



Sustainability Report 2004
ABN AMRO Holding N.V.



Profile

ABN AMRO

- is a prominent international bank with origins going back to 1824
- is the 11th biggest bank in Europe and 20th in the world (ranked by tier 1 capital)
- has over 3,000 branches in almost 60 countries and territories, a staff of about 97,000 full-time equivalents worldwide and total assets of EUR 609 billion as of year-end 2004
- is listed among others on the Euronext Amsterdam and New York Stock Exchange.

Our business strategy is built on five elements:

1. Creating value for our clients by offering high-quality financial solutions which best meet their current needs and long-term goals
2. Focusing on:
 - consumer and commercial clients in our home markets of the Netherlands, the US Midwest, Brazil and in selected growth markets around the world
 - selected wholesale clients with an emphasis on Europe, and financial institutions
 - private clients
3. Leveraging our advantages in products and people to benefit all our clients
4. Sharing expertise and operational excellence across the Group
5. Creating 'fuel for growth' by allocating capital and talent according to the principles of Managing for Value, our value-based management model.

We aim for sustainable growth to benefit all our stakeholders: our clients, our shareholders, our employees, and society at large. In pursuing this goal we are guided by our Corporate Values and Business Principles.

We implement our strategy through a number of (Strategic) Business Units ((S)BUs). Each of these units is responsible for managing a distinct client segment or product segment, while also sharing expertise and operational excellence across the Group, seeking opportunities for standardisation, and exploiting new market solutions to provide clients with even better products and services. These (S)BUs are:

- Consumer & Commercial Clients, which serves almost 20 million consumer clients and clients in the small and medium-sized enterprises sector worldwide. ABN AMRO is among the leading players in these segments in its three home markets while targeting other high-growth regions through its Business Unit New Growth Markets
- Wholesale Clients, which provides integrated corporate and investment banking solutions to more than 10,000 corporate, institutional and public sector clients in nearly 50 countries
- Private Clients, which provides private banking services to wealthy individuals and families, and has EUR 115 billion assets under administration as of year-end 2004

- Asset Management, which is one of the world's leading asset managers, operating from over 20 locations worldwide and managing EUR 161 billion worth of assets as of year-end 2004 for private investors and institutional clients
- Transaction Banking Group, which is our product organisation covering all payments and trade in the bank for our retail, private client, commercial and wholesale markets.

To provide our clients across the Group with even better products and services, we have also created a cross-(S)BU Consumer segment and a cross-(S)BU Commercial segment. These segments work closely with Asset Management, Transaction Banking Group, Wholesale Clients and other product units to deliver high-quality solutions to our client bases in countries across the world.

Our relationship-based approach and our unique combination of client segments, products, and geographical markets have enabled us to build a strong competitive advantage among our clients in the mid-market segments. We aim to increase this advantage on a continuing basis, either by growing our mid market client base or improving our product capabilities.

Making more possible

In early February 2005, on the day that ABN AMRO announced its results for 2004, the bank also introduced its first-ever global tagline.

'Making more possible' stands for customers and the bank together achieving goals and taking up challenges. 'Making more possible' also articulates the importance we attach to sustainable development: 'financing the future'.

Because banks are part of society, we want our activities to reflect the needs and problems of that society. ABN AMRO sees a pivotal role for itself in protecting the environment for future generations and in reducing the number of people living below the poverty line. To achieve these goals, we also include social and environmental aspects in providing financial services.

By turning the Triple-P concept 'People, Planet, Profit' – into reality, we are accepting our responsibility with regard to financing the future.

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Portune at bottom of pyramid millennium development
financing the future making transparency = accountability
= credibility = trust climate change business as
engine for more well being who cares who Hong Kong
December 2005 renewable energy building bridges
balancing interest leading practitioners passion raise and
meet expectations public private partnerships people planet profit
Possible dream Rome not build in one day reliable framework
know your client satisfaction space
employer of choice

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Key facts and figures

	2004	2003
Financial		
Total revenue (in millions of euros)	19,793	18,793
Total taxes (in millions of euros)	1,071	1,503
Net profit (in millions of euros)	4,109	3,161
Group capital (in millions of euros)	33,039	31,803
BIS total capital ratio (in %)	11.26	11.73
Total assets (in millions of euros)	608,623	560,437
Net earnings per share (in euros)	2.45	1.94
Dividend per share (in euros)	1.00	0.95
Efficiency ratio (in %)	69.2	67.0
Sustainable Asset under Management (in millions of euros)	1,443	828
Social		
Average number of employees (in FTEs)	105,918	105,439
Joiners (in %)	17.4	16.4
Leavers (in %)	17.8	17.3
Women (in %)	49	52
Women at managerial levels (in %)	19	18 ¹
Total costs of education (in millions of euros)	104.2	104.5
Number of volunteers	14,450	12,330
Direct donations and sponsorship (in millions of euros)	61.1	58.2
Environmental		
Energy (kWh per FTE)	8,049 ^{2,4}	6,556 ³
Air-travel (in km per FTE)	5,398 ²	4,941 ^{1,3}
Waste (tonnes per FTE)	0.27 ²	0.2 ³
Other		
Number of countries and territories	58	63
Number of risk management, compliance and audit staff	1,723	1,593
Dow Jones Sustainability Index - World	2 nd position	2 nd position
Dow Jones Sustainability Index - STOXX	Leader	Leader
FTSE4Good Europe 50 and FTSE4Good World 100	Included	Included
Innovest Strategic Value Advisors	AAA	AAA

¹ 2003 figures restated, see Restatements 2003 on page 83

² Energy: based on 80,000 FTEs. Air-travel: based on 85,000 FTEs. Waste: based on 77,000 FTEs

³ Energy: based on 55,000 FTEs. Air-travel: based on 85,000 FTEs. Waste: based on 40,000 FTEs

⁴ Energy figures in 2004 include, next to electricity, energy from other sources, which were not measured in 2003

Countries and territories

Europe

Austria
Belgium
Czech Republic
Denmark
Finland
France
Germany
Gibraltar
Greece
Ireland
Italy
Jersey
Kazakhstan
Luxembourg
Monaco
The Netherlands
Norway
Poland
Portugal
Romania
Russian Federation
Spain
Sweden
Switzerland
Turkey

United Kingdom

Uzbekistan

South America

Argentina
Brazil
Chile
Colombia
Ecuador
Netherlands Antilles
Paraguay
Uruguay
Venezuela

North America

Canada
Mexico
United States

Middle East and Africa

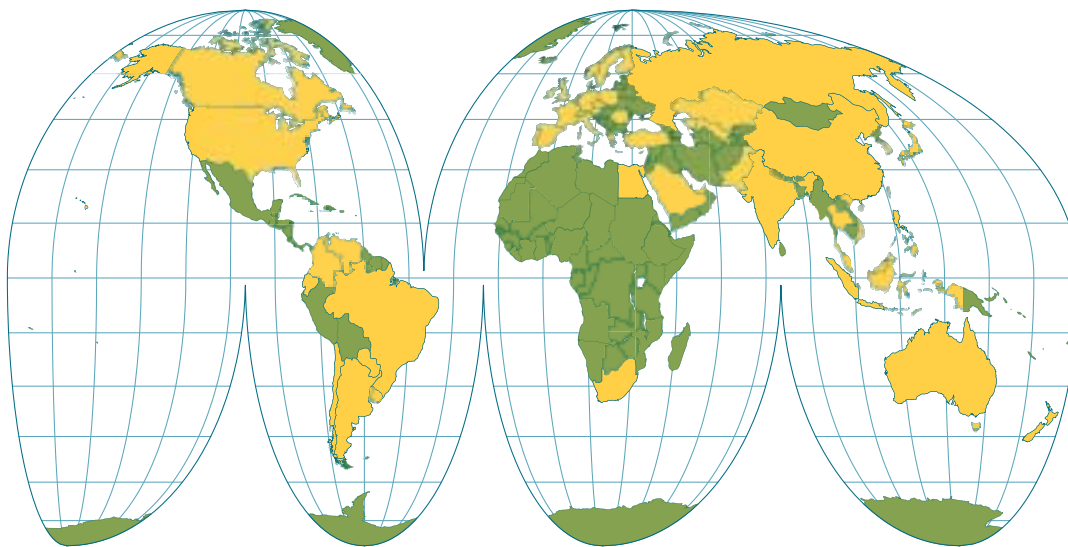
Egypt
Saudi Arabia
South Africa
United Arab Emirates

Asia and Pacific

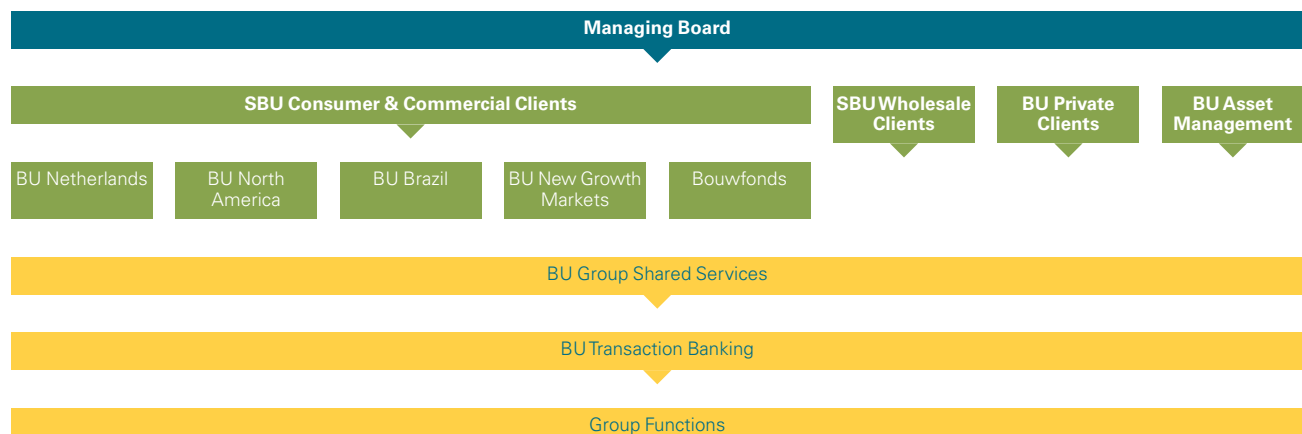
Australia
China, People's
Republic of
Hong Kong
India
Indonesia
Japan
Korea, Republic Of
Malaysia
New Zealand
Pakistan
Philippines

Singapore

Taiwan
Thailand
Vietnam



Organisation structure



Chairman's letter to all our stakeholders

We live in challenging times. The pace of change is breathtaking, the competition in global markets is intense, and the world is facing several major issues that have an impact on all of us. In addition, the tragic chain of events in and around the Indian Ocean on 26 December 2004 not only sparked a widespread humanitarian response, but also united the world community in a single cause. It underlined once more the need for us to help the underprivileged in emerging economies to help themselves. There is increasing concern about the quality of life for future generations, in terms of education, wealth, nature and available resources. Fortunately, efforts are underway to address these issues. The United Nation's 2005 Year of Microfinance, and the upcoming reviews of the Millennium Development Goals, the International Finance Corporation's Safeguard Policy and the World Trade Organisation meeting in Hong Kong should result in actions that will change the world – including the financial sector.

At the same time, we are experiencing an increasing focus on the detection of money laundering and terrorist financing. In common with the key regulators, we see a heightened need for strict rules and controls and we acknowledge the role we can play in combating these crimes as a financial institution. Our high standards of integrity commit us to demanding levels of compliance and we believe that this focus on integrity and compliance creates real value for the bank. To nurture this value everywhere we do business, we have set our group standards at the highest level in every country, while respecting local rules. Inevitably, the worldwide implementation of these complicated – and sometimes contradictory – rules raises challenges for any internationally-active corporation operating in different jurisdictions and cultures.

Given the rapidly-changing and diverse world in which we live, how can we as a business continue to prosper financially today and contribute to a better world tomorrow? To be honest, we don't have all the answers to this question – and the right answers today may differ from those we would have given in the past. Moreover, we often have to balance and reconcile conflicting interests. So we are on an ongoing learning journey and we remain committed to finding solutions to the many challenges and dilemmas we all face. We are also committed to raising the bar on sustainability in our sector. We cannot do this alone, and believe that collaborative, multi-stakeholder engagement and dialogue are the best ways to create sustainable change within and beyond our industry.

Such a dialogue begins with openness. So it is with great pleasure that I present you with our second Sustainability Report, published simultaneously with our Financial Report. We believe that both our financial and non-financial stakeholders will only get the fullest possible picture of our organisation if they read both reports.

I am proud of the external recognition we have received for our sustainability achievements in 2004. We are committed to continuing to promote sustainable development actively across our industry – and in the wider business world. With this aim in mind, we have invested significantly in expanding our global partnerships. For example, we have joined the United Nations Global Compact and the UN Environment Programme. We are confident that we are 'making more possible' in terms of financing the future in a responsible and sustainable way.

These relationships come down to people – and whatever success ABN AMRO enjoys is totally due to our employees. Their energy, creativity and ideas make us what we are today, and make it possible for us and our clients to achieve more in the future. I want to thank them for their continuing contribution.

I hope that you will read this report with great interest. It has been prepared in accordance with the 2002 Global Reporting Initiative Guidelines, and we believe it represents a balanced and fair presentation of our organisation's economic, environmental and social performance. We welcome your comments and feedback on this report, which you can e-mail to us at sustainable.development@nl.abnamro.com. Any feedback you can give us will help us to focus our efforts in the future and to continue to improve our sustainability performance.

Rijkman Groenink
Chairman of the Managing Board

Amsterdam, 17 March 2005



Photo: Ron Offermans

"Effective leaders are those with the strength and courage to change themselves; with the ability to learn and grow, while retaining their essential self. If the leaders have the ability to change and grow through experience, so will their organisation."

Rijkman Groenink

What we stand for

Our role as a financial institution

We aim to maximise value for our clients, while also maximising value for our shareholders as the ultimate proof of, and condition for, success. Our ability to achieve these related objectives is underpinned by our commitment to responsibility and integrity, both in the way we work and in our engagement with our employees and other stakeholders.

The environmental, social and ethical questions facing businesses today add a new dimension to this commitment: sustainable development as a measure of responsible financial services. We recognise that, as a major institution providing financial resources and expertise to clients worldwide, we have a strategic role to play in addressing these issues, both in terms of the constraints they impose and the new opportunities they create. This is why we have adopted sustainable development as a defining feature of ABN AMRO. We have committed ourselves to ensuring that our core business encompasses not just financial, but also environmental, social and ethical considerations.

We always aim to run our business responsibly and recognise that our role of allocating capital brings with it responsibilities towards all our stakeholders. This means that we need

to consider the – sometimes conflicting – interests of our clients and other stakeholders in society, by taking sustainable issues into account and striving to look after the well-being of future generations in every business decision we make. At the same time, we are committed to setting our Group standards at the highest level in every country, while also respecting local cultures and requirements.

Providing financial services is all about trust. As a bank we are dependent upon the trust of our stakeholders. Integrity and openness are indispensable to winning and retaining this trust, which we seek to enhance further by engaging actively and openly with all our stakeholders. We have learned that this engagement is a rich source of ideas and understanding. This also enables us to be a well-informed and valued business partner for our clients, resulting in increased business opportunities.

Our overall business strategy

We are an international bank with European roots and a clear focus on consumer and commercial banking, strongly supported by an international wholesale business. Our business mix gives us a competitive edge in our chosen markets and client segments.

Starting from this base, our strategy for growing and strengthening the business is built on five key elements:

- 1 Creating value for our clients by offering high-quality financial solutions that best meet their current needs and long-term goals
- 2 Focusing on:
 - consumer and commercial clients in our home markets of the Netherlands, the US Midwest, Brazil and in selected growth markets around the world
 - selected wholesale clients with an emphasis in Europe, and financial institutions
 - private clients
- 3 Leveraging our advantages in people and products to benefit all our clients



Photo: UN/DPI by Sergey Berneriev

“But rarely has there been a moment in recent history when it has been so critical for all of us to protect our common space, building on what unites us. Again I ask, if not us, then who?”

Kofi A. Annan, United Nations Secretary-General
24 June 2004 - Opening remarks at Global Compact Leaders Summit in New York

4 Sharing expertise and operational excellence across the Group

5 Creating 'fuel for growth' by allocating capital and talent according to the principles of Managing for Value (MfV), our value-based management model.

We aim to apply these five principles to generate sustainable growth. Our ability to build durable partnerships, both internally and externally, is crucial in achieving this goal. As a guest in many countries, we have a proven track record of developing new markets. We aim to continue to do so. Sustainable development provides a differentiating factor that adds value, and we will go on to embed sustainable development in our day-to-day processes.

Our society is transforming itself

Society is changing, radically and permanently. Advancing globalisation, sensitivity towards corporate governance scandals, the gap between rich and poor, climate change, terrorism and a growing global population raise many challenges – not just for society at large, but also for our organisation, employees, clients, suppliers and other stakeholders. All our stakeholders have a growing need to feel secure about the future sustainability of our world and to contribute to improving it. Like us, they face complex challenges in trying to sustain humanity and our planet into the future. However, these efforts also create substantial opportunities for further value creation for people, governments and businesses alike.

We believe that by taking a leading and proactive role in sustainability, we will create true value for all our stakeholders and for the bank. We want to contribute to raising the bar in our sector, driving change and realising responsible business opportunities and lasting reputational benefits. This means establishing ourselves as a knowledgeable

Our definition of sustainable development:

'To live our Corporate Values and Business Principles and to meet the needs of the organisation and our stakeholders, thus seeking to protect, sustain and enhance human, natural and financial capital needed in the future.'

financial institution on sustainability, enabling us to engage more closely with our stakeholders and provide clients with business solutions that build sustainable economic value.

Continuing our sustainable journey

We are constantly working to embed sustainability ever more deeply into our business processes, reporting structures and decision making. In 2004, we continued to incorporate the 'triple bottom line of people, planet and profit' into our working practices, products and services. For example, we included sustainability measures in our management performance contracts and enhanced our social and environmental risk monitoring.

In August 2004, ABN AMRO became a signatory to the UN Global Compact. We see a 'natural fit' between our Corporate Values and Business Principles and the ten principles of the UN Global Compact. (See page 85 for an overview).

Our ambition:

'We are committed to continuously improving the integration of sustainable development into our working environment and business processes. Our aim is to play a proactive role in contributing to sustainable development, within our spheres of influence. We are committed to accountability and transparency in our sustainable development performance.'

Corporate Values and Business Principles

Our Corporate Values:

Integrity

Teamwork

Respect

Professionalism

Our Business Principles:

For our employees

We are the heart of our organisation

We pursue excellence

For our shareholders

We aim to maximise long-term shareholder value

We manage risk prudently and professionally

For our clients

We strive to provide excellent service

We build our business on confidentiality

With our business partners

We assess business partners on their standards

In society

We are a responsible institution and a good corporate citizen

We respect human rights and the environment

Compliance

We are accountable for our actions and open about them

We contribute to more initiatives, most notably the Equator Principles, in cooperation with the International Finance Corporation (IFC) and World Bank, the 'Principles for Stable Capital Flows and Fair Restructuring in Emerging Markets' agreed by leading sovereign issuers and private creditors in Berlin in November 2004, and the new Basel Capital Framework. The last of these initiatives, originally designed for G10 countries only, will ultimately become the global standard for risk management frameworks and will therefore significantly strengthen the banking sector worldwide. Our Risk Advisory Services group offers services to banks in emerging markets to help them improve their risk management processes.

We know we still have a long way to go. Most importantly, we need to integrate sustainability further into our core business practices. For this reason we established a number of shared initiatives during 2004 focused on adding value to our clients through sustainable development, developing employees' awareness and skills, and building specific knowledge and standards by pursuing projects jointly with our partners. Furthermore, we will continue to engage with our stakeholders who are committed to contributing to the global dialogue on sustainable development.

A focused approach

Sustainability covers a wide spectrum of issues and we realise that to address this topic successfully, we need to prioritise our actions. In this respect, our focus is first and foremost on our core business as financial service provider. We believe we can have a substantial impact by embedding sustainable development in our core role as financial intermediary.

In addition to incorporating the UN Global Compact Principles in our business processes, it is our firm belief that the business community has a crucial role to play in achieving the UN Millennium Development Goals. Our contribution will be mainly in the area of poverty alleviation (microfinance), education (social and community investment), protecting the environment (building our sustainable business processes and risk management framework) and developing and strengthening international trade and financial systems (our emerging markets and risk advisory services).

We focus particularly on the following five key areas:

- 1 Being accountable and transparent
- 2 Delivering responsible financial services
- 3 Being a great place to work
- 4 Supporting local communities
- 5 Minimising impact from business operations.

We will explore each of these areas in this report.

Our sphere of influence

As a major financial institution providing capital and expertise, we are well positioned to support and advise our clients, suppliers and other stakeholders in improving their performance in sustainable development. We aim to do this proactively by taking environmental, social and ethical issues into account in our business decisions and making them part of how we do business, by balancing different interests and comparing these to our Corporate Values and Business Principles.

Our influence can take the form of:

- Assessment, structuring and eventual decision on client, credit and investment engagements
- Policy development in close consultation with internal and external stakeholders
- Regular dialogues with our clients and other stakeholders
- Recruitment, selection, and personal and professional development of employees
- Selection and assessment of suppliers.

However, there are limitations to the role that we can play as a financial institution. Notwithstanding our commitment to an open dialogue with our stakeholders, we often need to reconcile different interests and balance complex issues, which inevitably means we cannot always satisfy the wishes of all our stakeholders. Sometimes we have to agree to disagree.

Although we are not responsible for our clients' actions, we are responsible for selecting our clients. In addition, we cannot – and will not – compromise on the client and transaction confidentiality that represents the bedrock of our banking relationships. This is why most dilemmas and case studies described in this report are on a no-name basis, except for certain projects that have already been extensively covered in the public domain.



Photo: Ron Offermans

“Currently, ABN AMRO is ranked and assessed by sustainability rating agencies as being one of the sector leaders. However, reaching external recognition for our commitment is one thing, but the real challenge is making sure we maximise the value of sustainable development to the bank, our employees, our clients and society alike. To live up to this challenge, we have a strong focus on sustainability topics that offer clear potential for value creation.”

Tom de Swaan, Chief Financial Officer

Governance and implementation

For ABN AMRO, sustainable development means living our Corporate Values and Business Principles. These go to the very heart of our organisation, and we live them by focusing on four main things: solid corporate governance; policies and procedures; asserting adherence; and dedicated sustainable development resources.

Solid corporate governance

ABN AMRO views corporate governance primarily as the way it conducts relations between the bank – including the Supervisory Board, Managing Board and then down through the entire organisation – and its shareholders. Good corporate governance is critical to our goal of creating long-term value for all our stakeholders – shareholders, clients, employees and society at large – as it is the foundation of our licence to operate.

Integrity and transparency are key to our system of corporate governance. We acted speedily and decisively to implement the Dutch Corporate Governance Code ('Tabaksblat Code'), which was published on 9 December 2003. ABN AMRO already applies, or shall soon apply, all of the Code's

principles and 105 of its 109 best practice provisions. Also, as a company listed on the New York Stock Exchange, we have implemented the Sarbanes-Oxley Act fully, and will meet the Section 404 requirements by the required deadline.

