

# **Auditor Independence Policy**

## **Status: APPROVED POLICY**

**Applicable to:** ABN AMRO Group NV, stated in the policy as ‘ABN AMRO’ (fully including ABN AMRO Bank NV and Fortis Bank (Nederland) NV - Global - All Functions) as from 1 June, 2011

## **1. Introduction**

### **Purpose**

This policy is established to ensure the independence of ABN AMRO’s external auditors, both in fact and appearance. It also provides the responsibilities of both the external audit firm and the Audit Committee of the Supervisory Board of ABN AMRO (referred to as Audit Committee in this document).

### **Summary**

The Auditor Independence Policy holds the policy statements with regard to services provided by the external audit firm as well as the pre-approval procedure.

## **2. Auditor independence**

### **2.1 Policy**

ABN AMRO Group N.V., including its majority owned subsidiary companies (referred to as ABN AMRO in this policy) maintains a policy for appointing, compensating and oversight of accounting firms performing services for which independence is required such as audit services and audit-related services as outlined below. The accounting firm is also referred to as external audit firm. References to the external audit firm include all its internal departments, divisions, parents, subsidiaries and associated entities wherever located. The external audit firm must be registered with the Public Company Accounting Oversight Board (PCAOB).

ABN AMRO and all of its majority owned legal entities maintain a strict policy of avoiding, both in fact and in appearance, any conflict of interest when using the services of the external audit firm.

This policy is guided by the following principles:

- The external audit firm is not involved in the decision-making process at ABN AMRO
- The external audit firm assures that no direct or indirect financial, business, employment or other relationship exists which would cause an objective, reasonable and informed third party to conclude that the external audit firm’s independence has been compromised.

In line with the European Commission Recommendation<sup>1</sup> implemented in the Netherlands, the Supervisory Board of ABN AMRO and her officers shall refrain from entering into any financial or business relationship with ABN AMRO’s external audit firm, their partners or employees which could, or could be seen to:

- create a conflict of interest

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<sup>1</sup> Commission Recommendation of 16/5/2002, Statutory Auditors’ Independence in the EU: A Set of Fundamental Principles.

- place the external auditor in a position to audit their own work
- result in the external auditor acting as a ABN AMRO manager or ABN AMRO employee
- place the external auditor in the role of advocate for ABN AMRO.

ABN AMRO also recognises that its relationship with the external audit firm must be managed in a consistent and transparent manner, and is committed to defining clear roles, responsibilities and processes in order to achieve this.

## **2.2 External audit firm and Audit Committee**

### **Responsibility of the external audit firm**

The external audit firm maintains a quality control system that provides reasonable assurance that the independence of the firm, its partners, and employees is not impaired. The external audit firm must report annually to the Audit Committee on all aspects concerning independence and confirm its independence in writing.

Furthermore, the external audit firm must report annually to the Audit Committee on the external audit firm's system of audit quality controls in general and on the audit quality control measures for the audit of ABN AMRO in particular.

### **Appointment of external audit firm**

The external audit firm is appointed for a period of three years. The Audit Committee may recommend and accordingly advise the Supervisory Board on the appointment of the external audit firm at interim periods.

The Audit Committee must assess the following criteria with regard to the external audit firm on an annual basis:

- Auditor independence
- Quality of the audit services
- Audit budget

The Audit Committee advises the Supervisory Board on the outcome of this assessment. The Supervisory Board must advise the general assembly of shareholders on the (re-)appointment of the external auditor based on the recommendations of the Audit Committee every three years. The (re-)appointment of the external auditor must be approved by the general assembly of shareholders.

### **Responsibility of the Audit Committee**

The Audit Committee must formally:

- Evaluate the independence of the external audit firm, document its position on this matter, and address changes to this policy or situation as needed each year
- Evaluate the audit quality control measures with respect to the external audit of ABN AMRO, document its position and address changes if necessary
- Evaluate the appropriateness of the annual audit budget in relation to perceived audit risk, market conditions and results of audit services rendered

## **External audit firm communication with the Audit Committee**

The external audit firm must ensure that the Audit Committee is kept informed about material matters relating to the ABN AMRO audit. In particular the external audit firm must make timely reports to the Audit Committee regarding:

- All critical accounting policies and practices to be used
- All alternative treatments within Generally Accepted Accounting Principles for policies and practices related to material items that have been discussed with ABN AMRO management including:
  - Ramifications of the use of such alternative disclosures and treatments
  - The treatment preferred by the external audit firm
- Other material written communications between the external audit firm and ABN AMRO management such as any management letter or schedule of unadjusted differences

## **3. External audit firm services**

### **3.1 Policy**

The external audit firm must remain independent of ABN AMRO both in fact as well as in appearance. External audit firm independence is impaired when the external audit firm provides services which:

