base values, main policies and regulations (including the code of conduct and staff handbook), and culture. CEB organizes regular thematic awareness training for all employees, and the desired culture within the Bank is highlighted and discussed during quarterly staff events. Following a company-wide engagement survey executed in 2020 a cultural transformation program was started to focus on three pillars in the coming years: people first, empowerment, and collaboration. In 2022, an umbrella narrative has been developed to support this cultural transformation. In addition, changes were made to the governance structure of the Bank (e.g., establishing an Executive Committee) and the Bank's Executive Committee embarked on a leadership development program. Also, a Grow Together program was launched to increase self-awareness and support effective collaboration (further information on which can be found in the chapter non-financial review under 'Employee Experience'). For more details on the Bank's culture reference is made to the chapter non-financial review under 'Corporate Culture'. Another way to promote a culture aimed at long-term value creation is the Bank's remuneration policy (see below and Section F of the Corporate Governance chapter included in the Bank's annual report)

To enable the Bank's employees to report misconduct and irregularities within the Bank, whether actual or

suspected, an internal alert system (whistle-blower policy) has been established. This policy describes the purpose of the internal alert system, its usage, anonymous reporting, confidentiality, and external whistle-blowing procedures. In cases of material misconduct or irregularities, the Supervisory Board is informed. Through the Compliance Oversight Committee, the Supervisory Board monitors the operation of the internal alert system, how it deals with signs of misconduct or irregularities, and how adequate follow-up of any recommendations for remedial actions is performed.

The Bank has established different policies and procedures to manage and prevent conflicts of interest, including the Conflicts of Interest Handling Policy and a Related Party Transactions Policy. For more information on the handling of potential conflicts of interest, see Section E of the Corporate Governance chapter and included in the Bank's annual report.

## **Remuneration**

CEB's Group Remuneration Policy is in line with national and international regulations. The policy applies to CEB and its subsidiaries. It also covers the remuneration of Managing Board members of CEB and its subsidiaries. Through its conservative remuneration policy, CEB promotes a sound remuneration culture with a long-term focus. The Group Remuneration Policy is reviewed and approved by the Bank's shareholder and the Supervisory Board, which monitors its proper implementation by the Managing Board. The compliance to the rules and procedures under the policy is reviewed annually in line with the Control Functions Remuneration Monitoring Procedure. The HR and Remuneration Committee meets at least each quarter and prepares the decision-making process for the Supervisory Board, taking into account the long-term interests of all CEB stakeholders.

The Supervisory Board determines the level of remuneration for the members of the Managing Board in line with the principles of the Group Remuneration Policy.

The remuneration received by the members of the Supervisory Board is not dependent on the financial results of the Bank. Each Supervisory Board member receives an appropriate amount of compensation, taking into account the total number of hours spent for the tasks and the compensation paid to Supervisory Board members of companies of comparable size and business.

The Bank's Remuneration Report is included in Section F of the Corporate Governance chapter and included in the Bank's annual report and is also made available on the Bank's website. The main elements of the agreements of the Managing Board members with the Bank are not published on the Bank's website as CEB holds the view that sufficient information is disclosed in its Remuneration Report.