The bank's position on corporate governance is explained in detail in a dedicated section of our 2004 Annual Report. The section includes an account of the reasons for our proposal to withdraw our preference shares, as well as explaining the decision to appoint Supervisory Board members by non-binding nomination and covering our implementation of the Tabaksblat Code. The Annual Report also provides information on our two-tier board model, top management remuneration and compliance. For details, please see our 2004 Annual Report at www.abnamro.com/annualreport.

Policies and procedures

Our internal governance is based on robust policies and instructions set out in the ABN AMRO Instruction Manual (AIM). This is provided internally to staff via our intranet, and sets out our global directives and organisational rules and procedures for collecting, recording and processing data for decision-making in order to run our (S)BUS efficiently and effectively. AIM policies and instructions are a reflection of the general and industry-specific laws, regulations and related standards of business conduct imposed upon us.

Asserting adherence

There is a close relationship between our corporate governance, policy adherence and Corporate Values and Business Principles. Having policies and procedures in place is not enough on its own. It is equally important to ensure that they are being put into practice. We aim to achieve this through specific measures at the individual staff level and through management controls.

Knowing Our Customers

Business integrity is as much about choosing who we will not do business with as who we will do business with. In either case, our 'Know Your Customer' discipline is crucial and we are committed to improving our capabilities still further in this area. Our employees represent our frontline defence against money laundering, so to help them detect and tackle problems a global Client Acceptance & Anti-Money Laundering (CAAML) policy is available. This policy, based on Customer Due Diligence as defined by the Bank of International Settlement (BIS) is in line with national and international anti-money laundering standards. Based on recent legal and regulatory developments we have redrafted the CAAML policy in December 2004. ABN AMRO's commitment is also illustrated by our active role in the development of the Wolfsberg Principles on global anti-money laundering.

Individual staff level

We need good, capable and empowered staff. Therefore, our corporate culture, Corporate Values and Business Principles, coupled with our awareness of sustainable development, play a central role.

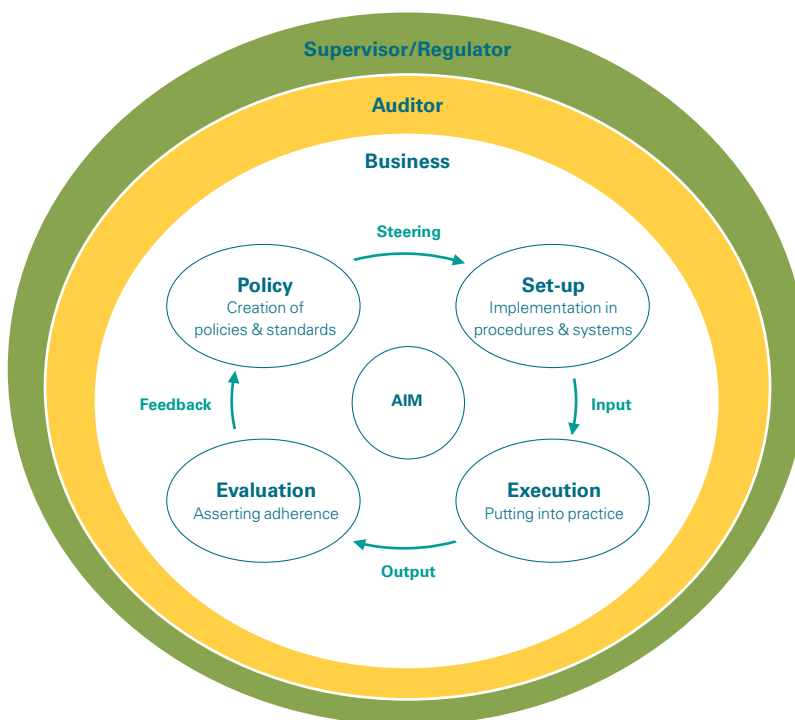
At ABN AMRO we achieve this via:

- Clearly-defined processes for selection, appointment, promotion and training of staff
- Communication of our vision, culture, Corporate Values, Business Principles, objectives and targets
- The inclusion of sustainability goals in senior management performance contracts. These are cascaded down through relevant management levels, helping to embed awareness of sustainability and its practical consequences throughout the organisation
- Providing training and engagement sessions for our staff
- Ensuring that any corrective measures that may be necessary, such as disciplinary sanctions in case of undesired conduct, are clearly defined and implemented
- Exemplary 'role model' conduct by management.

We have a whistleblowing policy allowing employees to report any concerns they have about perceived violations of corporate policies and procedures in good faith, and providing clear guidelines for dealing with these concerns. This policy is designed to ensure that employee concerns are handled fairly and are appropriately investigated. Therefore ABN AMRO adopts the following policy statements:

- Employees that have reasonable grounds to be concerned that violations of corporate policies and procedures have occurred, is occurring or is likely to occur; must report this in accordance with this policy
- All reported employee concerns about malpractice must be dealt with confidentially
- All reported concerns within the scope and applicability of the whistleblowing policy will

AIM supports Management Control Cycle



Business integrity training and awareness

Training and awareness-raising make up an important part of our strategy for implementing sustainability and compliance. We want to be certain that we are adhering to the highest standards of business behaviour and to ensure that business integrity is instilled in the DNA of our culture, processes and business decisions. With standards of legal and social scrutiny changing and rising over time, it is imperative for us to keep our professional staff well-informed and to ensure that we are able to comply with these requirements at all times. To do this, we are running engagement and training sessions with our staff, with a view to helping our client, product, risk and back office professionals to incorporate legal, regulatory and ethical considerations into their daily work practices. In these training efforts, we distinguish between general awareness-raising and specific policy skills-building courses, as well as offering e-learning programmes.

Business Continuity Management

ABN AMRO's Group policy and standard on Business Continuity Management is the responsibility of Group Services. Business Continuity Plans (BCPs) have been implemented for all business processes and locations shown to be critical under a business impact analysis. BCPs set out short-term crisis responses as well as longer-term business-rebuilding strategies for all the potential threats to business continuity identified in the business impact analysis. BCPs also incorporate procedures to:

- **Avoid putting bank staff and clients at risk**
- **Ensure that critical business operations can continue, or be restored, in a timely manner**
- **Avoid losses to the bank**
- **Uphold the bank's reputation.**

On 6 December 2004, a fire broke out in the LaSalle Bank headquarters in Chicago. The fire lasted for more than five hours and over 450 uniformed personnel, including over 50 fire-fighters, attended the scene. Fortunately there were no fatalities or serious injuries. Our Business Continuity Plans were immediately put into effect, enabling our 3,000 staff to continue their key operations in an effective manner.

"It is my belief that the fire at 135 S. LaSalle St. was handled well as a result of actions by both fire-fighters and building personnel."

Cortez Trotter, Chicago Fire Commissioner, quoted in the Chicago Tribune

be investigated thoroughly, fairly and in a timely manner

- Persons reporting concerns about perceived violations of corporate policies and procedures must be protected from suffering any detriment as a result of such action.

In 2004, employees have been informed bankwide about the existence and importance of this policy and the location in AIM where the information is displayed.

Management control

Given the size of our organisation and our frequent need for specialised knowledge, management inevitably has to delegate tasks and levels of authority. However, management remains ultimately responsible

for these tasks, so it is crucial to identify the relevant risks and institute measures to monitor and control them. The Managing Board and all other management levels regularly discuss the relevant risks they are facing as this is integral to offering financial services. Non-financial risks, such as those resulting from social and environmental factors, are included in these discussions as they can influence our profitability and reputation.

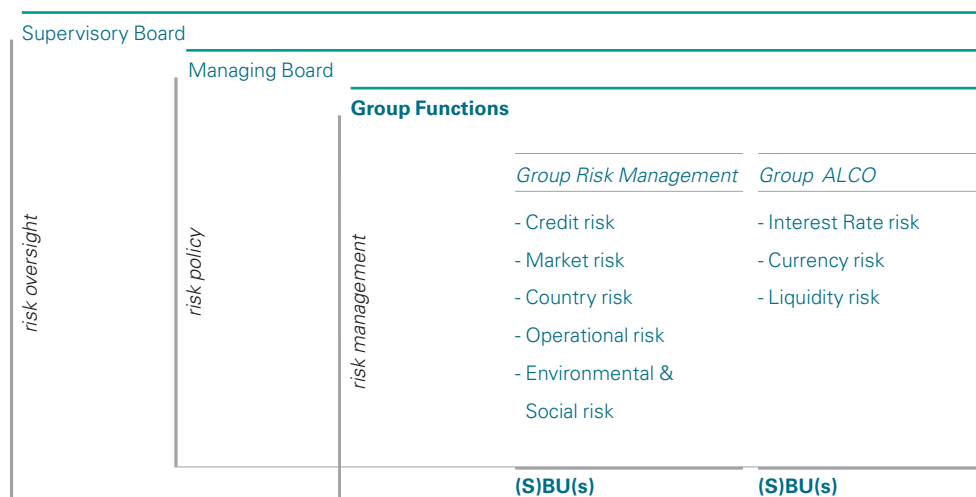
Group Risk Management

Comprehensive risk management is a core competency of ABN AMRO. We approach risk in a prudent and conservative way that is fully aligned with our long-term strategy. ABN AMRO underpins this strategy with a professional risk function that is independent from the commercial lines of our business.

The risk framework combines centralised policy setting with broad oversight, supported by risk execution and monitoring across the Group's network. It provides management with the ability to oversee the bank's large and highly-diversified portfolio effectively and efficiently. ABN AMRO's risk management systems are designed to identify and analyse risks at an early stage; to set and monitor prudent limits; and to learn and evolve continuously to help us face a volatile and rapidly-changing risk environment. In this way, ABN AMRO risk management adds value for the company's shareholders.

The Managing Board establishes the strategic risk philosophy and policies for ABN AMRO under the oversight of the Supervisory Board. One of the Supervisory Board's responsibilities involves regularly monitoring risk in the bank's portfolio. Responsibility for the overall implementation of risk policy lies with the Chief Financial Officer (CFO), a member of the Managing Board.

Risk governance organisational structure



The Group Risk Committee (GRC), a forum whose voting members are drawn mainly from Group Risk Management (GRM), is the most senior committee on policy and exposure approval for credit, country and market risk. The GRC also addresses important ethical, social and environmental topics for client-related issues. In general, any policy and portfolio issues that arise are handled in dedicated Policy-GRC meetings. For more information about Group Risk Management please see our 2004 Annual Report at www.abnamro.com/annualreport.

Group Compliance

We define compliance as the adherence by all our employees to the letter and spirit of the laws, regulations, internal principles and policies that govern the operation of the ABN AMRO Group. Group Compliance exercises independent oversight on behalf of senior management of those core processes and related policies and procedures that ensure ABN AMRO Group conforms with industry-specific laws, regulations and related standards of business conduct (including ethics, Corporate Values and Business Principles). In 2004, it was decided to strengthen our Compliance function and to allocate additional resources. From 1 January 2005 onwards, all Compliance Officers have

central reporting lines and became part of the Group Compliance function. Part of the strengthening is the establishment of the Compliance Policy Committee (CPC). Within ABN AMRO Group, the CPC chaired by the CFO, is the governing body responsible for the coordination of compliance globally. It makes decisions on – and oversees – key compliance activities, while also providing broad oversight on Group Compliance.

On 23 July 2004, we signed a written agreement with the United States regulatory authorities concerning our dollar clearing activities in the New York branch. The bank is currently providing information to law enforcement authorities in connection with an investigation relating to our dollar clearing activities and other Bank Secrecy Act matters.

Staff

(in FTE)	2004	2003
Group Risk Management	624	660
Group Compliance	370	356
Group Audit	729*	577
Total	1,723	1,593

* In 2004, Audit Inspection BU Netherlands and Audit Sudameris (Brazil) were integrated into Group Audit



Photo: ABN AMRO United Kingdom

“Sustainability is often regarded to be a principles-based mindset. Nevertheless a lot of practices can be embedded in the organisation through policies. In fact, many policies and standards were already part of our business before they were labelled ‘sustainable’ and have therefore been part of our corporate culture for a long time. They are not void statements.”

Mary Bhawnani, Head of AML EMEA,
ABN AMRO Wholesale Clients United Kingdom

Group Audit

Our Group Audit function, which operates entirely independently of our business and is represented in all countries in which we have a presence, reinforces our Business Risk Control by providing professional audit services. The head of Group Audit reports to the Chairman of the Supervisory Board/ Audit Committee and the Chairman of the Managing Board. Group Audit contributes to sustainability by monitoring our adherence to the standards set out in AIM.

External auditors and supervisory authorities

As an internationally-active bank, ABN AMRO is reviewed both by external auditors and supervisory authorities. The supervisory authorities in each country where we operate take a keen interest in our policies and procedures and in our adherence to them.

We have strict policies and procedures in place to help us avoid potential conflicts of interest and ensure the integrity of our auditing process. This policy applies to all management consulting services conducted by our auditors, and was extensively reinforced following the implementation of the Sarbanes-Oxley Act (see our Annual Report at www.abnamro.com/annualreport). The policy’s central thrust is that any external audit firm providing assurance services to ABN AMRO must remain independent both in fact and appearance. The audit firm must also be registered with the Accounting Oversight Board – a requirement under US law – and cannot supply services that:

- 1 result in a conflict of interest
- 2 result in the auditor auditing its own work
- 3 result in the auditor acting as an ABN AMRO manager, or
- 4 put the auditor in the role of advocate for ABN AMRO.

Sustainable Development Organisation

Dedicated SD staff in (S)BUs

C&CC BU Netherlands
C&CC BU North America
C&CC BU Brazil
BU New Growth Markets
Bouwfonds
SBU Wholesale Clients
BU Private Clients
BU Asset Management

Dedicated staff at Group level

Tom de Swaan
Managing Board
|
Herman Mulder
Group Risk Management
|
Madeleine Jacobs
Group Sustainable Development
|
Sustainable Business Advisory
Strategy and Reporting
Stakeholder Engagement

SD champions in functional departments

Group Risk Management
Group Human Resources
Corporate Communications
Group Legal & Compliance
Group Real Estate & Facilities Management
Global Procurement

For an overview of our principal audit fees and services spent, please refer to our Form 20-F, item 16.

Dedicated sustainable development resources

Since sustainable development is integral to our business, these specific responsibilities often coincide with regular line management responsibilities. Additionally, we have established dedicated resources and teams in each of our (S)BUs to help line management with the implementation and awareness of sustainability.

The bank has made a conscious choice to vest its dedicated Group-level Sustainable Development department in the Group Risk Management organisation, which plays a central role in the bank's engagement assessment and decision-making processes. The Group-level team acts as a knowledge-centre and catalyst for sustainable development across all our (S)BUs. Sustainability-related topics are part of the regular client engagement approval process and are discussed at the relevant credit committees. Our sustainable development teams at (S)BU level are united by an integrated strategy, and the heads of the teams meet every month via teleconference or in person.



more

CASTLE
LAGER

Being accountable and transparent

We believe that accountability and transparency are of paramount importance to our ability to build trust among our stakeholders – shareholders, clients, employees, Non-Governmental Organisations (NGOs) suppliers and contractors and society at large. Our stakeholders must be able to judge us on our behaviour and to provide feedback on how well they think we are doing. In this regard, one of our key strengths is our ability to listen and adapt. This enabled us to set up home markets in the Netherlands, Brazil and the US Midwest and develop into a global organisation where over 70% of the staff are non-Dutch. We engage frequently with our stakeholders, and strive to be transparent for them.

Transparency commitment to investors

Investor Relations (IR) is responsible for the bank's financial communications with existing and potential shareholders – both retail and institutional – and the rating agencies. The ultimate aim of our IR team is to facilitate investors understanding of our business. It does this by explaining our goals, our strategy and how we operate. This brings investors' expectations in line with our own ambitions and expectations. In addition, our IR team takes feedback received from shareholders, helping to fuel a well-informed and responsive decision-making process at all levels of the organisation.

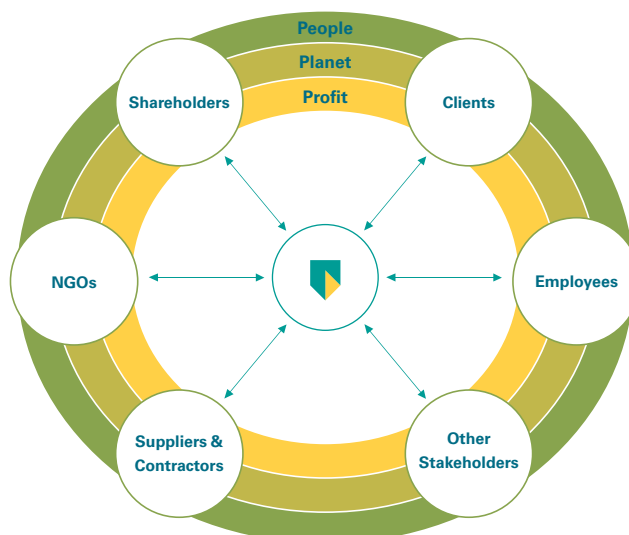
Under the rules of 'fair disclosure' we aim to ensure that all our investors have access to the same information. To achieve this, ABN AMRO regularly publishes press releases, organises roadshows worldwide, and conducts 'investor and analyst days' for professional investment analysts, both buy- and sell-side. Audio and video webcasts of these meetings enable interested parties worldwide to join in. In addition to our Annual Report and Form 20-F, we

publish a shareholder bulletin every six months. All of these documents are available on our website at www.abnamro.com/investorrelations.

At the moment, investors with a specific focus on sustainability still represent a relatively small proportion of our shareholder base, but we expect this to rise substantially, and we are working hard to increase the level of awareness. After the launch of our 2003 Sustainability Report, 31 Socially Responsible Investment (SRI) fund managers attended a seminar we hosted to discuss strategy, performance and sustainable development at ABN AMRO.

The performance of our Investor Relations team is rated in international surveys on an annual basis. Last year our investor relations team was voted the second-best IR team in Rematch's European Financials Survey. In the Institutional Investor survey, our investor relations team was ranked fourth IR team of all European banks by the sell-side, and eighth by the buy-side community.

ABN AMRO and stakeholders



Sustainability Indices*

	2004	2003
Dow Jones Sustainability Index - World	Ranked 2nd in banking sector	Ranked 2nd in banking sector
Dow Jones Sustainability Index - STOXX	Leader in banking sector	Leader in banking sector
FTSE4Good Europe 50	Included	Included
FTSE4Good World 100	Included	Included
Innovest Strategic Value Advisors	AAA	AAA

* For the credit ratings, see our 2004 Annual Report

Major awards and achievements received in 2004

The Banker (the Financial Times)	Global Bracken Award for Corporate Social Responsibility Bank of the Year
Transparency Research by Dutch Ministry of Economic Affairs	Most transparent in sustainability reporting
CoreNet	Sustainable Leadership Award

Active engagement with our clients

Building durable client relationships is a key part of our mission to create long-term value. This requires active engagement with our clients, focusing on aligning ourselves with our clients’ interests and concerns, providing advice and assistance, and bringing added value to the relationship. We measure client satisfaction in the various (S)BUs regularly, the results of these client surveys have been provided in the next chapter.

Our approach to sustainability actually creates a ‘share of mind’ with our clients.

This is important to us, because we believe that our primary contribution to sustainable development is our ability to provide responsible financial services. Satisfied clients who think and act responsibly are what make us tick. If our clients did not value our efforts, we would be neither successful nor sustainable as an organisation. Quality management systems and customer relation’s procedures, including client complaint handling, have our management’s utmost attention. Our Risk Management and Compliance Functions focus on the prevention of potentially controversial marketing practices, for which our staff also receives training. This encourages sustainable business practices, and also assists clients who need advice and assistance in this area, while stimulating more clients to think in terms of sustainable business performance.

Engaging and enabling our employees

For our staff to be engaged, it is important that they know and understand the bank’s strategy – because the only way for us all to be truly empowered is to know where we are heading, both individually and as a team. Booklets outlining our strategy and what we stand for have been distributed to around 10,000 managers worldwide for them to



Photo: AGL

“In many ways the success we have in meeting our sustainability goals depends on the extent to which our business partners, like ABN AMRO, also hold the same values. Thanks for sending along a copy of ABN AMRO’s first global Sustainability Report. The report contains some really good ideas that we can emulate in AGL’s second report next year.”

Greg Martin, Managing Director and Board Member of AGL Australia (Australian Gas and Light Company)

cascade down to their staff. The goal in 2005 is to increase the number of face-to-face and interactive communications by management with their staff. The first step was training on communication styles for senior managers at the management conference in November 2004.

A variety of channels are available for employees to provide feedback, stimulate ideas and give input. For example, the Personal Leadership & Change Community in Amsterdam is a network of individuals who act as 'agents of change' for the organisation. They identify issues and gather input to raise awareness and to implement new ideas within the bank. The Young Bankers Association (YBA) is a network of young employees across ABN AMRO that also acts as a platform for dialogue. Their activities include community work, networking events and an annual international seminar. In Brazil, ABN AMRO Real held the largest gathering yet organised, bringing together some 1,700 executives in December 2004. The meeting's purpose was to recognise the efforts of employees, promote integration and discuss the 2005 strategy. One of the highlights was an exercise involving all participants – measuring our ecological footprint – thus raising awareness on sustainable development.

Performance measurement

We regularly measure our employees' appreciation of our sustainable development efforts as part of our research into their overall perception of the bank. The results of these surveys have been included in the relevant chapters of this report. We are also in the process of developing a measurement tool on external and internal stakeholder perception of sustainable development.

Report 2003 feedback

On 15 September 2004, ABN AMRO published its first Group-wide Sustainability Report. We sought comprehensive feedback on the report via over 450 stakeholder questionnaires, presentations to peers, and specially-convened sessions with 31 SRI fund managers, 6 NGOs and rating agencies. In general, the feedback we received was very positive, and most readers appreciated the depth and breadth of the Sustainability Report. 60% of our survey respondents rated the report as good, and 27% rated it as excellent.

A number of areas emerged in which respondents thought we could improve. The main areas for improvement related to the need to expand on hard data and explicit metrics and to the actual implementation of our sustainability control measures. Some respondents were sceptical about our claims. "I recognise a lot has been made for sustainable development, but in my opinion, we need to find a way of reducing the distance between the disclosure and the practice", said one stakeholder.



Sustainability awareness session for employees in Tokyo

Photo: Group Sustainable Development

IdeaCenter

In 2004, the IdeaCenter in North America received top marks in a book titled 'Ideas are Free' (Robinson and Schroeder). The book recognised the IdeaCenter's approach of generating ideas around priority business issues, the timeliness of suggestions and acknowledgements, and its online processes for tracking the submission, review, and implementation of ideas.

The 'Most Environmentally Conscientious Cost-Savings Idea' in 2004 was simple, but had a high impact: to stop using envelopes when returning receipts at drive-up windows at the branches. Not using these envelopes brings substantial cost savings to the bank (EUR 73,300 in 2004) and reduced paper usage. With little impact on the customer, it also helped reduce litter around the branch drive-up areas. Based on the success of this IdeaCenter, much progress has been made with the implementation of idea management systems across ABN AMRO, most notably in India, Brazil and the Netherlands.