- Create a mutual or conflicting interest between the external audit firm and ABN AMRO
- Result in the external audit firm functioning in the role of management
- Place the external audit firm in the position of auditing its own work
- Place the external audit firm in the position of being an advocate for ABN AMRO

### **3.2 Permitted services**

Consistent with the policy and subject to the pre-approval requirements of the Audit Committee, the external audit firm of ABN AMRO may provide the audit services, audit-related services and non-audit services listed in this chapter. The total (annual) fee amount of audit related services should not exceed 75% of the total (annual) audit services fee. The total (annual) fee amount of non-audit services (which includes tax advisory services and all other non audit services) should not exceed 25% of the total of the annual audit services fee and, additionally, each non-audit service needs a specific approval from a Managing Board member of ABN AMRO. Above the indicated thresholds services are possible in exceptional cases. For these services, an explicit case by case approval of the Audit Committee is required prior to starting the engagement as it also is for proposed engagements within the thresholds.

Services to be rendered by the external audit firm, whether audit, audit related, tax or non-audit services, which will result in a material fee, will be discussed as part of normal working procedures between the Chief Audit Executive and the Audit Committee.

## **Audit services**

In cases where audit services are to be provided by the external audit firm, the Pre-Approval Policy for audit, audit-related and non-audit services describes how and when pre-approval is to be obtained. The external audit firm normally provides audit services in connection with statutory or regulatory filings or engagements and generally only the external audit firm in its role as external auditor can provide these services reasonably.

Audit services include services that provide assurance on the fair presentation of financial statements and encompass the following specific services:

- Performing an audit of ABN AMRO consolidated annual financial statements
- Performing statutory audits of the financial statements of ABN AMRO and/or its subsidiaries
- Issuing an audit opinion on the Annual Report and regulatory reporting / Basel II related certifications
- Reviewing ABN AMRO interim financial statements
- Accounting and tax consultations in connection with the audit and review of ABN AMRO (interim) financial statements
- Attest services required by statute or regulation, including issuing attestations to management's report on ABN AMRO's internal controls for financial reporting
- Auditing electronic data processing, IT systems and IT security as part of financial statement audits

## **Audit-related services**

In cases where audit-related services are to be provided by the external audit firm, the Pre-Approval Policy for audit, audit-related and non-audit services describes how and when pre-approval is to be obtained. Audit-related services are defined as certifications and attestations, being assurance and related services that are reasonably related to the performance of audit services and assurance services or other work traditionally provided to ABN AMRO by the external audit firm in its role as external auditor. These types of services can be characterised as non-recurring and usually result in a certification or a specific report of factual findings.

Audit-related services include:

- Comfort letters and other agreed upon procedures for offering circulars, prospectuses and registration statements in connections with securities offerings
- Third party assurance, internal control evaluations (e.g. International Standard on Assurance Engagements ('ISAE') 3402 reviews)
- Due diligence support leading to certification/attestation, not including vendor due diligence as the latter is defined as a forbidden service . It is emphasised that the nature of due diligence assignments need to be assessed on a case-by-case basis as certain agreed upon procedures can also qualify as non audit services

- Tax compliance certifications/attestations, including preparation of original and amended tax returns and claims for refund
- Consultations concerning financial accounting and reporting matters not classified as audit services
- Agreed upon procedures (to be assessed on a case-by-case basis as agreed upon procedures can also qualify as non audit services)

### **Permitted non-audit services**

In cases where permitted non-audit services are to be provided by the external audit firm, the Pre-Approval Policy for audit, audit-related and non-audit services describes how and when pre-approval is to be obtained. The external audit firm is permitted to provide ABN AMRO with any non-audit service that is not otherwise prohibited. Permitted non-audit services include:

- Tax advisory services such as tax planning and tax advice services, including advice on transfer pricing
- Consulting services
- Any other service determined by the Audit Committee to be a permitted non-audit service

NOTE: Tax planning and advice encompasses a diverse range of services including assistance with tax audits and appeals, tax advice related to mergers and acquisitions, tax payment planning advice, employee benefit plans and requests for rulings or technical advice from tax authorities.

### **3.3 Prohibited services**

#### **Prohibited non-audit services**

Consistent with the policy statement, the external audit firm is prohibited to provide ABN AMRO with the following non-audit services at any point during the audit and professional engagement period:

1. Bookkeeping or other services related to the accounting records or financial statements of ABN AMRO
2. Financial information systems design and implementation
3. Appraisal or valuation services, fairness opinions, or contribution-in-kind reports
4. Actuarial services
5. Internal audit outsourcing services
6. Management functions
7. Human resources functions
8. Broker or dealer, investment adviser, or investment banking services
9. Legal services
10. Expert services unrelated to the audit
11. Forensic audit services

12. Model validation
13. Tax services to any person who serves in a financial reporting oversight role for ABN AMRO, with the exception of personal tax services specifically requested by ABN AMRO.
14. Vendor due diligence
15. Any other services impermissible under applicable laws or determined by the Audit Committee to be impermissible

**NOTE: Services listed (1) to (10) above are prohibited by rules issued by the United States Securities and Exchange Commission (SEC). Service (11, 12, 13 and 14) above are additionally prohibited by the Audit Committee. 4. Audit Committee pre-approval**

#### **4.1 Policy**

The Audit Committee is responsible for pre-approving audit, audit-related and permitted non-audit services provided by the external audit firm in order to ensure that such services do not impair the independence of the external audit firm.