Photo: ABN AMRO India

"I still remember the time when I had this idea to bring about Electronic Clearing Services across all the branches in ABN AMRO India. The only way to suggest and bring about such a massive change was through 'Ideamine'. Not only did Ideamine accept my idea for implementation across all the branches, but it also awarded me for it. Ideamine's decision to implement my idea will bring about a huge reduction in costs, reduce the need for manual

intervention, enable the available resources to be utilised more effectively, and save time across all the ABN AMRO branches in India. Most important, it is very customer friendly too."

Mamta Jha, FIPS Operations Fund Account Officer, ABN AMRO India

Active dialogue with Non-Governmental Organisations

Our dialogues with stakeholders, and especially with Non-Governmental Organisations (NGOs), can give rise to new and innovative solutions to sustainability dilemmas. We respect the commitment, knowledge and skills of all the NGOs we deal with, and appreciate their willingness to provide us with advice and feedback on sustainability issues and on policy and business development. Even when opinions and interest fundamentally differ, we believe there is value in exchanging points of view and information, provided the dialogue is based on the respect of each stakeholder's position and role.

We interact with NGOs in several different ways. Some engagements are centred on a single issue and initiated by one NGO, while others focus on our internal environmental and social risk policies. In 2004, we consulted with several NGOs about our policies on the mining sector, on country ethical and social risks, and on human rights. We also participate actively in the Amnesty International Roundtable for Businesses in the Netherlands, and discuss with NGOs about business development – for example with Novib (Oxfam) and with ACCION International about microfinance.

We know we can learn from NGOs' knowledge and experience. To further improve mutual understanding and provide NGOs with valuable background on how banks do business, we launched an 'NGO master class' on banking. In the US, we created a training programme at Northwestern University's Kellogg School of Nonprofit Management for banking professionals who serve on NGOs' boards of directors.

Overview main memberships and/or partnerships

	Since	Main purpose
Carbon Disclosure Project	2004	Knowledge sharing and sd advocacy
European Conference Board on SD Reporting	2004	Knowledge sharing and sd advocacy
Global Reporting Initiative (GRI)	2004	Knowledge sharing and sd advocacy
UNEP-FI	2004*	Knowledge sharing and sd advocacy
UN Global Compact	2004	Knowledge sharing and sd advocacy
VBDO Nederland	2000	Knowledge sharing and sd advocacy
WBCSD	2000	Knowledge sharing and sd advocacy
Equator Principles	2003	Cooperation regarding project finance
IFC Biodiversity	2004	Issue assessment and policy development
IFC Supply Chain	2004	Issue assessment and policy development
IMD Lausanne	2003	Learning platform
MVO Nederland	2004	Learning platform
Prince of Wales's Business & the Environment Programme	2004	Learning platform

* Regional Brazil membership changed to Group membership

Partnerships with other stakeholders towards raising industry standards

Provided we can safeguard client and transaction confidentiality, we are committed to sharing with other stakeholders our challenges and learning experiences on sustainability. We believe this transparency can help our peers and other stakeholders to act on their commitment to incorporate sustainability into their organisations. We too can learn from our interactions with these stakeholders. In this respect we also participate actively in initiatives with business partners aimed at raising standards and establishing sound business practices. The table below lists a number of the business partners we work with on these initiatives.

Prince of Wales's Business & the Environment Programme

We highly value our partnership with the Cambridge University and Prince of Wales's Business & the Environment Programme. The programme provides sophisticated sustainability workshops for senior decision-makers in both the private and public sectors in Europe, North America and Africa. We believe that this programme, which has

Number of NGOs engaged with

Topic	2004
Issues	40
Policy Development	45
Feedback on Sustainability Report	10
Business Development	60
Other	70
Total	225



Photo: Karin van Gellecum

"In 2004, the very first ABN AMRO Group-wide Sustainability Report was produced. We welcomed and valued it as a very good first edition, and as being remarkably comprehensive in its content. The focus on the core business creates a strong benchmark for private financial institutions. Therefore – and of course to help us achieve our mission – we engage with ABN AMRO on a regular basis, and I appreciate the bank's openness and its willingness to work with us on some of the real dilemmas."

Frans de Laaf, Special Projects Novib (Oxfam), the Netherlands



Photo: John Beske

"It's refreshing to see a major bank with a commitment to sustainability. It's even better to see LaSalle Bank backing up this commitment with action."

Jim Slama, President of Sustain (NGO), US

just celebrated its tenth anniversary, has made a major contribution to building senior executives' engagement with the topic of sustainability over the past decade. We make an active contribution to the curriculum by sharing our challenges and experiences in some of its seminars. In addition, we gain valuable opportunities to assign ABN AMRO senior managers to the Business & the Environment seminars, helping them to play a key role in ABN AMRO's internal network of sustainability champions.

UN Global Compact initiative

In August 2004, ABN AMRO officially became a signatory to the UN Global Compact, in line with our firm belief that the business community has a crucial role to play in achieving the UN Millennium Development Goals. Along with around 20 other financial institutions; we have contributed to the 'Who cares wins' report, a committed joint statement of intent by the financial industry that environment, social and corporate governance issues are vital to healthy financial markets.

We are also taking part in the follow-up project to 'Who cares wins.'

Furthermore, we have participated in the UN Global Compact Zones of Conflict Meetings and took part in the consultation meeting on 'Business and Human Rights' organised by the Office of the UN High Commissioner for

Human Rights, in cooperation with the UN Global Compact Office. See page 85 for an overview on the implementation of the UN Global Compact.

Extending our reach to suppliers and contractors

Globally, ABN AMRO spends approximately EUR 5 billion a year on externally sourced goods and services. The scale of our global supplies procurement offers opportunities to influence the social and environmental footprint of our suppliers. This has been a Group-wide focus in 2004 and our Group Procurement Policy ensures that our selection of vendors is fact-based and goes beyond price considerations alone. The Policy provides potential suppliers with a fair chance to bid for our business, as well as taking their financial stability, quality of service and commercial conditions into account. For contracts in excess of EUR 250,000 the Policy also considers the vendor's sustainable credentials.

In 2004, we commenced taking into account explicit sustainability criteria in our major contractor assessment (eg for outsourcing of activities). Going forward we will further expand our outsourcing policy to cover sustainability criteria.

Ambitions and action plan 2004 status:

Being accountable and transparent

In 2004, we intensified our engagement activities with stakeholders and strengthened our dedicated sustainability team at Group level by allocating additional resources. We established a closer relationship with the Global Reporting Initiative, participating in a number of its meetings and becoming an organisational stakeholder. We also improved the transparency and content of the 2004 Sustainability Report as compared to the inaugural 2003 edition. Finally, we shortened the reporting timelines considerably for the Sustainability Report, enabling us to comply with a suggestion from some of our stakeholders that we should publish the Sustainability Report before the shareholders' meeting, at the same time as our Annual Report.

Ambitions and action plan 2005:

Being accountable and transparent

Going forward we will:

- **Further integrate sustainable development into our business processes through a review of our existing policies as included in AIM, with a focus on human resources and risk management**
 - **Increase the number of face-to-face and interactive communications by management with their staff on the bank's overall and sustainability strategy**
 - **Establish a sustainable development learning platform aimed at raising staff awareness and building skills**
 - **Introduce an annual sustainability theme that will catalyse knowledge-building and client solution-providing. The theme for 2005 will be climate change**
 - **Develop a measurement tool on external and internal stakeholder perception of sustainable development**
 - **Increase our efforts to engage with our investors, especially SRI funds, on sustainability objectives, issues and achievements in our organisation**
 - **Expand the outsourcing policy to include sustainability criteria.**
-



Responsible financial services

A Integrating environmental, social and ethical considerations

As a key part of our commitment to sustainable development, we have dedicated ourselves to ensuring that all decisions relating to our core business of providing financial services incorporate environmental, social and ethical considerations. We recognise that our role as a financial institution brings us opportunities to promote responsible stewardship, as we help our clients face up to the challenges – and take advantage of the opportunities – that present themselves in the course of their business activities.

Progress has been made across the Group, and the next set of steps has now been incorporated into our 2005 performance plans. Inevitably, the current stage of development varies between our (S)BUs and regions. However, everywhere we operate, the core elements of our approach towards embedding sustainability in our core business decisions remain the same. They are:

- Vesting a sustainability mandate in risk management
- Proactive policy development
- Focusing on client advisory and engagement initiatives
- Implementing integrated filters, tools and training
- Robust review and reporting on policy adherence.

Vesting a sustainability mandate in risk management

Comprehensive risk management is a core competency of ABN AMRO. We have taken a deliberate decision to vest the dedicated Group Sustainable Development department in the Group Risk Management organisation, which plays a central role in the bank's engagement assessment and decision-making processes. We believe that

integrating sustainability criteria into our business engagement processes enables us to take a coherent, multifaceted approach to business choices and reach balanced, well-informed decisions.

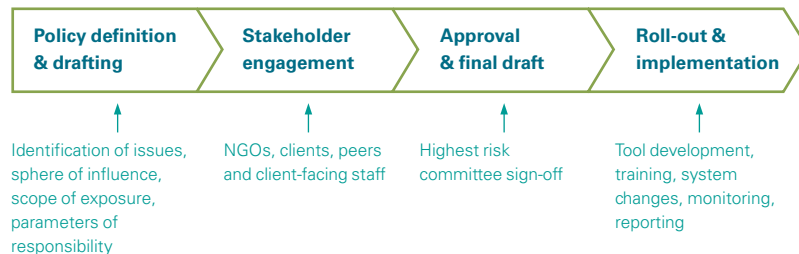
To facilitate and support this objective, Group Sustainable Development has created a dedicated department, Sustainable Business Advisory (SBA, previously ESRMU), with overall responsibility for global sustainable risk management policy development and implementation, and for business engagement assessment and advisory. SBA is supported by teams in Brazil, North America and Australia.

As part of Group Risk Management, Group Sustainable Development and SBA operate independently of the bank's commercial activities. As an integral part of the bank's formal business review and approval process; SBA is in an ideal position to help our client-facing staff assess and structure business engagements in line with ABN AMRO's commitment to delivering responsible financial services.

Policy implementation in Latin America

Brazil's Social and Environmental Risk Policy, launched in 2002, was used to screen 2,300 companies in 2004, an increase of 13% from 2003. In 2004, the bank introduced the policy in its operations in Argentina, Chile, Colombia and Venezuela, with a view to putting it fully into effect in 2005. The policy was also implemented in our newly-acquired Brazilian bank, Banco Sudameris, with a major training effort that reached over 400 managers and analysts across the bank. The year 2004 also saw our Brazilian Environmental Risk Unit extend the application of the Equator Principles to our project financing activities, after analysing 7 projects in Brazil and other South American countries.

The Policy Development Process



Proactive policy development

We aim to be proactive in addressing sustainability issues that arise within our business activities. A key aspect of this approach is our active identification and management of relevant sustainability issues based on well-defined policy frameworks and stakeholder engagement processes. Our sustainability policy frameworks are drafted with reference to applicable international industry norms and conventions, and are only formulated after consultation with NGOs, clients, peers and client-facing staff. Following final approval by the Policy Group Risk Committee (GRC) and trial implementation, these frameworks become effective bank-wide.

In 2004, we updated our Mining Policy to incorporate the Equator Principles. We also developed new frameworks for addressing human rights and ethical and social risk at a country level, which we believe will allow for more balanced and consistent decision-making that takes into account the bank's exposure to a range of country-specific risks. We obtained NGOs' feedback on the draft policies via roundtable meetings with NGOs such as Novib/Oxfam, Amnesty International, Milieudefensie/Friends of the Earth and World Wildlife Fund.

We then built on this feedback by engaging in intensive dialogues with several of our clients to ensure that our Mining Policy

would reflect industry best practices and provide us with a pragmatic framework for responsible engagement with our clients. On the Human Rights Position Statement we engaged with the Danish Institute for Human Rights Amnesty International and Novib/Oxfam.

As well as expanding our formal policies, we are in the process of developing frameworks for dams and nuclear power. Pages 80-81 of this Sustainability Report contain synopses of our key risk management framework on Defence, Forestry, Tobacco, Mining, Oil & Gas, Human Rights, Social and Ethical Country Risk Assessment and Equator Principles.

We actively share our best practices with other Equator Principles banks and continue to engage with NGO's to discuss the Equator Principles and their implementation. Our early commitment to the Equator Principles has inspired other banks to become involved and to look at social and environmental issues related to their businesses.

Focusing on client advisory and engagement initiatives

We regard building durable client relationships as a key part of our mission to create long-term value. Our commitment to addressing environmental, social and ethical issues enables us to be a well-informed business partner for our clients.

We seek to foster stronger relationships with our clients by demonstrating a nuanced and sophisticated understanding of the sustainability challenges they face. Increasingly, we are finding that our clients value the dialogue they can have with us on sustainability issues, and appreciate our solutions-driven approach to tackling the resulting challenges.

Implementing integrated filters, tools and training

Our client engagements are subject to an initial assessment and approval procedure in writing, followed by a yearly review and renewed approval by the approval authority. Our approach to embedding sustainability in our organisation is founded primarily on these existing business engagement and review processes.

ABN AMRO's philosophy is that the primary responsibility for applying sustainability criteria to business selection processes rests with our client-facing staff. A broad range of staff are involved in the client selection, transaction structuring and risk assessment processes and we aim to enable, equip and empower these professionals adequately. To this end, we have developed evaluation tools and filters that are integrated into our existing banking systems and procedures.

Evaluation tools and filters

Environmental, Social and Ethical Risk filter

The first level of screening of a potential transaction takes place through our Environmental, Social and Ethical Risk filter (ESE filter), which is part of the standard credit proposal format for all Wholesale Clients credit applications. The BUs Brazil and North America use comparable filters, and a similar filter is under development for both the BUs Netherlands and Asset Management. As an integral part of our standard credit approval process, the filter is applied to new credit proposals as well as to all regular reviews at overall company level. It allows us to determine whether a transaction warrants further assessments against existing policy frameworks. In cases where a formal policy does not apply, the ESE filter is used as a general screening to ascertain whether the engagement is sufficiently responsible. In cases where significant sustainability issues are identified, these are referred to SBA or its supporting teams for assessment and advice. SBA then



Photo: Group Sustainable Development

Sustainable Business Advisory staff at a site visit

submits its advice to the appropriate credit committee or decision-making authority, or refers the issue to the Group Risk Committee for a final decision.

Client Diagnostic Tool

We developed the Client Diagnostic Tool (CDT) to provide our client-facing, credit-structuring and risk professionals with a basic instrument for assessing clients in the extractive industries (the oil & gas and mining sectors). The CDT is used to establish the degree to which these sector clients have integrated sustainability into their business practices and management systems. Taking publicly-available information about the client's sustainability policies and practices, we use the tool to rate the company's sustainability policies and procedures and its performance. The rating methodology mirrors the bank's internal credit risk-rating methodology and the outcomes – which are termed the ABN AMRO Sustainability Rating (AASR) – demonstrate a high degree of correlation with external sustainability ratings. The CDT is also applied when deemed necessary to clients in other industries, such as waste management, chemicals and power and utilities.



Photo: Sulushash Magzhyeva

“ABN AMRO industry policies on environmental and social risks are very important for ABN AMRO Kazakhstan, as more than 40% of our corporate portfolio is made up of oil & gas and mining companies. Kazakhstan is still coping with poor environmental industrial practices, as many companies have ageing facilities. Although some mining companies have benefited from loans from Multilateral Agencies dedicated to environmental

protection and safety activities, their standards, although improving, are still below the international average in certain areas. As a result, banks are facing a dilemma: these companies are major air polluters and have poor safety track records, yet they play a vital social role in local communities as providers of secure employment, central heating and social programmes.

We had some very tough discussions with SBA. In our opinion the Client Diagnostic Tool will make global policies clearer and more transparent. Going forward, we expect that SBA will continue to judge emerging market companies not only on the basis of their current standing in relation to international standards, but also from other angles such as the company’s commitment and pace of progress towards improving its environmental and safety standards.”

Murat Koshenov, Country Risk Officer, ABN AMRO Kazakhstan

Since 2004, the CDT has been built into our internal client database system, CIDAR. The system prompts users to ensure that all clients in the extractive industries are assessed and rated using the CDT, with the resulting AASR then being sent to SBA for verification and approval. This automated process has facilitated easier completion of the CDT process and helps us to build up a comprehensive sector overview. In addition, our risk system has been amended to incorporate the AASR, thereby ensuring that all credit proposals for extractive industry clients include a reference to the client’s sustainability profile and performance. This enables faster and more effective decision-making by the relevant credit committees.

Social and Ethical Country Risk Framework

We have devised a Social and Ethical Country Risk Framework that assesses and identifies countries where we deem there to be significant social and ethical concerns based on criteria including the Financial Action Task Force’s list, the country’s political situation, the human rights record, level of corruption and degree of integration into the international community.

The framework further improves our existing country assessment practices by making non-economic criteria more explicit and transparent. The Social and Ethical Country Risk Framework is designed to flag high-risk countries in which additional due diligence needs to be undertaken for all transactions. This additional due diligence takes place through the application of a transaction filter that will be rolled out during 2005.

Equator Tool

An assessment tool based on the Equator Principles is in the final stages of development and will equip our project finance professionals with an easy-to-use tool for environmental, social and ethical risk identification and management. The tool will categorise projects and provide an overview of appropriate mitigation and management techniques. The outcome of the tool will be assessed by SBA and used as the basis for its advice to the relevant risk committee.

Collateralised Debt Obligations screening

Collateralised Debt Obligations (CDO) portfolios contain between 70 and 120 different investments. This means they require a ‘take it or leave it’ decision, since the bank cannot make discrete selections among the individual components, but must accept or decline the portfolio in its entirety. To meet this challenge SBA has developed a pragmatic screening process that captures constituents in the most sensitive sectors with the highest potential for non-compliance

Policy adherence

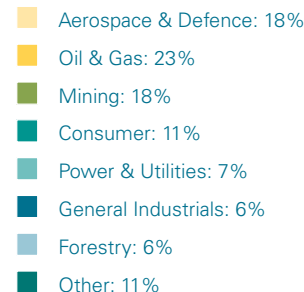
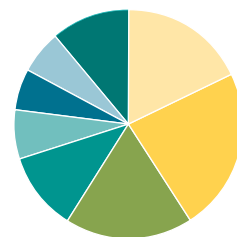
	Percentage of clients reviewed	Main assessment tool
Defence Policy	100% ¹	Portfolio review
Forestry Policy	63% ²	Portfolio review
Tobacco Policy	100%	Portfolio review
Mining Policy	32%	Client Diagnostic Tool
Oil & Gas Policy	29%	Client Diagnostic Tool
Equator Principles ³	100%	SBA review

¹ Defence clients were all reviewed in 2003

² This figure represents forestry companies that have been evaluated in the current round of assessment. A previous review covered 100% of the clients

³ All Category A and B project transactions and relevant Category C are assessed against the Equator Principles

SBA: total transactions reviewed by industry



Equator Principles reviews

	Number of reviews	Approved	Approved with conditions	Declined
Category A projects	4	1	2	1
Category B projects	8	1	7	0
Category C projects	4	2	2	0
Total	16	4	11	1

with the bank's environmental, social and ethical policies and positions.

Training

Training and awareness-raising are crucial in helping our internal client, credit structuring and risk professionals to incorporate environmental, social and ethical issues into their daily work, and to ensure that they are fully engaged with the bank's commitment to sustainable development.

Robust review and reporting on policy adherence

While the filters, tools and training serve to ensure that the widest possible group of professionals involved in the process take environmental, social and ethical issues into account in their decision-making, we still face the complex challenge of verifying that compliance has been achieved in all instances. Our approach to ensuring policy compliance includes two main elements:

- SBA case-history website
- Client and portfolio policy reviews.

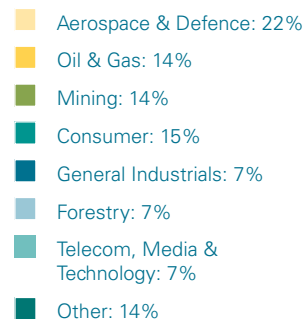
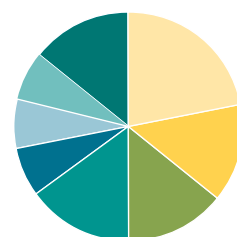
SBA case-history website

In 2004, SBA established a website for internal use that captures a comprehensive, confidential and auditable database of all sustainability advices generated by SBA since 2002. This case-history website provides detailed information on the outcomes and precedents set by previous decisions. SBA reviewed 316 transactions in 2004. Of these, SBA fully supported 194 proposals; conditionally approved 78, contingent on corrective measures or actions to be taken; and declined 44. In the majority of cases, we have worked with our clients and project sponsors to improve their capacity to put into effect the measures required in order to achieve sustainable outcomes.

Client and portfolio policy reviews

In addition to our ongoing assessment of transactions, we also conduct regular reviews to assess our existing engagements against our environmental, social and ethical risk policies. As part of this process, we reviewed both the forestry and tobacco

SBA: declined by industry



portfolios in 2004. Policy adherence for the oil & gas and mining portfolio relies on an annual CDT update for each client, which has been incorporated into our internal client database system (CIDAR). This bank-wide compliance assessment programme, enables us to develop a portfolio overview, to determine and locate risks that need to be managed and to identify opportunities for client advisory and business services.

Under the Equator Principles, projects are categorised according to their potential impacts, ranging from 'Category A' (high

impact) to 'C' (low impact). The principles state that those given an A rating require both an Environmental Impact Assessment and an Environmental Management Programme to be in place. In order to ensure adherence to the Equator Principles, we now refer all Category A and B impact projects to SBA for transaction advice, whereas Category C projects are assessed and structured by the project finance team in line with the Equator standards. More information, including categorisation criteria, on the Equator Principles can be found at www.equator-principles.com.

Staff training on environmental, social and ethical aspects

	SBA: SBU Wholesale Clients and C&CC BU Netherlands		C&CC BU North America		SBU Wholesale Clients Brazil and C&CC BU Brazil	
	2004	2003	2004	2003	2004	2003
General awareness	2,037	692	101	–	2,626	1,300
Policy skills, Equator Principles	25	75	145	–	0	200

Environmental, social and ethical screening process

	SBA: SBU Wholesale Clients and C&CC BU Netherlands	C&CC BU North America	SBU Wholesale Clients Brazil and C&CC BU Brazil
Focus	Environmental, social & ethical	Environmental, social & ethical	Environmental, social & ethical
Dedicated staff	8	6	2
Screening and information tool applied	ESE Filter Client Diagnostic tool Web-based support Innovest rating reports	Environmental assessment US regulatory law Review by loan committee	ESE questionnaire Web-based support IFC/WB Guidelines

Environmental, social and ethical screening output

	SBA: SBU Wholesale Clients and C&CC BU Netherlands		C&CC BU North America		SBU Wholesale Clients Brazil and C&CC BU Brazil	
	2004	2003	2004	2003	2004	2003
Total number of transactions reviewed	316	150	2,078	1,195	2,316	2,112
• approved	194	64	1,323	–	2,299	2,099
• approved with conditions	78	55	740	–	0	2
• declined	44	31	15	–	17	11

The dilemma

In 'Mining and critical ecosystems', a 2003 study published by the World Resource Institute (page 44), ABN AMRO was mentioned: "This appears to contradict ABN AMRO's forestry policy, suggesting that even though financial institutions have policies relating to environmental and social risk, these policies may not yet apply to every area of practice within the organisation."

Following the WRI report, we reviewed the goldmine development in Asia Pacific that we had found to be in compliance with the Equator Principles. Local NGOs also raised concerns both about the project's potential impact on an area of forest with high conservation value and about the way the process of consulting and involving the local community had been handled.

Our considerations

We conducted a site visit that included meetings with the company's senior management, government officials, the local community and NGOs. This provided initial comfort that the company was open and responsible about its operations. It had also launched a tree-replanting programme and was striving to raise awareness among the local population about the devastating effect of the local practice of setting fire to the forests for hunting purposes. We also found that the majority of the NGOs' concerns were being addressed by an improved project plan. While experts concluded that part of the mining activities would take place in primary forest, the affected area of a few square kilometers was fairly small and therefore acceptable under the criteria set out in our Forestry Policy.

Our actions

Our findings confirmed that the client's capacity for – and commitment to – sustainable development was materially compliant with our policies and that the

mining project itself was compliant with the Equator Principles. Since the client had changed the way it interacted with the local community we found that the village we visited during the trip had become more positive about the project. The inhabitants seem to appreciate the efforts of the company. We funded the project as agreed with the client and the project is running within our conditions.

The dilemma

The bank was considering financing an environmentally sensitive copper/ goldmine project in a developing nation. The country in question has vulnerable governance standards and a relatively weak framework for monitoring and enforcing compliance with international environmental and social regulations.

Our considerations

In our due diligence and assessment, we took into account a wide range of considerations, including the expected economic development that the project would bring to both the country and the local communities, and the extent to which existing and potential environmental problems – such as erosion, related water quality issues and acid mine drainage – were consistent with the parameters set by the Equator Principles. In addition we looked at the local regulatory framework. We also used the CDT rating to assess the client's sustainability practices – which we found to be adequate – and examined the legal documentation to establish the extent to which it included triggers for environmental and social non-compliance.

Our actions

Our project analysis of this environmentally – and socially – sensitive project confirmed that it would create benefits for the local economy and would likely involve an acceptable level of client commitment to sustainable development. However, the project also comprised a degree of environmental and social sensitivity. In this particular case, we decided not to pursue the transaction because of possible problems resulting from the weakness of the local regulatory framework, which could not be mitigated by the involvement of a multilateral organisation.



Photo: BankTrack

“Two years into the Equator Principles, both their potential and their shortcomings are becoming clear. BankTrack considered them a welcome first step, but also pointed to some intrinsic flaws: there was no commitment of banks to be transparent on how to deliver on the pledge; no arrangement for external accountability in case projects do go wrong and the scope

is too limited to effectively mitigate all-risks of engaging in controversial activities on a non-project finance basis.

The future relevance of the Principles is highly dependent on the commitment of banks to address these intrinsic flaws and to bring the collective standards up rather than down – as might be the undesirable outcome of the current revision of the IFC Safeguard Policies, to which the Principles are now pegged. We recognise that ABN AMRO is making a serious effort to make the Principles work for the sector as a whole and encourage them to explore ways to apply the Principles beyond project finance.”

Johan Frijns, Coordinator BankTrack, the Netherlands

Forging client relationships

Three of our largest state-owned clients in a developing country are active in industry sectors with inherent environmental and social risks. In completing the application of our CDT during the client acceptance process, our risk managers could foresee that there would be potential difficulties in gaining access to the required information about state-owned companies under a stringent regime not known for transparency. Our risk managers held meetings about this issue with the clients, as well as the Ministry of Natural Resources and Environment of the country in question.

To their surprise, our risk managers found that the clients wanted to learn more about ABN AMRO's sustainability approach and requirements. They were also very open and were eager to find out how they could improve their current policies and procedures. The clients then requested ideas for additional training and contacts with international consultants, the Asian Development Bank and the World Bank in order to gather more information. Our country risk manager worked closely with the local World Bank office to compile this information. We believe that this kind of client support contributes significantly to sustainability, as well as helping us to build strong relationships with our clients.

Site visit: the Chad Cameroon Petroleum Development and Pipeline project

In 2001, ABN AMRO arranged a EUR 440 million commercial facility for the development of the Chad Cameroon Petroleum Development and Pipeline project. Production began in October 2003 after the requisite technical, legal and economic completion criteria were met. The Chad Cameroon project was designed with measures to protect, monitor and mitigate against all adverse environmental and social impacts. Nevertheless, the project has been – and continues to be – subject to significant scrutiny by the local and international NGO community for anticipated environmental and social impacts. Among the concerns, the local community has cited government corruption and human rights abuse; lack of government capacity for environmental management and monitoring of the project; and adverse impact on local indigenous groups, agricultural production, forestry resources and water.

To gain a better understanding of how the project was developing, and of the concerns raised by the NGO community, ABN AMRO conducted a site visit in November 2004 together with the International Financing Corporation (IFC). The visit included the project site at Kome and meetings with local NGOs in Chad, who are working with the World Bank Group and the project sponsors on individual and community compensation initiatives and development programmes. We were encouraged by the fact that the project sponsors are demonstrating a high degree of commitment to, and capacity for, addressing all environmental and social concerns within their sphere of influence. The sponsors and the World Bank Group are striving to ensure that the highest environmental and social standards of the industry are being applied to the project.

Through selective hiring of experienced individuals with local knowledge and understanding, the project is striving to ensure that its community initiatives are appropriately targeted.

There is a fundamental challenge posed by projects of this nature, which have great potential for benefiting the economic and social development of poor countries provided appropriate local governance standards and legal frameworks are in place. The royalties generated by crude oil sales from the Chad Cameroon project are earmarked for much-needed development projects within Chad. While the government has not yet disbursed these funds, strict controls are in place, including oversight by a monitoring body representing civil society, to ensure that the money is spent appropriately and effectively. Although the ultimate developmental benefit depends on the government's good faith to use the escrow moneys responsibly, we believe that the framework of mitigation measures, the current climate for accountability and responsibility, and the pressures exerted by civil society will reinforce good governance.

On the basis of this visit, the bank concluded that the Chad Cameroon Petroleum Development and Pipeline project could, despite the inherent challenges, be regarded as a responsible extractive industry investment, with a high potential developmental benefit. As with all our engagements, we will continue to monitor this project on a regular basis.

The dilemma

ABN AMRO was criticised by a labour union in an Organisation for Economic Cooperation and Development (OECD) member country because of our involvement with an industrial company facing allegations over potential violations of health and safety requirements and labour rights. The union asked for an open dialogue, so we could help to settle their dispute with our client.

Our considerations

We take labour and social rights very seriously, both in our own operations and in those of our business partners. Whenever legitimate concerns are raised in this area, our first step is to initiate a confidential dialogue with the senior management of the client. In this case, this dialogue confirmed that our client was committed to responsible engagement and to taking an open and constructive approach. We were also comforted by the client's public confirmation that it recognised and respected union representation, based on the formal voting process laid down by the OECD country's labour regulator.

Meanwhile, the labour union was continuing to urge the bank to engage in a direct dialogue with them. However, we felt it would not be appropriate for the bank to become involved in a dispute between a client and its labour union. As a matter of principle, this type of involvement goes beyond the accepted boundaries of our role as a financial institution and private sector organisation, particularly in a country where appropriate regulatory labour procedures are in place for this purpose.

Our actions

We have seriously looked into the concerns raised by the union in our internal assessment and have provided written feedback on our actions and findings. Although this implied restrictions on our openness to dialogue, we have decided that in this specific case we could not honour the request for a direct dialogue on this particular issue. At the same time, we are continuing our regular dialogue with the client, during which social issues are discussed as and when they arise.

Site visit: BTC pipeline update

In our 2003 Sustainability Report, we gave extensive coverage to the BTC pipeline. The construction of the 1,760-kilometre BTC pipeline across Azerbaijan, Georgia and Turkey reached an advanced state of completion by the end of 2004. As a Category A project under the Equator Principles, this project has not been without its challenges, and we have been encouraged to see the extent to which the resulting environmental and social impacts have been managed. Performance against the high standards set at the start of the construction phase has been generally good, specifically in the Borjomi region, the project's most environmentally-sensitive section. Continued transparency has ensured that all issues, in particular the serious incident involving the tragic deaths of two children in Turkey and the concerns raised on the coating process, have been quickly identified and appropriate steps taken to prevent recurrence. We continue to monitor the project closely and to respond to comments from NGOs, as the BTC pipeline enters the most critical period of its construction. This will see the most rigorous testing of the integrity of the pipeline and completion of the project in 2005.

The dilemma

The Federal Government of an OECD member country announced a feasibility study for a new pulp mill. We identified an opportunity to take an advisory role in the project. Our due diligence showed that the likely sponsor of the project was a forestry company with whom ABN AMRO had no established relationship. We also found that the company had been the subject of strongly-negative media coverage and criticism from NGOs for allegedly clear-cutting parts of old-growth forests.

Our considerations

Our first impression of the deal's potential gave rise to concerns, but we decided to initiate an open dialogue with the company nevertheless. We conducted a comparison of the requirements under our Forestry Policy with the sponsor's approach, and with the standards expressed by external stakeholders, including political parties and NGOs. Given the fact that we were engaging with the company for the first time and that there had been negative coverage in the media, we didn't take anything in our process for granted. The comparison showed that the various criteria were closely aligned and suggested there was potential for the project to comply with our policies.

Our actions

SBA advised that we should make initial contact with the sponsor to pursue the opportunity, with SBA remaining closely involved. Although we did not win the mandate in the end, we believe that this initial engagement process has been a learning experience for both the company involved and the bank.

Ambitions and action plan 2004 status:

Sustainable Business Advisory

In 2004, we realised the ambitions and action plan outlined in our 2003 Sustainability Report, by working closely with clients and NGOs on the review of our mining policy, and commencing the development of our hydroelectric dams policy. We increased our training efforts, both in terms of general awareness and specific roll-out training for policy practitioners, and extended the application of our policies beyond the SBU Wholesale Clients. Furthermore, we enhanced our IT infrastructure and supporting processes to improve policy compliance across our business. Finally, we assisted new Equator Principles banks in exchanging best practices and continued our dialogue with NGOs to discuss the Equator Principles and their implementation. We did not review or update our Oil & Gas policy in 2004, focusing instead on the effective and efficient roll-out of the policy across the organisation.

Ambitions and action plan 2005:

Sustainable Business Advisory

Going forward we will:

- Work closely with clients and NGOs to update our Oil & Gas Policy and conclude new sector- and issue-focused initiatives currently under way on nuclear energy and hydro-electric dams
- Develop position papers on sensitive issues such as gaming, adult entertainment and animal testing
- Further extend the usage and applicability of policies throughout the organisation, to ensure maximum coverage, application and adherence
- Improve and expand percentage of clients reviewed on policy compliance. In particular for Forestry (100%), Oil & Gas (90%) and Mining (90%) of our priority and key clients
- Focus on developing a more proactive approach to business assessment and client engagement, with the objective of reducing the risk profile of our overall portfolio, and better positioning the bank to attract more sustainable business opportunities.

B Sustainable products and services

Focusing on our core clients

Our clients are the prime beneficiaries of our relationship-based approach. We serve them through our (S)BUs:

- **Consumer & Commercial Clients:** individual and corporate clients requiring day-to-day banking services, together with property-related services from Bouwfonds, our property development and financing subsidiary
- **Wholesale Clients:** major international corporations, with an emphasis on Europe, and financial institutions
- **Private Clients:** relationship banking services for high net-worth individuals
- **Asset Management:** provides asset management products and services to the other (S)BUs and clients across the Group.

Our strategy for growth is to build on ABN AMRO's strong positions in our core client areas. We constantly aim to leverage our international product and brand to the benefit of our core client bases, often using local brands and local client intimacy. Examples of this include LaSalle Bank in the US and ABN AMRO Real in Brazil, which are using the ABN AMRO shield and global tag line 'Making more possible' in combination with their local brand names.

Offering responsible products and services

We believe that being a responsible provider of financial services creates business opportunities and helps us to build sustainable value. While demand from our clients for sustainable products is still relatively small, it is rising steadily. Our (S)BUs have been responding to this growing demand by developing a range of sustainable products including SRI products, green bank financing and microfinance. Aside from these specifically-targeted sustainable

products and services, we have also included sustainability in our day-to-day business practices and in our everyday products and services. Fundamentally, this means doing the right things well, such as responding to clients' evolving needs and resolving complaints quickly and fairly. It also involves creating opportunities, developing new services and products, enabling 'sustainable entrepreneurship', and helping our clients to identify whether specific risks are within their financial capacity and reach.

An increasingly important sustainable development topic is the crucial role of the private sector in achieving the UN Millennium Goals; of which poverty reduction is the number one issue. It is generally acknowledged that the private sector can and should play an important role in this area. Given the core competencies of ABN AMRO, it is quite logical that we are closely involved in microfinance. In 2004, ABN AMRO made substantial progress in anticipation of the United Nations 'International Year of Micro Finance' in 2005.

SBU Consumer & Commercial Clients

The SBU Consumer & Commercial Clients serves approximately 20 million personal clients and small- and medium-sized enterprise (SME) clients. We operate in three 'home markets' – the Netherlands, the US Midwest and Brazil – and are present in many other countries and territories across Europe and Asia, which we categorise collectively as 'New Growth Markets'. In Europe, the BU New Growth Markets is active in Belgium, France and Spain. In Asia, we have consumer banking operations in India, Indonesia, Singapore, Pakistan, the United Arab Emirates, the People's Republic of China (including Hong Kong) and in Taiwan, as well as in Saudi Arabia through our minority stake in Saudi Hollandi Bank. Our consumer and commercial banking activities

also include Bouwfonds, ABN AMRO's property development and financing subsidiary in the Netherlands.

ABN AMRO and microfinance

We focus our microfinance activities particularly on countries where ABN AMRO has a local presence. ABN AMRO's financial involvement in microfinancing takes place through equity and debt. Services are offered at fair market prices ensuring viability for this business. Our microfinance activities are an integral and expanding part of ABN AMRO's sustainability strategy. Through them, we aim to provide access to financial services to very low-income people in society, while generating a reasonable return at the same time. In our view, this is the only way microfinance can be executed in a sustainable manner.

In addition to debt investments in a number of microfinance partners, ABN AMRO has made a EUR 1.8 million equity investment in ShoreCap International (ShoreCap) in 2003. ShoreCap invests capital in, and advises, locally-regulated financial institutions that make small and micro business loans in developing and transitional economies. ABN AMRO also provides ShoreCap (total



Photo: Lubna S. Olayan

"We in the private sector must become catalysts for change. We must lead by example and practise what we preach in public and in private. We must do so daily, in every hiring decision, every investment choice, every commercial transaction and every report to our boards, to our shareholders and to our government."

Lubna S. Olayan, Chief Executive Officer,
Olayan Financing Company and Board Member of
Saudi Hollandi Bank, Saudi Arabia

fund assets EUR 20.8 million in December 2004) with local market intelligence aimed at enhancing its investment decision capabilities. ShoreCap is a joint venture with a group of like-minded business partners including ShoreBank (a leading community development bank in the US), the International Finance Corporation (IFC, the private sector lending arm of the World Bank), FMO (the Dutch Development Bank) and the Asian Development Bank. Through its US subsidiary LaSalle Bank, ABN AMRO has a EUR 0.7 million equity stake in ShoreBank. ABN AMRO is also the leading private sector shareholder of FMO with an equity stake of 22%.

Microfinance

Type of clients

Number of loans

Size of loans

Total portfolio

Rate

Other

Brazil

Individuals or small enterprises who do not have facilities to gain access to credit through commercial financial institutions

4,348 (2003: 579)

Between EUR 50 and EUR 3,000

EUR 1.1 mln (2003: EUR 0.2 mln)

Market pricing

Offered in 8 regions, including the cities of São Paulo, Campinas and Rio de Janeiro

India

Micro Financing Institutions (MFIs) who in turn lend the funds to their clients. In 2004, we developed partnerships with nine MFIs. The borrowers, mostly poor women in rural areas come together in groups of 10 to 20 individuals, each standing as guarantor to the others and undertaking to repay the loan on a collective basis in the event of an individual failure

Indirect via MFIs: 70,000 (2003: 53,500)

Between EUR 100 and EUR 300

EUR 4.1 mln (2003: EUR 2.7 mln)

Market pricing

Our ambition is to reach out in a commercial, profitable and sustainable way to one million households by 2008

In India, we have built alliances with local microfinancing institutions (MFIs) to allow us to leverage our mutual competencies and their infrastructure and our local organisation. We also provide our local MFI partners with advisory services in areas such as information technology, governance and credit discipline. These efforts have resulted in us being

offered a seat on the board of Cashpor, one of India's largest MFIs. Our proactive approach has also driven rapid growth in our portfolio, resulting in our achieving break-even just twelve months after start-up.

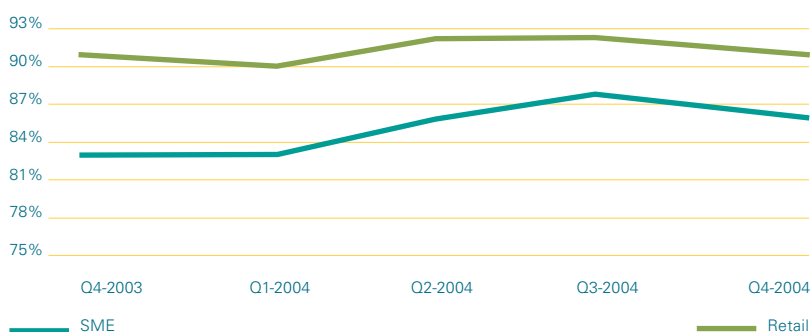
In Brazil, ABN AMRO Real's microfinance programme is designed to benefit microentrepreneurs and low-income earners, while also creating jobs and contributing to the socio-economic development of the communities where it is active. We run the programme primarily through the existing retail banking infrastructure. In 2004, we expanded it into new business and geographical areas, resulting in a substantial increase in the portfolio, clients and earnings.

We believe in microfinance not only as a viable business opportunity but also as a powerful contributor to poverty reduction. For example, ABN AMRO India conducted an impact assessment survey in September 2004, covering a sample of more than 200 microfinance clients of one of our MFI partners. The survey showed that 58% of those who have used microfinance for about four years have experienced a significant reduction in poverty, while 41% are no longer below the poverty line today. In addition, microfinance offers a valuable answer to the omnipresent and destructive predatory lending malpractices.

Microfinance – lessons learned in Latin America

Clients' financial needs are great in Latin America, but they have little trust in banks and face a highly-competitive commercial environment. So we add value by acting as business advisors and working closely with clients within their communities. With microfinance clients, our credit agents are responsible for everything from the approval of the loan to overseeing final repayment, as well as providing business advisory services. However, the need to deal with clients' negative credit records has meant we have not been able to build our portfolio as quickly as we had hoped. Also, the relatively high costs of running 'mini-branches' – small ABN AMRO Real offices where the poor can get access to the very basic banking needs – has led us to develop a new model that enables these locations to operate in synergy with regular ABN AMRO branches. We have also learned that many aspects of microfinance in smaller Latin American countries such as Peru and Bolivia are not fully applicable in the Brazilian environment (specifically in São Paulo), where there are many large retail banks offering financial services to lower-income people. All in all these valuable lessons learned present us with a solid foundation to achieve our microfinancing growth objectives.

Client satisfaction BU Netherlands*



* Rating based on client satisfaction score 6 and higher

BU Netherlands

Environmentally-sound lending

In the Netherlands we lend money through ABN AMRO Groenbank to projects with a Dutch government-issued certificate under the Green Projects Arrangement. At the end of 2004, ABN AMRO Groenbank's sustainable projects totalled EUR 265 million, up from EUR 212.8 million in 2003. The main recipients of green loans include green farming and agriculture, energy and nature conservation projects.

Accessibility

Building on the improvements in accessibility for people with disabilities achieved in 2003, we made further progress in 2004. We continue our dialogue with interest groups and representative bodies and expect to introduce further improvements at our bankshops, internet banking and other services in 2005.

Client satisfaction

Improving clients' overall satisfaction with our services remains a key focus. Although our clients' level of satisfaction is positive, we know there is always room for improvement. To assess clients' needs, we carry out detailed surveys among our SME and retail clients every three months. We use the results as the basis for targeted enhancements, such as expanding our SME advisory capacity within the BU Netherlands branch network.

Complaints handling

Complaints are a valuable source of information, and can help us to identify opportunities to improve customer satisfaction or reduce costs. We aim to resolve all complaints within one day. When this is impossible, the complaint is handled in co-operation with relevant specialists in fields such as mortgages, securities or payments. There is a set time-limit within which we aim to handle complaints.

BU North America

Brownfield redevelopment

BU North America is active in 'brownfield' redevelopment. A brownfield site is property whose expansion, redevelopment or reuse may be complicated by the presence of a hazardous substance, pollutant or contaminant. We are a leader in brownfield redevelopment and in efforts to increase the communication and education surrounding this topic. This stance reflects our market leadership in lending to environmental, community and economic development projects.

Ambitions and action plan 2004 status:

BU Netherlands

In 2004, we took a number of concrete steps that underlined BU Netherlands' determination to integrate sustainability into our core business and client relationships. Most notably, we incorporated sustainability goals into the performance contracts of senior management and made several enhancements to increase our transparency. Furthermore, we are in the process of developing systems for incorporating and evaluating sustainability factors in our decision-making relating to client analyses and transactions. During the year, we continued to contribute to local communities through our employee-volunteering programme. Next, we ran a staff awareness programme.

Ambitions and action plan 2005:

BU Netherlands

Going forward we will:

- **Organise 80 meetings throughout the Dutch branch network to inform and engage our staff about sustainability factors that have an impact on their work and their client relationships**
- **Make sustainability a topic that we raise and discuss with our clients. Many of them value this, as they often face similar dilemmas and challenges**
- **Commence with sustainability scan of our lending portfolio**
- **Engage with clients and client groups who are considered leaders in sustainability or who have expressed interest in sustainability-related issues. We will act as a facilitator, bringing them the latest knowledge and developments and stimulating sharing of experience and ideas**
- **Make sustainability an integral part of our strategy for SMEs**
- **Continue to develop a special project we have launched for five SMEs to quantify the value that sustainability can add for them. If successful, we will translate this into tangible steps for companies**
- **Widen our range of sustainable investment funds and savings products and further incorporate sustainable investment in our advisory cycle**
- **Implement the sustainability components in the performance contracts of all our business and support departments.**

Ambitions and action plan 2004 status:

BU North America

In 2004, we realised most of the ambitions and targets set in our 2003 Sustainability Report. We expanded our range of sustainable investment products by offering SRI investment services; stepped up our recycling efforts; offered sustainable promotional items; engaged with NGOs on topics of community development, green buildings and supplier diversity; engaged employees and clients on sustainability issues; and maintained our positioning as market leader in brownfield redevelopment financing. We exceeded our minority- and women-owned business goals in the construction of the ABN AMRO Plaza Building.