#### **Audit Committee tasks**

In exercising its pre-approval authority, the Audit Committee considers whether such services are consistent with the continued independence of the external audit firm. The Audit Committee also decides whether the external audit firm is best positioned to provide the most effective and efficient service, for reasons such as familiarity with ABN AMRO's business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance ABN AMRO's ability to manage or control risk or improve audit quality.

The Audit Committee is mindful of the relationship between fees for audit and non-audit services in deciding whether to pre-approve any such services. The committee determines the appropriate ratio between the total amount of fees for audit, audit-related and permitted non-audit services for each fiscal year.

#### **4.2 Audit services**

The annual audit of ABN AMRO's consolidated and statutory financial statements; including services that are required by the external audit firm to form an opinion on ABN AMRO's consolidated financial statements are subject to the pre-approval of the Audit Committee. The Audit Committee monitors the annual audit services engagement as necessary and also approves, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, ABN AMRO's structure or other items.

#### **4.3 Audit-related and permitted non-audit services**

A list of audit-related services and permitted non-audit services, with budgeted fee amounts, is submitted by Managing Board to the Audit Committee for general pre-approval, with regard to the Audit Committee hiring the external audit firm to provide these services. The Audit Committee approves both the list of services and the budget for such services.

The list of services for which pre-approval has been granted is revised by the Audit Committee on a semi-annual basis and if specifically requested by management to do so.

Audit related and permitted non-audit services that (a) do not appear on the list of services or (b) exceed the pre-approved budgeted amounts require the specific pre-approval of the Audit Committee.

To ensure the prompt handling of matters, the Audit Committee delegates its authority to specifically pre-approve services to the Chief Audit Executive (being the head of Group Audit). The Chief Audit Executive must report any pre-approval decisions to the Audit Committee at its next regularly scheduled meeting.

Submissions to the Audit Committee to pre-approve services must include a joint statement from management and the external audit firm confirming that the services are consistent with applicable rules on auditor independence. For every case of pre-approval, sufficient documentation is maintained on the particular services provided to enable the Audit Committee to make a well reasoned assessment of the impact of the services on the external audit firm's independence.

The term of any pre-approval is twelve months (maximum) from the date of pre-approval, unless the Audit Committee decides upon a different period and states otherwise.

#### **4.4 Monitoring and reporting**

The Audit Committee, in consultation with Managing Board, designates the Chief Audit Executive to monitor the performance of all services provided by the external audit firm. The Chief Audit Executive must report periodically to the Audit Committee on the results of its monitoring.

Both the Chief Audit Executive and the Managing Board must immediately report to the Audit Committee any potential impairment of the external audit firm's independence that comes to the attention of the Chief Audit Executive or any member of the Managing Board. The Audit Committee also reviews the internal auditor's annual audit plan to ensure that the plan provides for the monitoring of the external audit firm's services.

### **5. Administrative policies**

#### **5.1 Audit partner compensation**

The independence of the external audit firm will be impaired if, at any point during the audit and professional engagement period any audit partner earns or receives compensation based on the audit partner procuring engagements with ABN AMRO to provide any services other than audit, review or attest services.

#### **5.2 Audit Partner rotation**

ABN AMRO requires the external audit firm to adhere to a rotation policy that is widely accepted and provides an appropriate balance between continuity (effectiveness and efficiency, e.g. audit quality and audit costs), risk management, independence and credibility. This implies a rotation of audit partners in accordance with applicable domestic and international rules.

### **5.3 Hiring arrangements**

ABN AMRO and the external audit firm agree on a restricted hiring policy:

- ABN AMRO must not hire, in a financial reporting oversight role, a former member of the ABN AMRO external audit engagement team until two years have elapsed from the time that the person was a member of the ABN AMRO external audit engagement team. A financial reporting oversight role is a role in which a person is in a position to or exercises influence over the contents of the financial statements or anyone who prepares them.
- The external audit firm must not hire senior management from ABN AMRO for involvement in the ABN AMRO external audit within two years after termination of their employment agreement with ABN AMRO.

### **5.4 Disclosure of fees**

ABN AMRO discloses the audit and non-audit fees incurred for professional services provided by the principal external audit firm for the last two fiscal years. In this disclosure the total fee note of the principal external audit firm must be broken down into the following categories:

- Audit fees
- Audit-related fees
- Tax fees
- All other non-audit fees