Ambitions and action plan 2005:

BU North America

Going forward we will:

- **Maintain our leadership in brownfield redevelopment, and increase participation, communication, and education on this subject**
- **Continue to expand the range of sustainable investment products available to clients, with a target of increasing fund offerings by 33%**
- **Continue our engagement with NGOs while increasing our work in the areas of green building and cities**
- **Intensify our sustainable development education programme and execute internal and external sustainable development awareness programme**
- **Seek to spend 10% (approximately EUR 75 million) of our sourceable expense base with minority and women-owned businesses.**

Our employees are active members of environmental/brownfield associations and have participated as panellists at various environmental forums including the Metropolitan Planning Council and the Field Museum. We also have members on the National Brownfield Association's finance committee, as well as providing the elected chairman of the Risk Managers Association Environmental Risk Managers' Roundtable.

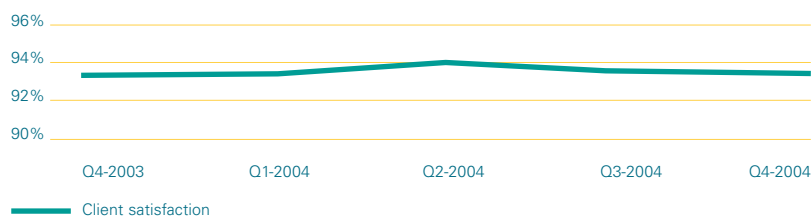
Expansion of sustainable investment products

BU North America is committed to providing our clients with sustainable investment choices. To help us do this more effectively, we conducted extensive research to identify 'best in class' socially responsible investment (SRI) funds to offer our investors. This research led us to choose the Parametric Portfolio Associates Domini 400 Social Index. Our Wealth Management team organises and manages portfolios on the basis of this index.

Social financing

Shorebank is a local Community Development Financial Institution (CDFI) bank that was initially capitalised by many of the major banks in Chicago. Shorebank focuses on customers and loans that tend to fall outside the mainstream business of conventional banking. For example, Shorebank is Chicago's leading lender to neighbourhood-based churches. In order to support its efforts, LaSalle Bank has invested EUR 0.7 million in Shorebank. This money serves as secondary capital, enabling the bank to make more loans.

Client satisfaction BU North America*



* Covering La Salle Bank and Standard Federal Bank

In 2004, we spent more than EUR 58.7 million in the US with minority- and women-owned businesses. All of our spending with vendors is sourced via the Finance Analysis Portal, and we use D&B Company to help us identify minority- and women-owned firms.

Conference sponsorships and NGO dialogues

A further initiative was our sponsorship of the 2004 Global Donors Conference on International Giving, titled 'Giving in a Time of Conflict'. In total we sponsored three sustainability conferences as part of our drive to educate our employees and the community. We also continued our community work with local NGOs and held a special meeting on supplier diversity.

Client satisfaction

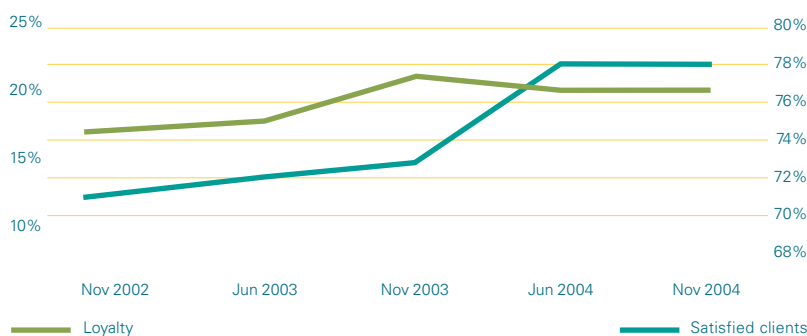
We measure retail branch customer satisfaction through over 4,000 customer transactions annually. Customers engage in typical bank transactions and then rate their satisfaction with the experience. The slight decline in overall satisfaction reflects a change in our measurement approach in the third quarter to enable us to measure the overall customer experience more broadly.

BU Brazil

Socio-environmental financing

ABN AMRO Real's commitment to providing socio-environmental financing is generating increasing business among corporate and consumer clients alike. The number of socio-environmental loans for consumers rose from 326 in June 2003 to 6,173 in December 2004, worth a total of some EUR 5 million. These loans included financing for natural gas conversion kits for cars, solar heaters, mobility devices for the disabled and computers for teachers. We take a similar approach with our corporate clients, by seeking to finance projects that prevent environmental harm and promote the use of sustainable production technologies. The total value of our corporate socio-environmental financing more than doubled from EUR 13.6 million in August 2003 to EUR 29 million in December 2004.

Client satisfaction and loyalty BU Brazil



IFC: a partnership for sustainability

The International Finance Corporation (IFC) has committed to lend EUR 39 million to ABN AMRO Real to provide funding for a maximum ten-year term, to:

- 1 companies looking to develop socio-environmental projects;
- 2 family-controlled small and medium sized enterprises (SMEs) wanting to improve their corporate governance; and
- 3 SMEs wishing to make measurable socio-environmental improvements, with a performance bonus if they meet certain targets. The IFC said this is the first time that a bank in emerging markets has used IFC sustainability standards in a lending transaction.

'Classic' Client Segment

Of the almost 3 million current account holders at ABN AMRO Real, approximately 1.3 million belong to the 'classic' segment, which consists of people earning the equivalent of EUR 66 to EUR 320 per month. For these individuals we have developed products specifically geared to their purchasing potential and solutions that streamline electronic transactions. A good example is our new credit card, which is unique in the Brazilian market.

Ambitions and action plan 2004 status:

BU Brazil

In 2004, we have realised most of our ambitions and targets. We have realised and even surpassed our target of 20 sustainable products and the overall size of our product portfolio that includes sustainable products and/or products based on sustainable criteria has doubled. Also the volume of our sustainable Assets under Management (Ethical Fund) has increased. The percentage of women in management was 22.7% at year-end. We have developed several actions and projects to promote diversity on a continuing basis. Furthermore, we continued our efforts to integrate sustainable development in our educational programmes for employees and other stakeholders.

Ambitions and action plan 2005:

BU Brazil

Going forward, we will:

- Continue our efforts to integrate sustainable development into the core of our business through innovations in policies, processes and products and through initiatives that reinforce our position
- Increase the size of our product portfolio that includes products that have a positive social and environmental impact and/or are based on social and environmental criteria
- Realise further volume growth of our sustainable Assets under Management
- Perform a higher number of social and environmental business risk analyses
- Increase our number of microfinance clients and the size of our microfinance portfolio
- Increase the number of women in leadership/management positions and employees with disabilities
- Provide sustainable development training to all staff levels to increase awareness, understanding and commitment.

Introduced in October 2004, it offers staggered payments for the annual fee and allows customers to repay the outstanding purchase balance in up to 12 instalments. Efforts to generate customer loyalty have been well received, with customer satisfaction rising from 71% in 2002 to 78% today.

BU New Growth Markets

Client engagement

For BU New Growth Markets continuous client engagement is a fundamental guiding principle. In conjunction with the Business Unit Private Clients, we conducted a client engagement survey covering nearly 10,000 clients worldwide. Client engagement initiatives of this type are fundamental to our ability to maintain and build client trust in the long term, meet clients' needs and fulfil our role as a responsible provider of financial services. Since we believe strongly that one of the key drivers for client engagement is employee engagement, we conducted an employee engagement survey throughout our markets. During 2005, we look forward to achieving full implementation of the action plans springing from both the employee and client feedback.

International Diamond & Jewelry Group

Our Belgium-based International Diamond & Jewelry Group (ID&JG) has 12 branch locations worldwide and is considered the world's leading financier of the diamond and jewelry trade. Our clients cover the entire diamond pipeline, from mining, rough trade, diamond polishing to jewelry manufacturing and retail.

Apart from our ongoing participation in the World Diamond Council and in the Kimberley Certification Process, we are also active in the battle against money laundering and the financing of terrorism, believing that compliance with international laws is essential to the legitimacy and integrity of the diamond industry. In May 2004, ID&JG released a publication called 'Diamond Industry Strategies to Combat Money Laundering and the Financing of Terrorism'. The book was distributed on a complimentary basis to close to 1,000 clients in all diamond and jewelry trading centres and to other key players and employees. Furthermore, we joined the 'Corporate Social Responsibility

Early Adopters Group' of the World Jewelry Confederation. The aim of this group is to assist this business in setting standards to ensure further sustainable development of the industry.

Bouwfonds

Our Bouwfonds subsidiary is the Netherlands' largest real estate project developer in terms of volume. It is also a major provider of residential mortgages and a property financing company with international reach and profile. Bouwfonds has approximately 1,600 employees and is active in the Netherlands, Belgium, Germany, France, Spain and the US.

Sustainable business operations

Bouwfonds was founded in 1946 to bring affordable housing within the reach of lower-income groups and to help solve the Dutch housing shortage. This social awareness is still in our genes today, with sustainable development forming an integral part of Bouwfonds's business and code of conduct.

Via Bouwfonds Fondsenbeheer (fund management) we use our property funding expertise to find solutions to social issues related to public housing and estate planning. We also manage a number of funds active in these areas, with the policy of these funds being executed by independent executive boards. Examples include the Netherlands Municipalities Public House Stimulation Fund, the National Company for the Conservation, Development and Exploitation of Industrial Heritage, the National Green Fund and the National Restoration Fund.

We were also involved in the following initiatives:

- The Employers' Platform Urban Renewal, which regenerates the social, physical and economic infrastructure of run-down urban districts



Photo: Pisco del Gaiso/Fotosite

Edilson dos Santos, who has a machine shop that reconditions electric motors, is a microfinance client of ABN AMRO Real

Ambitions and action plan 2004 status:

BU New Growth Markets

In 2004, we realised most of our ambitions and targets. We are particularly pleased with the results of our microfinancing activities in India. We do not yet have a full Community of Practice representation for sustainable development in all of our markets.

Ambitions and action plan 2005:

BU New Growth Markets

Going forward we will:

- Continue our efforts to increase internal awareness of sustainability development and expand the Community of Practice on sustainable development to cover all our markets
- Investigate expansion of microfinance into other key emerging markets in Asia
- Continue our efforts on ID&JG-related efforts on anti-money laundering and anti-terrorism financing issues
- Launch a BU-wide diversity plan aimed at increasing the representation of women in key positions
- Implement action plans based on the results of our Customer Engagement Programme 2004/2005
- Implement action plans based on the results of our Employee Engagement Programme 2004/2005.



Photo: LaSalle Bank

"As a first point of contact to current and prospective clients, my role at LaSalle Bank is very much influenced by certain sustainable values, namely openness and integrity. I am proud to be part of an organisation that has made it our standard to support and contribute to the environment and society in which we operate."

John Crouch, Global Trade Officer International
Corporate Banking Outbound, LaSalle Bank, US

- Various urban alliances, such as NV Stedelijk Wonen Rotterdam, to realise projects in less commercially-attractive areas
- Developing, redeveloping, financing, exploiting and managing valuable industrial heritage.

Ambitions and action plan 2004 status:

Bouwfonds (not included separately in our 2003 report)

In 2004, we entered into an agreement with the Forest Stewardship Council (FSC) to use sustainably-produced wood with the FSC trademark in 20% of our new residential dwellings in the Netherlands. Bouwfonds is the first major project developer to take such a step. Additionally, in cooperation with Triodos Bank, Bouwfonds launched a property fund in April 2004 that invests exclusively in business premises and industrial heritage built and maintained on sustainable principles.

Ambitions and action plan 2005:

Bouwfonds

Going forward we will:

- Continue to expand and embed our current initiatives and activities
- Further increase internal awareness.

SBU Wholesale Clients

SBU Wholesale Clients offers corporate and investment banking services to corporate, financial and public sector clients worldwide. Alongside our global network and local knowledge, sustainable development is a key value driver and source of competitive advantage.

Client engagement

In 2004, we continued to engage actively with clients, financing partners and other stakeholders to ensure that we understand the sustainability issues facing us all. During the year, we reviewed the effectiveness of the Equator Principles in relation to our project finance activities, and began a dialogue with interested NGOs to explore transparency and disclosure issues around the implementation of the Equator Principles. We are certain that our environmental expertise has added – and will continue to add – value for our clients, as we seek to become our clients' 'most-trusted advisor' and play an integral role in shaping their strategy and business scope.

A measure of investment banks' competitive market positioning, and therefore of their degree of client engagement, is the Brendan Wood International Competitive Index Score. This reflects a Bank's ability to win mandates, and each bank's score is the aggregate of hundreds of ratings attributed by corporations. These ratings cover aspects including the quality of the bank's primary relationship managers and secondary execution professionals; its execution capability; more than 30 competitive qualities including reputation and prestige, distribution, pricing, and relationship development; its research franchise; and its market penetration in terms of deals and fees. The graph shows how our score has developed over the past two years.

Products and solutions focus

In 2004, we continued to evaluate the potential for climate change-related hedging and risk management products and to assess the impact on our client base of global initiatives such as the Kyoto Protocol and the EU emissions trading scheme. Such market-based mechanisms can provide a valuable tool for limiting greenhouse gas emissions. Our involvement to date has focused primarily on financings, mergers and acquisitions in the wind and hydro sectors, as well as helping power generation companies and equipment suppliers respond to the rising demand for green energy. We see these formerly 'alternative' technologies becoming increasingly mainstream for our major clients and we will continue to refine and develop our renewables strategy in 2005.

Emissions-related products and services

We have been helping clients in sectors affected by the impending legislation on carbon quotas in Europe to assess the impact of the new regime on their operations. These discussions indicate that the greater value ascribed to carbon as a commodity will create genuine business opportunities in the financial sector. Clients are increasingly interested in realising the value of carbon-related management in their investments, transactions and projects, thus opening up opportunities for ABN AMRO in carbon instrument trading and in specialised structured finance and lending. We are already working on specific transactions in this field and expect to see a marked increase in activity in the coming years.

Climate change-related products and services

Changing or variable climatic conditions such as winds, floods, typhoons, and extreme cold and heat can clearly have a significant impact on our clients' businesses. ABN AMRO moved to address this growing area of risk

Client engagement SBU Wholesale Clients

Source: Brendan Wood International



Using our expertise in Australia

For several decades, Australia has been harnessing renewable energy sources – initially water, and now wind power as well – for electricity generation. While the resulting generating capacity is still relatively small, it is set to increase dramatically over the coming years, with a further 4,745 MW of new renewable capacity proposed for development. ABN AMRO Australia has been at the forefront of supporting renewable energy; having financed one of Australia's first privately-financed wind farms. We are currently advising the same client on another wind project in Australia, that with over 195 MW of capacity will be one of the largest wind farms in the Southern Hemisphere.

ABN AMRO also supports other innovative renewable fuel sources in Australia, through projects such as an EUR 57.2 million sugar cane fibre (bagasse) generation facility for which we are joint lead arranger. Our Equity research team provides coverage for the development of so-called 'dry hot rock' technology where a generator turbine is driven by steam produced from hot granite 4,000 metres underground. Going forward, ABN AMRO has the expertise and commitment to further stimulate the continuing development of renewable energy.

What are wind derivatives?

The use of wind derivatives – alongside other weather derivatives – is becoming increasingly widespread in the management of climatic impacts. ABN AMRO's Wind Risk Management products are priced and settled on a wind index. This is calculated by using a basket of weather data and the standard yield curve from the relevant wind turbine to come up with the average generation index – the wind index. Every day, actual wind data collected by independent government-owned organisations in stations surrounding the wind farm is compared with the index to come up with the settlement amount.

The sale of a wind turbine supplier

ABN AMRO was involved in the sale of a leading wind turbine supplier headquartered in Nordic Europe to a Europe-based multinational. This deal presented further proof that leading energy companies are now investing seriously in their renewables businesses, and confirmed ABN AMRO's position as the leading financial advisor for renewable energy transactions. Through this acquisition the multinational company involved – which was already active in wind through its transmission, distribution and generation businesses – can now provide turnkey wind projects to its customers worldwide. The deal also means that this multinational is now well-placed to capitalise on the offshore wind boom expected in many countries across Europe over the next few years.

by establishing a global Weather Derivatives team, which has advised a diverse range of clients on hedging strategies using derivatives based on indices tracking temperature, rainfall, wind and stream flow. These derivatives are becoming increasingly valuable tools in the development of responsible corporate risk management programmes.

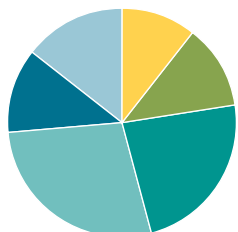
In 2004, ABN AMRO was awarded a licence to deal in weather derivatives in Taiwan. The mandate allows ABN AMRO to transact foreign currency weather derivative contracts with Taiwanese counterparts. This local competitive advantage brings further momentum to our growing trading efforts across the largely untapped Asian market.

Development finance: building sustainability

As one of the world's leading financiers in the emerging markets, we work alongside and in collaboration with various multilateral and national development banks. By facilitating economic development we make an important contribution to sustainable development.

All projects financed by development banks are scrutinised against criteria developed on the basis of thorough studies of environmental and social impacts. There is a clear trend for other official agencies such as Export Credit Agencies (ECAs) to put more focus on environmental and social impact, in line with the increasingly rigorous standards being imposed by development banks. We are actively involved in ECA-backed facilities, with an exposure of EUR 14.9 billion as per 31 December 2004 (2003: EUR 10.8 billion).

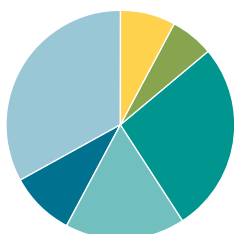
Number of ECA-backed facilities



- Central and Eastern Europe: 57
- Middle East and Africa: 65
- Latin America and Caribbean: 124
- Asia and Pacific: 149
- OECD Developing Markets: 64
- OECD (excl. Turkey and Korea): 77

Exposure in % of total

(in euros)



- Central and Eastern Europe: 8%
- Middle East and Africa: 6%
- Latin America and Caribbean: 27%
- Asia and Pacific: 17%
- OECD Developing Markets: 9%
- OECD (excl. Turkey and Korea): 33%

Ambitions and action plan 2004 status:

SBU Wholesale Clients

We have made significant progress with our action plans for 2004. During the year we developed an internal awareness-raising programme in collaboration with Group Sustainable Development, and rolled this programme out in the Netherlands and Asia. The Mining Policy was successfully reviewed and launched, and we commenced a structured dialogue with stakeholders on the effectiveness of the Equator Principles in terms of our project finance activities. Our evaluation of the impending EU legislation on Emissions Trading has enabled us to develop a strategy for entering the trading market as it develops, and we have hired a specialist in emissions to facilitate this process.

Ambitions and action plan 2005:

SBU Wholesale Clients

Going forward we will:

- Finalise the roll-out of internal staff awareness-raising in the rest of Europe and the Americas
- Commence a client engagement exercise in 'sensitive industries' – those where we have developed an environmental and social risk policy – and ensure that our client-facing staff are familiar with the strategic sustainability issues that will affect these industries from a risk and business development perspective
- Expand the Client Diagnostic Tool coverage for the oil & gas and mining portfolio
- Seek to offer execution and clearing services on the exchanges that are to be opened in Europe in 2005 to trade carbon allowance-based instruments
- Develop our capability to trade credits in Emission Reduction Units (ERU's) and Certified Emissions Reductions (CER's) under the Kyoto Protocol Mechanism.
- Examine the potential for involvement in the creation of Carbon Funds, which could be used by investors – our clients – to provide an alternative stream of Carbon Credit Dividends for their longer-term carbon compliance needs
- Finalise the review of our strategy for the renewable energy sector and create, if appropriate, dedicated resources
- Look to expand on our success in the weather derivatives market by moving into more geographic locations
- Continue our efforts to strengthen the SBU-wide diversity programme.

Ambitions and action plan 2004 status:

BU Private Clients

In 2004, we have realised most of our ambitions and targets. We do not yet have a full Community of Practice representation for sustainable development in all our markets.

Ambitions and action plan 2005:

BU Private Clients

Going forward we will:

- **Continue our efforts to increase internal awareness of sustainability development and expand the Community of Practice on Sustainable Development to cover all our markets**
- **Incorporate socially responsible investment (SRI) into our Investment Advisory Cycle**
- **Launch a BU-wide diversity plan aimed at increasing the representation of women in key positions**
- **Implement action plans based on the results of our Customer Engagement Programme 2004/2005**
- **Implement action plans based on the results of our Employee Engagement Programme 2004/2005.**

Our sustainable development focus mainly involves helping clients to invest in socially-responsible ways. With this in mind, we plan to expand our sustainable product portfolio wherever we see a viable market opportunity.

Client engagement

Client engagement is a fundamental guiding principle in our business. It helps us to create sustainable value by building long-term client trust, meeting clients' needs and fulfilling our role as a responsible financial services provider. In collaboration with the BU New Growth Markets, we conducted a client engagement survey covering nearly 10,000 clients worldwide. Following this research, we will conduct training sessions to provide management and employees with an in-depth understanding of the survey findings and discuss the key concepts involved in driving client engagement. Since we consider employee engagement to be one of the key drivers of client engagement, we conducted an employee engagement survey throughout our markets. We expect full implementation of the resulting action plans during 2005.

BU Private Clients

BU Private Clients provides extensive wealth management solutions to affluent people. We are the world's tenth largest private bank, with EUR 115 billion in Assets under Administration. We operate private banking units in the Netherlands, Belgium, France, Germany, Monaco, Italy, Portugal, Spain, Switzerland, Luxembourg, Gibraltar, United Kingdom, Jersey, India, Singapore, Asia Pacific, Middle East and Latin America.

We operate our private banking business worldwide under high 'Know-Your-Customer' and compliance standards, while at the same time we aim to ensure to we meet our clients' need for privacy. These two fundamental principles are essential to maintaining the high levels of credibility and trust on which our business depends.

BU Asset Management

ABN AMRO has one of the world's largest global asset management businesses with some EUR 161 billion in specialist mandates and mutual funds. We operate in more than 20 countries across Europe, the Americas, Asia and Australia. Portfolio management is concentrated in six centres: Amsterdam, Atlanta, Chicago, Hong Kong, London and Singapore. We offer investment products in all major regions and asset classes, using an active investment style, and an investment philosophy characterised by an internationally- coordinated investment process and well-monitored risk management. BU Asset Management provides asset management products and services to the other (S)BUs and clients across the Group.

BU Asset Management includes a unit called ABN AMRO Trust, providing professional management and trust services to a global client base from centres around the globe. In October 2004, we announced the signing of a Letter of Intent regarding the sale of this Trust business to one of the leading international companies in the sector. This transaction is in line with our strategy to concentrate on our core activities and we expect to conclude the sale in the first half of 2005.

Corporate governance

In September 2004, we published a policy on corporate governance that our asset managers will use in assessing investments and exercising voting rights on behalf of their clients. This policy, which has been published on our website (www.abnamro.com/sustainability), reflects our belief that good corporate governance is an important component of any investment decision. As from January 2005, we have begun exercising voting rights for a number of Amsterdam- and Luxembourg-based equity funds. Our voting behaviour will be published on a quarterly basis on the website.

ABN AMRO pension fund

ABN AMRO's own pension fund in the Netherlands; for our personnel also adopted BU Asset Management's investment and corporate governance policies, meaning that the way we invest our employees' pension contributions is in line with our mainstream investment policies. Following this change, the next step was to enable our personnel to indicate into which mutual funds they wanted to have part of their premium invested. They are allowed to invest in the full range of mutual funds offered to our retail clients, including those of other asset managers and SRI funds.

Socially responsible investments

In the Netherlands our socially responsible investment (SRI) fund managers use a best-in-class approach to manage their various sustainable assets funds. An analysis of each company's social, environmental and corporate governance performance is conducted by our SRI analysts based on independent research, other information sources and engagement with companies. During 2004, our Dutch analysts held dialogues with over 30 companies about their corporate citizenship practices. The ABN AMRO Duurzame Wereld Fonds was the first to fully implement the Dutch Association VBDO's guidelines on reporting transparency for SRI funds.

In Sweden, we are the market leader for SRI funds, managing 19 SRI and charity funds via our Banco subsidiary. During 2004, Banco's SRI Assets under Management increased further and represent more than 75% of all Banco-branded funds as per 31 December 2004. To complement our ongoing client engagement initiatives, Banco has launched a series of investment workshops with



Photo: Ron Offermans

Lounge for Preferred Banking Clients, Apollolaan in Amsterdam, the Netherlands

Swedish large-cap companies on various topics, such as social risks in the supply chain and corruption prevention. Banco's SRI criteria have been formulated in close co-operation and dialogue with NGOs such as Amnesty International, which is represented on Banco's ethical committee.

In Brazil, we manage the Ethical Fund, the first SRI fund in Latin America. In 2004, the fund has benefited from a marketing campaign to increase the understanding of this concept and its penetration in the retail distribution channel. At the same time, Preferred Banking managers dedicated to our premium clients, have been trained. At 31 December 2004, the Ethical Funds' portfolio totalled EUR 20.8 million, showing a year-on-year growth of 129% and of 1270% from 2001, the year it was launched.

In terms of capacity-building and awareness-raising, BU Asset Management was co-founder of the Centre of Studies in Sustainability in one of the leading business schools, the Fundação Getúlio Vargas (FGV). We are also members of the Board of ISE-Bovespa, an SRI stock index for the Brazilian market. Furthermore, our chief economist has published a book describing the principles of the eco-economy, a theory that integrates environmental and social issues with economics. In addition, Asset Management Brazil supported the launch of the New Ventures Program designed to promote sustainable development and entrepreneurship, in partnership with the World Resources Institute and FGV. Finally, we participate in the Asset Management Working Group of UNEP Financial Institutions.

The dilemma

A chemicals company in which our SRI fund manager Banco invested was exposed as using a supplier that employed children in the production of cotton seeds in Asia. Although the company had policies referring to basic International Labour Organisation conventions, it refused to acknowledge any responsibility for its supplier's actions.

Our considerations

We considered this a very serious matter. From both a portfolio and ethical perspective, we felt the best solution would be to influence the company to accept responsibility for its supply chain, and to address the problem of child labour itself.

Our actions

Banco teamed up with another concerned investor to initiate a dialogue with the company aimed at finding a constructive solution for all parties involved. We presented the company with convincing evidence of the problems in its supply chain. This convinced the company to change its stance dramatically, and to acknowledge its influence over – and responsibility for – its Asian suppliers. We also advised the company to develop a specific policy on child labour and to co-operate with NGOs and local authorities on the implementation and monitoring of the policy. Our follow-up assessment after the agreed deadline confirmed that the requested policy was now in place and that the company had initiated contacts with NGOs to help it monitor its suppliers more effectively. It was clear that the engagement dialogue was having a positive effect, so we chose to keep the company in our portfolio. In the future we will continue to monitor the situation and reassess if circumstances dictate.

Performance figures selected largest local ABN AMRO SRI funds

(in %)	Performance 2004	Performance over 3 years
Brazil		
FIA ABN AMRO Ethical (Brazilian equities)	32.7	115.0
Sweden		
Etisk Sverige (Swedish equities)	17.1	-14.3
Netherlands		
ABN AMRO Duurzame Wereld Fonds	2.3	-14.4

Sustainable Assets under Management

(in millions of euros)	2004	2003
ABN AMRO Groenfonds	465	457
SRI Funds	978	371
Total Sustainable Assets under Management	1,443	828
Total Assets under Management	161,000	156,000

The dilemma

People are keen to emphasise the importance of sustainability. But as consumers, they often make choices based on factors such as price, and are less influenced by sustainability considerations. We experience this contradiction in our own business, with the level of demand for some of the sustainability products we offer remaining relatively low. This in turn tends to reduce the 'commercial drive' in our organisation to cater for this segment by developing more sustainability products.

Our considerations

We are committed to promoting sustainability and embedding it in our core processes. An integral part of this commitment is that we want to develop and sell sustainable products. However, product development is expensive, so we have to be sure that there is a market. And as long as mainstream consumers remain reluctant to base their buying decisions on sustainability factors, the opportunities for us to develop new sustainable products will be limited.

Our actions

We will continue to promote sustainability and our sustainable products, and to make efforts to increase demand and product choice in this segment. We will also explore other ways of using sustainability as a means to improve client intimacy and increase our share of clients' expenditure. An example is our adoption of 'climate change' as our sustainability theme for 2005. This will form the basis of a number of activities in our (S)BUs.

Ambitions and action plan 2004 status:

BU Asset Management

In 2004, we realised most of our ambitions and targets for the year, including expanding our SRI Funds, publishing a shareholder advocacy policy and creating a new legal structure separate from ABN AMRO Holding. However, we did not complete the publication of a statement of our general sustainable investment principles, nor the implementation of a management information system (MIS) in this field.

Ambitions and action plan 2005:

BU Asset Management

Going forward we will:

- **Start voting-by-proxy for a selection of our Amsterdam- and Luxembourg listed equity funds and report on this on our website**
 - **Publish a statement of our general sustainable investment principles**
 - **Implement a MIS to monitor sustainability features of companies whose securities are held in our clients' portfolios**
 - **Further expand our Assets under Management in SRI investment funds**
 - **Initiate a programme to raise employee awareness regarding sustainable development issues and launch a specific training programme related to the implementation of our general investment principles on sustainable development.**
-



A great place to work

Employees who feel fulfilled and energised and who embrace our Corporate Values, Business Principles and strategy as the basis for their behaviour, are what makes our business successful. Engaged and qualified employees are more productive and provide a higher quality of service to clients, leading to better results and the creation of greater sustainable value for all our stakeholders. So, to help us achieve these goals, we invest continually in our employees and in developing our current and future leaders. We constantly challenge our leaders and our staff to perform to the very best of their abilities through feedback, development and engagement activities. We strive to create a diverse and inclusive workplace and provide a safe work environment. And we are 'making more possible' throughout our organisation by collaborating and realising synergies.

Through all these efforts we have already succeeded in establishing ourselves as an employer of choice, and our ongoing human resources (HR) activities enable us to improve this positioning still further. Our Global HR Year Plan targets six strategic objectives across ABN AMRO: talent management, leadership development, performance management, diversity, HR service delivery and developing HR capabilities.

To support our organisation in its drive to achieve these ambitious goals, the global HR organisation launched a ground-breaking transformation programme in 2004. The programme's primary goal is to improve the quality of the HR service delivered throughout ABN AMRO. The aim is to provide a consistent global HR service and to deliver value through our people strategies and policies by working in close cooperation with (S)BUs across the bank.

Managing our talent

One of our strategic HR objectives is to improve our ability to attract and retain talented individuals. This need has also been highlighted as a priority in the findings from our employee engagement survey. We are addressing this issue by developing a common talent management process to provide us with a consistent way of assessing employees across the organisation. These assessments enable us to identify all types of talent at an early stage and to develop these talented people in the appropriate way. This in turn helps us to make our organisation more sustainable, as it improves our succession planning for key positions by enabling us to have the right successors in place at the right time.

Another way in which we contribute to the sustainability of our organisation is by nurturing a pool of young talent whose members will become the builders of our bank of tomorrow. We use our well-established graduate recruitment programmes and links with external organisations to attract ambitious individuals from diverse backgrounds. We form a global partnership with the international student organisation AIESEC to help us engage with future leaders and develop leadership skills. In 2003-2004, 30 AIESEC students joined our company and we expect 50 students in 2004-2005. In addition, AIESEC's Sustainable Development Programme helps ABN AMRO

'INROADS' summer internship programme

The mission of the INROADS programme is 'to develop and place minority youth in business and industry and prepare them for corporate and community leadership'. Twelve summer interns took part in the programme in Chicago during 2004, working in IT, audit and HR. LaSalle Bank has enjoyed a close and mutually-beneficial relationship with INROADS for more than ten years, with many interns choosing to work for ABN AMRO full-time following their studies. As a result, this initiative has proved to be an excellent source of highly-qualified and ambitious individuals.

to understand the way young people view issues relating to corporate social responsibility, and promotes ABN AMRO as a bank committed to sustainable development.

Knowledge sharing

Sharing knowledge and collaborating seamlessly across organisational boundaries are crucial to our ability to realise our strategic objectives. HORIZON is a Group-wide programme designed to support and foster a culture in which employees feel empowered to identify new opportunities and business solutions through collaboration and sharing. The initiatives inspired so far by HORIZON include Value Area Teams and Communities of Practice, both of which are groups of people who have come together around a common theme to exchange best practices and pursue business opportunities. By communicating the achievements of these groups and the results of other HORIZON-inspired initiatives across our organisation, we are successfully creating greater awareness and encouraging all our employees to integrate knowledge sharing and collaboration into their everyday work.

In February 2004, we held a major event in Amsterdam called 'Crossing Bridges'. About 3,000 of our employees attended, enabling them to meet colleagues from across ABN AMRO and learn more about other parts of the bank. The aim of the event was to raise awareness of what we stand for, what we do, and how we can build on our existing strengths by collaborating more closely across our organisation.

Sustainable development is driven in the BUs New Growth Markets and Private Clients; through a vibrant and diverse Community of Practice (CoP) of employees across various markets who are especially dedicated to championing sustainable development initiatives, increasing awareness and sharing knowledge. By engaging employees

Average number of employees

(in FTE)	2004	2003
Netherlands	29,852	30,620
United States	20,830	22,659
Brazil	26,566	22,678
India	3,675	2,152
United Kingdom	3,552	3,260
Other countries	21,443	24,070
Total average number of employees	105,918	105,439

from various backgrounds to become sustainable development ambassadors in their respective markets, local ownership is accelerated, accountability is personalised and achievements are tailored to the individual characteristics of each market.

Developing our leaders

Our top executives play a crucial role in our efforts to instil a people-orientated performance culture throughout the bank. Our HR departments help them fulfil this role through regular feedback and coaching sessions. To educate our future leaders, we conduct a wide range of leadership development programmes across ABN AMRO aimed at enhancing leadership styles and helping leaders to engage more openly and effectively with their staff. Our portfolio of corporate leadership programmes consists of Business



Crossing Bridges event in Amsterdam: creating synergies across the bank

Photo: East Side Productions

Professional education

	2004	2003
Total costs of professional education (in euros)	104,223,000	104,584,000
Average number of employees (in FTE)	105,918	105,439
Amount per FTE (in euros)	984	992

Performance & Leadership, the Senior Management Course, the ABN AMRO Leadership Programme, and the Art of Leading. 2004 was the third consecutive year of The International Consortium, an international leadership development programme that we run in conjunction with Tata, India's largest private sector group. We also offer a Business Performance Leadership course and the Velocity programme to help our management teams develop broader leadership capabilities.

At a local level, our (S)BUs run their own leadership development initiatives geared to their particular situation and culture. For example, in Germany we run the Führungskräfte Seminare, a development programme for new and emerging leaders that has been in place for around six years. The Leadership Development Programme in Brazil aims to nurture and grow leadership potential through self-awareness, self-development and interaction with other leaders and the organisation as a whole.

Other initiatives include the Managing for Growth Programme launched in 2004 for employees of BU Private Clients and BU New Growth Markets, the Developing your Leadership Potential programme in SBU Wholesale Clients, and the newly-introduced Leadership Journeys initiative in the BU Netherlands. We will also continue to develop individual (S)BU leadership programmes, and will extend their reach on an ongoing basis to meet the changing leadership development needs of the business.

Restructuring

In a changing world and increasingly competitive business environment, ABN AMRO needs to adapt continuously to achieve its strategic ambitions. This sometimes means restructuring our organisational functions. We also shape our learning and development programmes to equip our staff with the capabilities they need to meet the changing business conditions they face. To do this, we offer our people assistance through training courses, education programmes, e-learning, coaching, mentoring and job rotations. Virtual learning is also available to support the professional growth and development of many of our employees. However, while we offer a comprehensive range of learning and development initiatives and support, we feel that ownership of personal development and career management must ultimately remain with the individual.

The dilemma

One of the objectives we focus on is 'being a great place to work'. We want all our employees to feel fulfilled and energised, since that is the basis of our success. Unfortunately, the challenging economic conditions and highly competitive environment in which we operate mean we sometimes face difficult choices and have to take tough measures as a result. In December 2004, we announced a restructuring that involved a reduction of some 2,850 FTEs across the Group.

Our considerations

This has been a tough decision, as we fully understand and appreciate the painful impact on all the people involved, and on their families as well. It is always difficult to balance the short- and the long-term business implications of such a decision.

However, we believe these measures are inevitable if we are to maintain our present market position and enhance it in the future. While taking these measures, we know we also need to take into account the impact on the ABN AMRO community.

Our actions

First and foremost we strive for open and clear two-way communication with our employees. Although we cannot avoid the impact, we aim to be as open and transparent as possible about what is happening. ABN AMRO also strives to manage this painful process as carefully as possible, making sure that the employees involved benefit from sensitive and well-informed guidance and advice on how to plan their future. We risk reducing the level of trust in our organisation if we cannot explain why the decision is necessary, or if we show a lack of respect for the unfortunate employees affected by it.

We continue to keep employee representative bodies fully informed of our plans and will consult with them on an ongoing basis. We also ensure that all the necessary consultation has taken place before proceeding with any restructuring plans. In the Netherlands, we will adhere to the existing social plans, and in the other countries we will respect local customs. The financial impact of the restructuring initiative as a whole has been covered by one-off charges of EUR 790 million in 2004. Ultimately, we are convinced that most people will understand why we had to take the decision to restructure our business. We also think they will agree we can only be a 'great place to work' on a sustainable basis if we keep our eyes on the market and take the difficult decisions necessary to preserve our competitive edge.

In the Netherlands we have a mobility organisation called 'Kompas'. It supports employees who lose their jobs as a result of reorganisations of our business, and helps them to find alternative employment in or outside the bank. Since the launch of Kompas, 2,617 employees have been referred to this service. As of 31 December 2004, 1,445 employees have left Kompas, of whom 903 have found a job within the bank and 292 outside the bank. A further 216 employees have opted to accept a severance agreement with the bank, and 36 left Kompas because of natural causes.

Employee complaint handling

Differences and friction between colleagues, or between employee and employer, will inevitably arise from time to time in any



Photo: Primera

"I was declared redundant during the 'Zonder Omwegen' ('No Detours') reorganisation and was subsequently placed in Kompas. It always comes as a shock and I knew that I was about to face tough and uncertain times. I did not know what to expect from this programme involving a mobility advisor and a job coach. I found the initial period with Kompas very difficult and my spirits reached an all time low. It took time for me to realise I needed to move on. The application sessions,

network discussions and the bi-weekly job club congregations of (former) colleagues, have proven to be of great value. After 36 years of service, I bade the bank farewell and started as a mortgage advisor at a rapidly-expanding mortgage advisory firm. Soon after, I decided to become a franchise-based, independent mortgage advisor. Looking back, I know that I owe my successful outplacement and new career entirely to myself. Kompas played an important supporting and facilitating role, but eventually it was me and only me, who had to take the lead. It is all about taking the initiative, without it, I would not have made it to the finishing line."

Jan Baarslag, Independent Mortgage Advisor for Hypotheekadvies, the Netherlands

“After 11 years of loyal service; ABN AMRO decided to outsource my department. It happens a lot nowadays, so in the back of your mind you know it could happen to you as well. But when it actually happens, it hits you hard. ABN AMRO wants to be ‘the employer of choice.’ Well I specifically chose to work for ABN AMRO and was very happy there. I have always worked hard. Now they want to get rid of my colleagues and me. At least that is how I feel about it. I am not happy and it brings a lot of unrest and insecurity to my family and me. I did not ask for this to happen. I feel helpless.”

Anonymous employee, ABN AMRO Europe



Photo: Ron Offermans

“Education and the development of skills and competencies were the European Staff Council’s (ESC) biggest concerns in 2004. Job losses are continuing as a result of the need to refocus and refine the bank’s business model, as customer behaviour forces many companies, our own included, to review their cost structures. Every client – and we employees are clients as well – is looking for products and services at the lowest possible price. Crucially, new

communications and information technology is now enabling companies to make use of labour forces in low-cost countries, so the growth in offshoring appears likely to continue. This trend towards locating operations offshore has a long way to run. The reality is that billions of people living in emerging economies around the globe want to get their fair share of the world’s wealth. They are well-educated, as well as being highly motivated to achieve greater prosperity.

Can we only stand back and watch our jobs disappear? No. We have to get used to the fact that we in developed countries must focus on the types of jobs that require a higher level of education or skill, or jobs that cannot be offshored. With this in mind, the ESC will continue to strive for arrangements with management that allow our colleagues to develop their existing skills; or to be trained for a completely different role. That is the major challenge we face at the moment. The next one may be even bigger. It will be to make our colleagues fully aware of the urgency of the situation and convince them to seize all the support and facilities the bank provides, to help them create a better and more sustainable future for themselves and their families.”

Hans Westerhuis, Chairman of the European Staff Council

organisation. Every (S)BU has both informal and formal procedures for dealing with complaints and grievances that arise as a result. Informal approaches may include an ‘open-door’ policy and an internal ombudsman. More formal approaches include grievance procedures, conducting peer reviews and forming a management committee to handle specific cases. In addition, we have devised and implemented a formal employee whistleblowing policy.

Diversity in our workforce

A diverse workforce and collaborative culture are fundamental to our ability to build value. Our proactive approach to diversity and inclusiveness in the workplace helps us to retain valuable talent within our organisation, exploit new markets, create a more engaged workforce and strengthen our relationships with the communities in which we operate.

Our global presence is reflected in the diversity of our staff. Around 41% of our top management is Dutch, with a variety of other nationalities represented. This international mix is crucial to us, both as a business and as a place to work.

In 2004, the Managing Board categorised diversity and inclusiveness as a strategic issue for ABN AMRO. Group HR, in consultation and collaboration with all (S)BUs, developed a corporate definition and policy as a platform on which to build a global diversity strategy.

Each of our (S)BUs has submitted an annual diversity plan, and in November 2004 these were all integrated into our performance contract process and into our capability discussions at both individual staff and organisational levels. In December 2004 we held the first Global Diversity Platform in Amsterdam to create a global community with a shared agenda. This event resulted in a set of shared best practices, knowledge and support to enable the individual (S)BU plans to be achieved.

Gender mix in management

(in numbers)	Supervisory Board		EVP ¹ and up		VP / SVP ²		Total	
	2004	2003	2004	2003	2004	2003 ³	2004	2003
Female	2	2	17	15	889	829	908	846
Male	10	9	251	253	3,704	3,628	3,964	3,890
Total	12	11	268	268	4,593	4,457	4,872	4,736

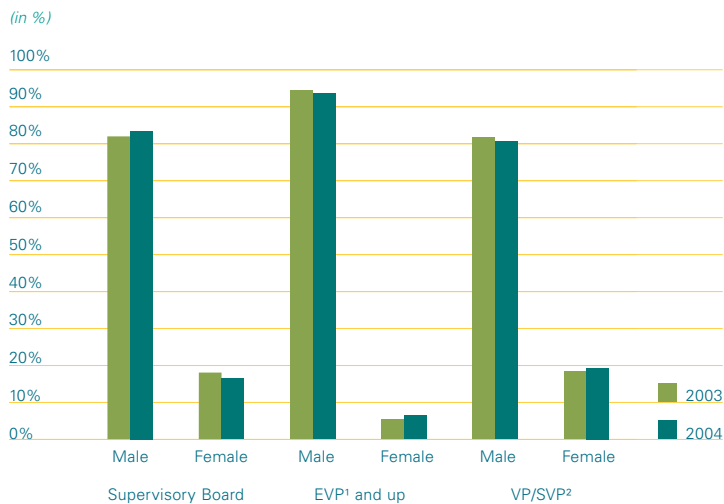
¹ EVP = Executive Vice President

² VP = Vice President; SVP = Senior Vice President

³ Figures 2003 are recalculated, see our Restatement on page 83

We have launched the Women and Leadership initiative to help us develop a more balanced organisational climate, by focusing on maximising women's leadership skills in their current roles and increasing the representation of women in the pool of potential candidates at all levels. Mentoring has been identified as an important way of furthering the development of female talent, by ensuring a supportive dialogue with high-potential mentees. We regard the resulting exchange of ideas and experiences as an important development opportunity, as well as providing a way of identifying and promoting topics related to the success of women in leadership positions in our Group. Managing Board members and top managers are mentoring female senior managers.

Gender mix in management



¹ EVP = Executive Vice President

² VP = Vice President; SVP = Senior Vice President

Equal opportunities

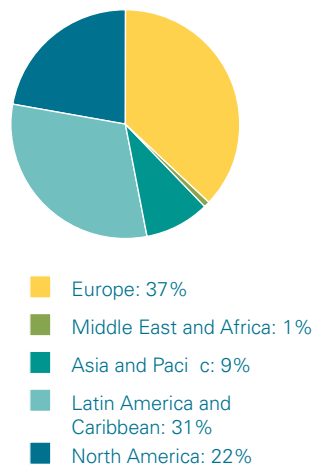
Our hiring and remuneration policies are based on our Corporate Values and Business Principles. We are committed to offering equal opportunities to individuals, regardless of nationality, gender, race, colour, religion, age, sexual orientation, or disability. We are firmly opposed to discrimination in employment, and are committed to supporting all employees' right to work in an environment free from harassment and intimidation. We have created channels for our employees to voice any concerns they may have under the fullest possible confidentiality.

Managing our performance

High-performing organisations tend to share a number of core characteristics including passion, trust, discipline, support

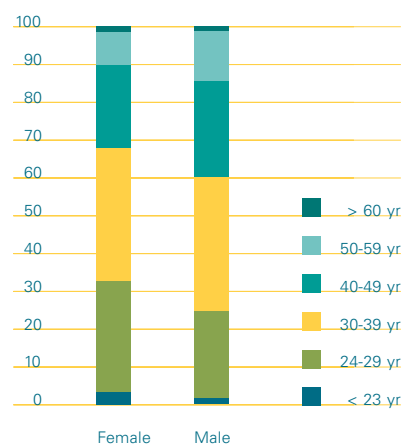
Diversity in workforce

(according to region in %)



Diversity in workforce

(according to gender and age)



Best New Ability Employer Award in North America

LaSalle Bank won the 2004 Best New Ability Employer Award from the New Ability Freedom Foundation, in recognition of our strong track record in hiring employees with disabilities. At LaSalle Bank we have been able to fill a number of positions with candidates with disabilities, both in our virtual call centre and also in operations. We have had a relationship for the past six years with Seguin Services, a non-profit agency that provides programmes to develop employment and training opportunities for people with disabilities. A further key relationship is with the LaGrange Area Department of Special Education, a group that provides a full range of support to students with disabilities, and to their families and teachers. We also work in close collaboration with the City of Chicago's Department of Rehabilitative Services. Within our own business, we continue to provide our managers and supervisors with training on how to manage employees with disabilities.

Putting staff survey results into action in India

To ensure that staff feel engaged, it is vital that we interpret and communicate the results of our employee engagement surveys accurately and openly, and act upon what they tell us. In 2004, our India office communicated widely on the findings from the 2003 survey and took positive action in response. The 2003 survey results in India highlighted three areas: performance management, work-life balance and compensation and rewards. Based on these findings, a 'Results to Action' workshop was held with the heads of the business and key stakeholders to define and agree on action plans. An important outcome of this workshop was that management hosted 'town hall' meetings in a number of locations to inform staff about the survey findings and subsequent actions.



Employees are the heart of our organisation

and 'stretch' – meaning that they constantly encourage individuals and the organisation as a whole to raise their game. In 2004, we continued to improve our performance management processes with the aim of further enhancing our 'stretch'. At the same time, we refined our performance assessment to place greater emphasis on differentiating the performance score to distinguish truly high performance even more clearly.

Taking the temperature

During the past 18 months, ABN AMRO has run two waves of an employee engagement survey called 'Your Views, Our Future.' Our aim with this programme is to understand the factors that influence staff engagement, gauge its current level and apply this information to become a high-performing organisation. Feedback from over 30,000 respondents revealed that the four key drivers for people across ABN AMRO were:

- 1 Leadership
- 2 Talent and performance management
- 3 Vision, Corporate Values and Business Principles
- 4 Empowerment and innovation.

One of the findings of our employee engagement survey was that ABN AMRO is too lenient on poor performance. With this perspective in mind, the Managing Board's objective is to create a performance-driven culture in which superior performance is recognised and inferior performance is dealt with appropriately. To achieve this balance, we need to link our rewards more closely to performance to reward people who perform well and take a structured approach towards those of our staff who are underperforming.

A comfortable place to work

ABN AMRO strives to offer our staff a comfortable level of security and peace of mind. We provide this through a suite of competitive benefits such as pension, life and disability insurance and medical benefits.

These benefits are generally specific to the country of employment and will meet that country's legislative standards. However, ABN AMRO sometimes provides additional benefits to differentiate us as an employer of choice.

Human rights

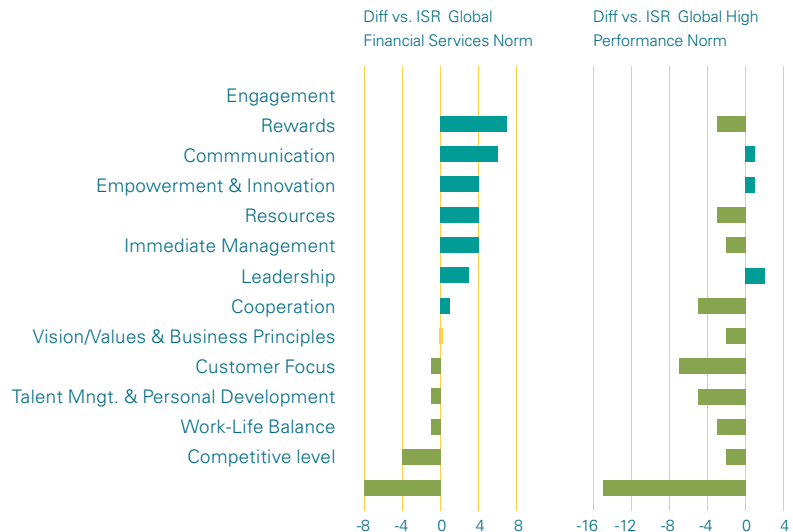
We respect human rights in the spirit of the United Nations Declarations of Human Rights and the core labour standards of the International Labour Organisation. We will not tolerate corruption, fraud or bribery, and will not knowingly take part in transactions with business partners whom we know or believe to be involved in child labour, forced labour, or other recognised violations of human rights.

The ABN AMRO Human Rights Position Statement was developed and approved in 2004. A large proportion of this statement focuses on the direct impact that our decisions and actions have on employees. Though this has always been the way ABN AMRO works, our commitment to internationally-recognised standards on human rights is explicitly stated. Moreover, our staff members in all countries are free to join labour associations, and as an employer we have regular contact with the relevant labour associations to discuss labour conditions.

A safe place to work

It is our aim to provide and maintain a safe and healthy work environment. With this in mind, we inform and train our employees to enable them to work safely and efficiently. This approach is described in detail in our 'corporate health and safety policy'. Local management is responsible for implementing the policy, so its application can reflect different needs and priorities in the various geographies. This includes programmes for HIV/AIDS in some of the countries in which we have a presence.

Employee engagement survey



ISR Financial Services Norm: includes global banks, other financial institutions and many of our peer group competitors.
ISR High Performance norm: includes companies from a variety of industries ranging from oil and gas to banking, pharmaceutical and technology. These companies are selected for inclusion based on both sustained financial performance and 'best-practice' human resource processes.

Full-time/Part-time distribution

	Full-time	Part-time	Average contract of part-timers
Female	74%	26%	0.69 FTE
Male	92%	8%	0.72 FTE
Total	82%	18%	0.71 FTE

Absentee rates

	2004	2003
BU Netherlands	4.8%	4.7%
BU Brazil	3.5%	3.6%

Ambitions and action plan 2004 status:

Group Human Resources Management

We have realised all of our ambitions and targets as stated in the previous report and will continue to review our progress during 2005. We measured employee engagement, established a forum for Learning & Development, expanded the reach of our leadership programmes by more than 50% and developed a Group-wide strategy on diversity.

Ambitions and action plans 2005:

Group Human Resources Management

Going forward we will:

- **Invite all employees across the organisation to participate in the first ABN AMRO Group-wide employee engagement survey**
 - **Include an external benchmark on sustainability indicators in the survey**
 - **Promote diversity and inclusiveness in all its forms as a strategic asset of the bank. This will include raising awareness through a communications campaign**
 - **Create diversity indicators to measure our progress and form part of the performance management process**
 - **Develop new corporate leadership initiatives including the Leadership Excellence and Performance programme and a programme to address gender responsibility in leadership. We will extend the reach of Business Performance Leadership**
 - **Work to increase the integrity of our HR data and improve our reporting capabilities through the further implementation of an integrated global database (Peoplesoft) and by implementing a global grading yardstick**
 - **Conduct a review of our HR policies to identify any updates or amendments that are necessary. This review will be used to prioritise policy-related actions in HR.**
-



Supporting local communities

The communities we serve

Banks, by the nature of what they do, are woven into the fabric of the communities and societies where they do business. ABN AMRO is committed to supporting the communities in which we operate and in which our employees live and work by contributing to socially stable, culturally rich and ecologically sustainable living conditions. This commitment not only represents the right thing to do, but also makes sound long-term business sense.

As a good corporate citizen, ABN AMRO is an integral part of the community and wants to act responsibly towards its customers, employees and the world at large. We invest in communities in various ways through:

- Financial donations
- In-kind contributions
- Employee involvement.

Our corporate policy indicates which community investment projects we intend to focus on, while also confirming that we will not sponsor political or religious causes. Contributions to political and religious causes can only be made personally, and not in the name of the bank.

Local communities' needs and priorities vary by country and by region, so we actively encourage our (S)BUs and local operations to develop their own community strategies and activities. We support a variety of projects, especially in education, sports, poverty reduction and the visual arts. While these are diverse in nature, they all bring a sense of achievement and goodwill to our employees and other participants. We encourage our employees to participate in voluntary and community activities.

BU Netherlands

The community projects run by our BU Netherlands share a common focus on youth, talent and social disadvantage. We aim to support children who, for whatever reason, do not get the same chances as others to develop their potential and talents. These children are part of our common future. In 2004, our BU Netherlands Community Involvement team supported projects ranging from education to culture and sports, and involving some 2,700 volunteers. Employees can spend up to one work-week a year doing volunteer work. On top of paying for these volunteering hours, we also provide a small working budget for the projects and gifts in-kind where appropriate.

Donations, sponsorship and number of volunteers

	2004	2003
Direct donations and sponsorship – Group	EUR 61,068	EUR 58,201
<i>(in thousands of euros)</i>		
Number of employees involved in community work initiated by the bank – Group	14,450	12,330
BU Netherlands	2,700	3,089
BU North America	5,900	5,470
BU Brazil	4,200	3,621
BU New Growth Markets	650	10
SBU Wholesale Clients	300	–
BU Private Clients	700	140
BU Asset Management	–	–

One of our most successful programmes involves reading with children from Amsterdam primary schools. Twice a week, a pool of more than 100 employees spend half an hour reading with these children, 90% of whom have parents of non-Dutch origin. Under another programme, students from secondary schools are 'coupled' with an ABN AMRO mentor who helps them develop a more profound vision of their future.

In October 2004, the Netherlands celebrated the 50th anniversary of the national Children's Book Week. ABN AMRO sponsored this event and was a prime organiser of a book written by children from various cultural

backgrounds. This book was read out by celebrities and some less-famous colleagues in 185 branches during the 'Book Week' for an audience of schoolchildren of whom about half came from less-privileged backgrounds.

Alongside these volunteering programmes, we offer our professional knowledge and expertise to NGOs and other non-profit organisations. One colleague helped a director of a music school organise the school's business side. In another case; we advised a children's circus on how to increase revenues.

BU North America

LaSalle Bank and Standard Federal Bank support a wide range of non-profit and community activities. We have a long history of working with community partners to bring about change, a role that our extensive branch network and committed senior management makes us well-positioned to play. We make our mark in countless ways, from helping small businesses to sponsoring a world-class marathon.

We have one of the largest corporate volunteering programmes in the US, with 400 employees serving on the boards of over 700 community-based organisations. Close to 5,900 employees contribute their time to help improve lives, strengthen and revitalise neighbourhoods and benefit the communities we live in and serve.

While we are proud of our volunteering efforts, community service cannot thrive on volunteers alone. Our direct financial support reaches over 700 non-profit NGOs, and we strive constantly to increase our community involvement. Community development is a matter of partnership. Local community leaders, NGOs, the City of Chicago and LaSalle Bank all provided financing for BJ's Market, which opened in August 2004 in the Auburn Gresham neighbourhood.



Photo: LaSalle Bank

North America: opening of BJ's Market, first sit-down restaurant in the neighbourhood



Photo: City of Chicago

"The City of Chicago is committed to improving the quality of life for all Chicagoans by being good stewards of our environment – and LaSalle Bank helps in that mission. LaSalle Bank's membership in the Clean Air Counts initiative is one way it is demonstrating that it is a corporation that cares about the environment in which it conducts business. When companies such as LaSalle Bank recycle and reuse materials such as paper, they're helping to create and maintain markets for commodities. We appreciate the leadership role LaSalle Bank is taking in protecting all our natural resources."

Commissioner Marcia Jiménez,
Chicago Department of Environment, US

This is the first sit-down restaurant in the neighbourhood. The Austin Wellness Center NGO office and clinic opened in 2004 on Chicago's West Side. The centre, which houses a medical clinic, kidney dialysis centre and employment and training centre, received financing from the bank's lending division. Together with five NGOs, we funded



Photo: Nicola Labate/Hiperfocal

"We were never given the opportunity to study, so when 'Programa Compartilhar' (the 'Sharing Programme') started up, I registered straight away. Before the programme I did not know how to read or write, and I used to have to ask people to read my work cards for me. Now I know how to read and use a computer in my work. I've missed only two classes in a year and a half. As long as the programme keeps going, I'll keep on studying."

José Severino, Cushman & Wakefield Semco, Brazil

the first round of a EUR 1.5 million pilot project to fund minority-and women-owned businesses in the new Small Business Initiative. In 2004, LaSalle Bank achieved its goal of becoming the top corporate sponsor of the Tax Assistance Program, which provides free income tax preparation for low-to-moderate income families and individuals. We provided 138 volunteers, who in turn returned over EUR 0.8 million to more than 800 of Chicago's working poor.



Photo: Ana Paulo Couto

"When I was first asked to participate in the Amigo Real work group I wasn't too enthusiastic. I didn't think it would be a good idea to get involved in a social programme about which I knew very little. But to my surprise, once the process got underway I fell in love with the work and ended up learning a lot with the other participants. The incredible poverty in the cities I visited made me cry, but at the same time I realised that Amigo Real was giving me the chance to grow as a person and help a great many people."

Edmara Pereira, Operations Centre,
ABN AMRO Real Brazil

BU Brazil

ABN AMRO Real seeks to help society through a range of partnerships with non-profit organisations, the public sector and other companies. In 2004, we invested approximately EUR 4.5 million in developing or supporting social activities, programmes and projects in education, culture, the environment, valuing diversity, and generating income for the low-income population.

Support programmes

Created in 2002, the Amigo Real Programme enables a proportion of the income tax paid by ABN AMRO Real staff to go to children's and teenagers' rights funds, which support education-based social projects. In 2004, the programme was extended to allow clients to contribute to the same social projects. During the year, 10,000 staff members contributed, benefiting more than 5,300 young children and teenagers across Brazil.

The Amigo Real Programme does not just redirect funds. It also mobilises staff, strengthens our links with the community and promotes the professional and personal development of everyone involved. It also helps develop the capacity of 150 of our employees to evaluate social projects. This group closely monitors the implementation and execution of its projects, in collaboration with specialist social action consultants.

The Sharing Programme, a partnership between ABN AMRO Real and its suppliers, contributes to the personal and professional growth of the organisation's outsourced staff, offering them the opportunity to complete elementary school. Our first group of basic literacy students graduated from the programme during 2004.

We also have a Seniors' Talent programme, which demonstrates our belief in the importance of social inclusion for the elderly in society, whether through work, art, or sharing

their stories and knowledge. The programme takes the form of an open competition covering literature, music and fine arts. In 2004, thousands of elderly people took part.

ABN AMRO Real is one of the financial supporters of Akatu, an NGO that promotes sustainable development by working to increase Brazilians' awareness of the depletion of natural resources and the responsible usage and disposal of products or services.

Education

ABN AMRO Real supports many education-related initiatives. The largest of these is our support for the Escola Brazil Institute, through which over 4,000 volunteers help over 130,000 young children and teenagers throughout Brazil. Students at the 150 public schools adopted by the Institute benefit from upgraded sports facilities, donations of sports equipment and cultural materials, and extra-curricular classes ranging from basketball and volleyball to theatre and capoeira. To date, 93 modules have been set up in 68 schools. The Institute's programme is continually expanding, promoting ongoing learning among volunteer groups and the school community.

The Bank at School Programme helps to raise the quality of education by improving the management of public school resources. The programme has now reached over 500 schools, directly benefiting about 4,000 people. Meanwhile, the ABN AMRO Real University Solidarity Award helps to improve social conditions in poorer communities; while enabling university students to grow and gain new experiences through voluntary work.

We also sponsor the Teaching Award for Racial Equality, a competition open to all public and private kindergarten, elementary and high school teachers. The award



Photo: SUPPORT J.B.

India: SUPPORT carpentry vocational education

recognises best practice in teaching that values diversity of race, ethnicity and gender. Furthermore, ABN AMRO Real supports the Universal Values Seminar, educating teachers in the public school system about ethics and universal values.

BU New Growth Markets

In response to the needs and aspirations of their local communities, employees in our BU New Growth Markets support a number of local initiatives on a voluntary basis outside working hours. For example, ABN AMRO India supports an NGO called SUPPORT, which is active in drug abuse prevention, HIV/AIDS awareness, health, developmental education and issues related to street children.

In November 2004, we held a bank-wide staff fundraising activity that included an intranet auction and a call to donate one hour of salary. The employees' contributions were matched by the bank. This initiative raised a total of EUR 300,000 for SUPPORT to build a new home for street children in India.

In December 2004, we presented for the fifth year running, the Sanctuary ABN AMRO Awards, in partnership with Sanctuary Magazine.

Ambitions and action plan 2004 status:

Local communities ABN AMRO worldwide

In 2004, we succeeded in extending our corporate volunteering efforts to cover more countries. We undertook new corporate volunteering projects in a number of countries, especially in the Asia Pacific. In addition, we successfully launched two Group-wide projects.

Ambitions and action plan 2005:

Local communities ABN AMRO worldwide

Going forward we will:

- **Prepare a Group-wide community investment policy, covering inclusion and exclusion criteria and investigate the possibility of establishing a global ABN AMRO Foundation**
- **Intensify our cooperation with relevant stakeholders and continue to seek out opportunities for ABN AMRO employees to use their professional knowledge and skills – as well as their ‘hands’ – for corporate volunteering.**

Bouwfonds

Protecting and preserving our national cultural heritage has long been a key driver in our sponsor strategy. For 15 years, we have been the lead sponsor of the Dutch National Monument Day, when monuments across the country open their doors to the public. A further major project is Bouwfonds's participation in the Duncan Village slum redevelopment project in South Africa, in co-operation with the Van der Leij Habitat Foundation and the local authorities. We provide funds and expertise, and are actively encouraging other organisations to participate.

SBU Wholesale Clients

We aim to make a positive contribution to strengthening the local communities in which we are active. With this in mind, we support many charitable initiatives at a local level. We are also involved in a vast range of initiatives that have a direct impact around the world, bringing a sense of achievement and goodwill both to employees and to clients.

In France, each entity has set up three volunteer-based teams: Le Groupe Planet, Le Groupe Profit and Le Groupe People. In SBU Wholesale Clients, each French employee is allowed to spend 35 paid hours per year on volunteering. Some staff members have chosen to tutor young Parisian students, help low-income people to manage their micro-finance projects or provide companionship to patients in hospitals.

In Argentina, we participate in 'nourishment for children' programmes, in which employees donate money for local children and the bank matches their donations.



Photo: ABN AMRO France

"The sustainable development effort in France is a bottom-up undertaking. All staff have the opportunity to voice their community-involvement and environmental concerns and wishes. We want to focus our collective energies towards this."

Beatrice de Montleau, Sustainability Champion
Wholesale Clients, ABN AMRO France

Indian Ocean tsunamis

On 26 December 2004, a powerful earthquake under the Indian Ocean triggered massive tsunamis that obliterated cities, seaside communities and holiday resorts, killing close to 300,000 people. The true death toll may never be known, but what is clear is that this tsunami was unprecedented in the geographical extent of the resulting devastation and the number of countries affected. The damage, which was at its worst in countries such as Indonesia, Sri Lanka, India and Thailand, stretched across thousands of miles and directly affected millions of people. In response, the world ended the year of 2004 united behind a single cause, and acted as a global community.

In the days following the disaster, our colleagues in Asia and Pacific and at ABN AMRO's head office sprang into action. Although there were – thankfully – no casualties among our staff in the affected areas, many of our colleagues and clients lost family and friends. Some were visiting the area and barely survived the waves of destruction. The stories they shared with us gave us pause for thought; yet also made us more determined to take positive action.

Like many other organisations and individuals across the globe, our ABN AMRO employees were keen to play their part in the global response. Our businesses in India and Pakistan, for example, asked their staff to donate one day of salary, and Indonesia immediately started fundraising and helping our staff to assess their family situation. At the same time, countries around the world launched fundraising activities coordinated by Group Sustainable Development, with the bank agreeing to match the overall proceeds donated to selected relief efforts and specially-opened accounts. Globally our fundraising realised a matched total of over EUR 4 million. These proceeds have been dedicated to community rehabilitation, economic recovery and infrastructure rebuilding in the affected countries. We are working closely with our local offices and international and local NGOs to ensure this aid is spent in the most effective way. Our support also extends to the field of microfinance.

“While we reflect on last year's successes, let's spare a thought for the victims of the recent tsunami disaster. For them the world will never be the same. Conventional definitions of success will have no meaning for them. They will be looking to survive by the day bereft of belongings and in many cases in the absence of their loved ones. As we look ahead to the New Year let's resolve to continue putting in our best for the bank; but also promise to ground ourselves and our lives in the realities of the world.”

Paul Abraham, Chief Operating Officer ABN AMRO India, in his New Year's message

“The first thing we did on Monday 27 December was to check on Medan branch and ensure that everyone was safe. We all realised that something needed to be done fast. We asked employees for their contributions, we opened an account for external donations and immediately donated the first proceeds to local NGOs. It is very difficult to describe how we perceived this tragedy. One of our employees lost 90 family members in Aceh and I myself have family members in Penang. I found myself frantically trying to get news from home, while at the same time dealing with numerous queries in Jakarta. Emotions needed

to be controlled. The New Year was a non-event as I was still receiving calls from people I know; informing me of bodies of family members being recovered and total devastation of their homes. And all the time you are facing a test over how to respond. It is not easy. You grow both wiser and older very rapidly."

Eusoff Carim, Chief Operating Officer, ABN AMRO Indonesia

"When I returned to work after Christmas, there was a lump in my throat. There still is. You feel guilty for being able to sit so peacefully at your desk, while family and friends are in Sri Lanka trying to find some form of sanity and rebuild their lives. I can hardly come to terms with what has happened. When I received the email about the fundraising result, it made my heart smile. I printed out the email and hung it on my desk. It gave me faith in human kindness and it made me reassess what company I was working for: that it's not just about the work we do but also about owing something to these communities, as a bank and as human beings. As a Sri Lankan, I would like to thank all my colleagues for this generous contribution to the Asian region. There are not enough words to express gratitude in these moments. And I am touched by the knowledge of how these donations will help change tormented lives in my country and all around the affected region."

Dinesha Mendis, Commercial Banking, ABN AMRO United Kingdom

The Australian 'opportunity for giving' programme was launched in 2002 in response to employees' desire to give time and money back to the community. Around 30% of employees make financial donations, which are matched by ABN AMRO, resulting in over EUR 285,000 being donated to ten charities in 2004.

At the same time, in our Asia and Pacific region, we have set up a six-member Singapore Sustainable Development Committee chaired by the country representative, to provide overall direction and ensure that sustainability-related programmes achieve the aims of both the bank and the staff.

In recognition of our commitment to community involvement, the US Ambassador to Singapore, presented ABN AMRO with an award for corporate citizenship in September 2004. This reflected the fact that eight volunteer programmes were launched in Singapore alone in 2004, including schemes involving educational outings for children, collecting non-financial 'gifts-in-kind,' donation-matching to fund projects, and recognition events for teachers and school counsellors.

BU Asset Management

Our active contribution to society is mainly achieved via our funds. BU Asset Management's Nordic subsidiary Banco, is the market leader for charity funds in the Nordics. Organisations including Amnesty International and Doctors without Borders have received more than EUR 50 million in donations from Banco's charity funds since their launch in the early 1990s. Each year, Banco channels the equivalent of between 1% and 2% of the funds' Assets under Management to the shareholders' preferred organisations. In 2004, donations totalled EUR 4.9 million, up from EUR 4.3 million in 2003.

In 1994, Banco instituted an award for initiatives promoting human rights. The prize, called 'Bancos Humanpris', is awarded each year to people or organisations working on humanitarian initiatives in or outside Sweden. Over the years, the prize, which includes a sum of EUR 16,500, has been awarded to initiatives including a project to help bonded child labourers in Pakistan improve their situation, and a project to educate students and internees about HIV/AIDS in Poland. The 2004 'Humanpris', was awarded to Magnus Bergmar, the man behind 'The World's Children's Prize for the Rights of the Child'.



Minimising impact from business operations

While the majority of our overall environmental impacts are indirect – through our financing and investment activities – we also have a direct impact on the environment. This results mainly from the operation of our global properties to accommodate and support our business activities, and from the business air-travel undertaken by our people. In addition to these factors, we also have an impact on our suppliers' social and environmental behaviour.

Minimising impact from our business operations

ABN AMRO Group Shared Services (GSS) consists of several functions; each responsible for servicing ABN AMRO's business operations across our (S)BUs. The environmental and social impact of GSS's main functions is discussed below.

Global Real Estate & Property Portfolio

Our global property portfolio of more than 4,000 facilities is monitored and coordinated by ABN AMRO Group Real Estate & Facilities Management (GREFM). This portfolio, which represents the principal source of our direct environmental impacts, is fluid by nature. It is comprised of a mixture of leased and owned properties, in both sole and multiple occupancy, across 58 countries and territories. In any 12-month period, there will always be a significant

number of acquisitions and dispositions as a natural consequence of the re-shaping and rightsizing of our property portfolio to meet the changing needs of our business. There is a direct correlation between the total square metre area of our regional and global property portfolio, the operating costs of those facilities, and our direct environmental impacts. So optimising this portfolio is a key focus in our ongoing drive to improve our sustainability performance.

Throughout 2004, we continued to build on our established programmes to reduce waste and optimise our energy consumption across all geographies, using the Global Reporting Initiative and VfU Indicators (Verrein für Umwelt) as our guidelines. We also introduced the GREFM Space Standards Policy, with the intended result that our core business activities can be performed within an optimised space. This frees up surplus space in our premises that can then be sub-leased or disposed of, thereby reducing ABN AMRO's operating costs and direct environmental impacts.

Of our many initiatives to reduce energy consumption and CO₂ emissions across our global property portfolio, one of the most innovative relates to our headquarters in the Netherlands. This is already a highly energy-efficient facility by design, utilising conventional cooling and underground aquifer storage facilities. However, these premises have now taken the philosophy of 'natural cooling' to a whole new level through our recent partnership with NUON. Starting April 2006, NUON will commence delivery of District Cooling to our headquarters. Instead of using mechanical chillers and cooling-towers to provide chilled water for the cooling systems, this new system utilises cold water at 8 to 10 degrees centigrade drawn from below the thermocline of a nearby lake (25 to 30 metres under the surface) to provide natural cooling

Environmental performance

	2004	2003
– Electricity consumption in kWh ¹	705,241,555	691,200,000
– Energy consumption through other sources in kWh ²	147,759,101	–
Total energy consumption in kWh	852,515,955	691,200,000
Total waste in tonnes ³	28,878	21,241
Total paper consumption in tonnes ³	12,254	–
Total water use in m ³ ³	3,668,345	–

¹ Based on measurement in the largest buildings in our main countries (covering 85,000 FTEs). This was extrapolated to the group total FTE

² Includes fossil fuels, district heating and district cooling

³ Waste: based on 77,000 FTEs. Paper: based on 57,000 FTEs. Water: based on 77,000 FTEs

for the facility. This innovation will reduce our electricity consumption for mechanical cooling by some 1,715 MWh, with a resulting reduction of some 643 tons in CO₂ emissions per year; compared to traditional mechanical refrigeration methods.

Sustainable leadership

As a result of our commitment to continuous improvement in our sustainable development performance and GREFM’s acknowledged leading position within our peer group, we have been recognised for our innovation and leadership in real estate and facilities management in a global business environment. At the CoreNet Global Conference in November 2004, ABN AMRO received the Sustainable Leadership Award for Design and Development, “in recognition of outstanding contribution to the advancement of sustainability by a multinational company.” This prestigious award recognises the extensive work we have undertaken during our sustainability journey and our position at the forefront of our global peer group.

Business travel

In 2004, our employees travelled an average of 5,398 kilometres on business trips by air, and clocked up additional kilometres travelling by land between home and the office. Reducing travel lowers emissions and energy consumption while also cutting costs and potentially raising productivity through, for example, more flexibility to work from home and greater use of tele- and video-conferencing.

Initiatives to reduce commuting include encouraging employees to use public transport and – in the Netherlands – to cycle to work. We locate our main offices close to train stations and, in the Netherlands, provide a tax-free facility to buy seasonal public transport tickets; or a bicycle. LaSalle Bank in the US owns a fleet of mid-size cars that are available for employees to use for customer

visits/meetings. This means employees can use public transport for their commute from home to work, because they have an efficient way of getting to and from business meetings that would be difficult to reach by public transport. In addition, employees receive a significant tax break when they buy public transport tickets through the bank.

kWh comparison

(relative kWh usage per FTE, in % of total)



- Australia: 10%
- Brazil: 6%
- France: 22%
- Germany: 6%
- Netherlands: 10%
- Singapore: 8%
- UK: 16%
- US: 14%
- Other: 8%

CO₂ comparison

(relative CO₂ emission per FTE, in % of total)



- Australia: 22%
- Brazil: 0%
- France: 5%
- Germany: 7%
- Netherlands: 8%
- Singapore: 12%
- UK: 19%
- US: 17%
- Other: 10%



Employees at our head office in Amsterdam, commuting by bicycle

Photo: Ron Offermans

Carbon emission reduction

ABN AMRO works to reduce its carbon emissions from its operations whenever possible and now intend to build on this commitment. For this reason, we are investigating the possibilities for reducing our CO₂ emissions and/or partially offsetting our CO₂ emission by investment in renewable energy or other carbon reduction instruments. We are conducting a carbon neutrality feasibility study. This will result in a position on carbon emission reduction in 2005.

BU North America

We continued to reduce our environmental footprint in 2004. We are an active member of the Clean Air Counts initiative, a voluntary

programme that aims to reduce smog-causing emissions in the Chicago six-county region. We have been recognised by Clean Air Counts for using Energy Star-compliant equipment. Clean Air Counts has also recognised us for incorporating environmentally-friendly practices into our facilities management. We are also attending and participating in key local discussions about Green Buildings and Green Cities. At the same time, as the only corporate committee member of the City of Chicago Sustainable Buildings Task Force, we are actively helping the city to establish incentives and regulations for greener buildings. For example, we sponsored a Sustainability Track as part of the 2004 Illinois Environmental Conference, as well as moderating a panel titled 'Sustainability: Greening our cities: Is it worth it? The costs and benefits of a more liveable city'.

Ambitions and action plan 2004 status:

Minimising impact from our business operations

In 2004, we enhanced the transparency of our indicators on electricity, waste, heating consumption and paper usage. In addition, we closed a contract for our Dutch offices to use 100% green energy as of 1 January 2005. In Brazil, we achieved our consumption reduction targets of 5% and 4% respectively for water and electricity in our office buildings.

Ambitions and action plan 2005:

Minimising impact from our business operations

Going forward we will:

- **Continue to develop and act on the 'City Plans' we have undertaken for a number of our principal locations following the introduction of GREFM Space Standards. 'City Plans' provide us with an opportunity to review our overall property portfolio within a particular geography against agreed GREFM Space Standards and business needs, and to re-plan our space utilisation based on the agreed standards**
- **Continue to reduce and/or partially offset our carbon emissions wherever possible. Finalise our carbon reduction feasibility study before May 2005 and endorse a formal carbon emission reduction programme before year end, based on the results**
- **Provide training to branch/relationship managers on social and environmental risks and opportunities.**

BU Brazil

In 2004, ABN AMRO Real began using only recycled A4 paper in all office buildings and branches, and for client communication materials such as bank statements and deposit envelopes. We created a partnership with a local paper supplier, to develop and test the paper, of which we use about 120 tonnes per month. To reduce our use of paper still further, 1,500 laser printers have been reconfigured to save toner, and users have been shown how to print double-sided. In addition, Banco Sudameris, acquired in 2003, began collecting plastic cups and paper from workstations used by approximately 1,700 employees in three administrative buildings. As a result, we had a reduction in 2004 of 73% in waste disposal for these buildings from 172 to 47 tonnes.

Measures were also implemented for reducing the use of water, electricity and air conditioning in 14 office buildings in the states of São Paulo, Rio de Janeiro, Minas Gerais and Pernambuco. In 2004, we reduced our

water and electricity consumption. In June 2004, to coincide with Environment Month in Brazil, we ran a staff competition throughout the retail branch network on ways to reduce the consumption of water, electricity, paper and toner.

Sustainable criteria for our suppliers

Globally, ABN AMRO spends approximately EUR 5 billion a year on externally-sourced goods and services. In 2004, we took our procurement into a new era with the creation of our Global Procurement Sustainable Development Team. This team is led by Global Procurement and works closely and actively with each of our regional procurement units.

Based on the bank's sustainability strategy, the team has created a formal Procurement Sustainability Paragraph in the existing Group Procurement Policy, covering:

- The mandatory inclusion of standard sustainable development criteria – both social and environmental – in the supplier selection process for goods and services with a cost in excess of EUR 250,000
- The obligation to ask major suppliers to sign a code of conduct regarding their social and environmental behaviour. To support this, a supplier code of conduct has been developed in which ABN AMRO asks suppliers to commit to minimum standards of behaviour in these areas.

Implementation of the procurement sustainability policy

The Procurement Sustainability Policy has already been applied in a global tender for office supplies and in various regional initiatives. In the first quarter of 2005, the Policy is fully implemented in the procurement function through a series of training sessions in the bank's main operating regions.

Business air-travel and CO₂ emission

	2004	2003 ⁴
Business air-travel (in km per FTE) ¹	5,398	4,941
– Short haul ²	446	
– Long haul	4,952	
CO ₂ emission (tonnes per FTE)	0.6250	0.5721
– Short haul	0.0803	
– Long haul	0.5447	
Average number of employees (FTE)	105,918	105,439
CO ₂ emission (total tonnes) ³	66,194	60,321

¹ Based on 85,000 FTE

² Short haul: up to 500 km

³ Based on the emission factor for air-travel as stated in the GHG indicator of UNEP

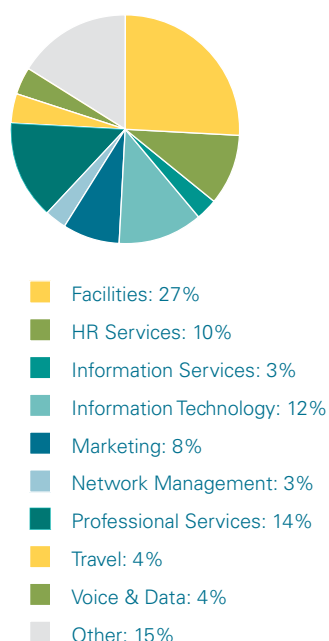
⁴ Recalculated because of comparability, see our Restatement 2003 on page 83

CO₂ emission

(in tonnes)	2004	2003
– Electricity consumption	265,999	322,133
– Energy consumption through other sources	34,100	–
Total energy consumption	300,099	322,133
Business air-travel	66,194	60,321
Total	366,293	382,456

Procurement spending

(by category in %)



The standard sustainability criteria will become an integral part of our recently-created global sourcing process and system. This system, to be implemented in 2005, will include a global contracts database that will track which suppliers have signed the code of conduct.

The Netherlands and United Kingdom

In both countries, the Procurement Sustainability Policy has been applied in a contracting process for catering services and the outsourcing of the internal copy centre. In these projects the suppliers have signed the code of conduct and have been evaluated on the standard sustainability criteria.

BU North America

In North America, many existing suppliers are committed to sustainable development. We have recently incorporated sustainable products – including apparel, notebooks and writing instruments – into our online promotional merchandise store. Many

of the new contracts signed in areas such as printing, express mail and multi-functional devices; include requirements on subcontractor diversity. Preparations have now been made for the implementation of an organisation-wide Vendor Diversity Target for 2005.

BU Brazil

ABN AMRO Real has continued to work hard to encourage and motivate suppliers to share our commitment to sustainable development. Initiatives included creating a Supplier Relationship and Management Area, making sustainability part of the purchasing and contracting policy, and training our contract managers to give them greater involvement in the process. We encouraged them to focus on sustainability by forming work groups to discuss frequent contract management problems related to sustainability, and to develop proposals to resolve them. At the same time, we continued our efforts in supplier engagement, supporting about 50 suppliers in their efforts to focus on improving their own sustainability and corporate responsibility performance and practices. We have involved 300 suppliers through our implementation of the sustainable procurement policy.



Photo: Leila Gray

“Looking at sustainable development from the perspective of our suppliers has been a new approach for me as a category manager. It has certainly broadened my views and expanded the criteria for our suppliers. In the US, we have only piloted procurement from a sustainable development perspective. Nonetheless, our suppliers have more than embraced our requests and all have agreed to help in any way to achieve new sustainable development standards, even if that means stricter requirements on them. Our supplier community and we in procurement realise, the importance of sustainable development.”

Leila Gray, Vendor Diversity Manager Strategic Sourcing Group, ABN AMRO Services Company US



Photo: Jack Tilmanns

“In 2004, ABN AMRO signed a contract to renovate all its Dutch offices with FSC timber and board material. Bouwfonds has committed to build 20% of its houses and its headquarters with FSC timber. The results of these agreements are already promising: they are really influencing the market. With the agreements they truly help the forest and people. Moreover, FSC appears to be a practical tool to help implement their Corporate Social Responsibility Policies”

Sandra Mulder, Executive Director,
Forest Stewardship Council (FSC), the Netherlands

Ambitions and action plan 2004 status:

Global Procurement

In 2004, we exceeded our ambitions and targets for the year. Not only did we successfully formulate a Global Procurement Sustainability Policy, but we also created the necessary toolset to ensure that our purchases apply to this policy through our supplier code of conduct and standard sustainability criteria. We have already applied the policy in a number of major sourcing and contracting processes.

Ambitions and action plan 2005:

Global Procurement

Going forward we will:

- Continue the Brazilian supplier mobilisation initiative, adding a new group of a hundred suppliers
- Conduct a global training programme to implement the new Procurement Sustainable Policy
- Make the main elements of the Procurement Sustainable Policy – namely the selection criteria and supplier code of conduct – an integral part of the sourcing process to be implemented in the bank’s global e-sourcing system.

Synopses of key risk management policies

Defence Policy

The Defence Policy, while acknowledging the prerogative of democratic nations to purchase arms for self-defence, sets clear restrictions on any engagement with the defence sector. This is in line with our Business Principles, one of which is respect for human rights. We will only enter into an engagement if we are content that the purchaser operates with the sort of business and ethical integrity that we demand, and that it will not alter the original intended use of the arms or divert the arms to unauthorised users to perpetuate violent acts against humankind. Our Defence Policy is guided by international and regional conventions and agreements on arms transfer, including the EU Code of Conduct on Arms Export.

Forestry Policy

The Forestry Policy applies to business engagements in the forestry and plantations sector, and to related engagements that may impact such resources. The policy seeks to prevent the bank from knowingly engaging in activities related to illegal or unsustainable resource extraction from primary or high-conservation value forests. The policy excludes the bank from financing companies or projects that are involved in illegal logging, or the extraction in an unsustainable manner of primary or high-conservation value forests, or that do not have an explicit policy of respecting human or indigenous rights. For client engagements, the bank seeks to ensure that adequate documentation is available to enable monitoring and certifying organisations to trace the origins of each product, and for both clients and projects seeks to ensure that a forestry management plan, a biodiversity action plan and soil and water management plan are in place.

Tobacco Policy

The Tobacco Policy makes reference to the 2003 Framework Convention on Tobacco

Control. The bank does not finance tobacco companies:

- 1 that engage in direct marketing of their products to minors
- 2 that promote the selling of their products by means of the black market
- 3 with a history of violations of human or indigenous rights related to their manufacturing activities; or
- 4 that, to the bank's knowledge, contravene any relevant international environmental or labour agreement to which the member country concerned is a party or that violate environmental or social laws.

Mining Policy

In 2004, we revised the Mining Policy as it did not cover all engagements, and proved inconsistent with the Equator Principles and our Oil & Gas Policy. The policy applies to all mining clients, initially within SBU Wholesale Clients only. For client engagements, we apply a client assessment tool, which rates the extent to which clients have processes and policies to address the environmental and social impacts of their business. For projects, the Equator Principles are applied to ensure that projects we finance are developed in a socially responsible manner and reflect sound environmental management practices. For single asset investments, we use a filter to assess whether there are any sensitive impacts associated with the transaction. The bank will apply more comprehensive due diligence procedures for projects that pose greater risk of material adverse environmental or social impacts. The bank will not finance project engagements located in World Heritage Sites, and in principle not consider engagements where tailings are disposed directly into a riverine environment.

Oil & Gas Policy

The Oil & Gas Policy applies to all ABN AMRO's oil and gas clients. For client engagements, we apply a client assessment tool, which rates the extent to which oil and

gas companies have processes and policies to address the environmental and social impacts of their business. For projects, the Equator Principles are applied to ensure that projects we finance are developed in a manner that is socially responsible and reflect sound environmental management practices. For single asset investments, we use a filter to assess whether there are any sensitive impacts associated with the transaction. The bank will in principle not finance projects engagements located in World Heritage Sites.

Human Rights Position Statement

Our respect for human rights and the integration of human rights principles into our own operations are guided by the standards established in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the eight Fundamental International Labour Organisation Conventions and the UN Global Compact. We strive within our sphere of influence to uphold and promote human rights, take full responsibility for our own operations, and do not tolerate human rights abuses in them. While we do not have a direct influence over our business partners' operations, we recognise that our engagement with them creates an indirect impact on our human rights performance. So we will strive only to engage with business partners who are deemed responsible and who share our belief in human rights. In situations where national laws differ from our own standards, we engage and work with business partners to assess courses of action that foster and protect human rights.

Social and Ethical Country Risk Framework

The Social and Ethical Country Risk Framework assesses and identifies countries where we deem there to be

significant social and ethical concerns based on criteria including the country's political situation, human rights record, level of corruption and degree of integration into the international community. The Framework will further improve our existing country assessment practices by making non-economic criteria more explicit and transparent. The Framework is designed to flag countries that are high risk to ABN AMRO from a reputational point of view, for which additional due diligence needs to be undertaken for all transactions. The result is that all of our engagements within these countries would need to be assessed, specifically affording the opportunity to highlight those engagements of particular concern and to manage/withdraw from them as appropriate. The Framework is currently being integrated into our client and business engagement procedures.

Equator Principles

Financiers often encounter environmental and social policy issues when they are providing project financing, particularly in emerging markets. ABN AMRO played a leading role in the drafting and subsequent adoption of the Equator Principles by a number of banks. In adopting these principles, we undertake to review all project financing, and to not provide loans to projects where the borrower is unable to comply with our environmental and social policies. These principles will foster our ability to manage the environmental and social matters associated with projects, and allow us to engage more proactively on environmental and social issues. Where a borrower is not in compliance with its environmental and social covenants, such that debt financing would be in default, we will initially seek solutions to bring the borrower back into compliance. The Equator Principles serve as a common baseline and framework across the commercial banking sector, applying to project financing globally.

Reporting principles

ABN AMRO has a clear commitment and ambition with respect to sustainable development. 'Being accountable and transparent' is one of our focus areas. We will publish every year, alongside the Annual Report, a Sustainability Report. We also regard sustainable development as a continuous learning process. While we obviously have policies that apply globally, for example in risk management, compliance, communications and human resources, there is no 'blueprint' that we impose on our entire organisation. Many aspects of sustainable development are interpreted in line with the local, cultural, or societal contexts of the 58 countries and territories in which we operate.

Scope

This report covers ABN AMRO's global activities and performance in the field of sustainable development. It includes quantitative and qualitative data about the calendar year 2004: from January to December 2004. However, the environmental indicators are based on a limited coverage as disclosed under the relevant headings in the report.

Selection of topics

The report covers topics based upon a structured dialogue with our stakeholders on what they feel is of importance to form an opinion on our sustainability behaviour. Moreover, we received ample feedback on our previous report, which has found its way into this year's report. On a number of topics addressed in this report; more details can be found in our 2004 Annual Report that has been published simultaneously. Finally, we reported those issues and dilemmas that have been illustrative for the financial sector – and for ABN AMRO in particular – in 2004.

We use the GRI guidelines to ensure we cover relevant topics, identified by a broad range of stakeholders, which are generic

to sustainability reporting. This report is in accordance with the GRI's Guidelines 2002 and its supplement for the financial services sector. The guidelines are comprised of several sections, of which the two most important contain the reporting principles and the sustainability indicators. Please refer to the GRI content matrix.

Reporting process

We have no overall information system in place for sustainable development comparable to the management information system used for obtaining financial information for the Annual Report. Nevertheless, we used corporate information systems, such as General Ledger (Finance), RAPID and CIDAR (Risk Management); and CHRISP (Human Resources), for data gathering whenever possible.

Only for those indicators that we deemed relevant, but that were not covered in an existing system, did we use local information systems and questionnaires to aggregate the information. We stayed in close contact with the representatives of the (S)BUs to test and double-check the data. This was done in one-on-ones; but also in meetings of the sustainability team (both by teleconferencing and personal meetings).

Although we are confident of the overall reliability of the data reported, we recognise that some of this information was subject to a degree of uncertainty because of limitations associated with measuring, calculating or estimating it. Where these uncertainties are material, they are described in the report. Where data is not available, this is indicated in the table by '–'.

At the end of the process, senior managers approved the data used in the sections on their respective units. Ernst & Young has reviewed the reliability of this report. Its assurance report can be found on page 84.

Restatements 2003

In our 2003 Sustainability Report business air-travel is calculated using nautical miles. In 2004, we learned that landmiles were the appropriate calculation method. For the adjusted figures, please refer to our key figures at page 4 and the table on Business air-travel and CO₂ emission on page 77.

Furthermore, we recalculated the 2003 percentages of women at management levels due to an inconsistency found in the conversion of global and local functional levels. For the adjusted figures, please refer to our key figures at page 4 and tables related to Gender mix management on page 61.

Third-party quotes

Instead of limiting this report to our own statements, we have chosen to invite some external parties to give a quote about our institution; or our co-operation. We have used the quotes as they were given to us. We appreciate the contributions from our stakeholders, but obviously we cannot take responsibility for their statements.

Further information about ABN AMRO Holding N.V.

This report only covers limited financial aspects of ABN AMRO. To get a more complete picture we refer to our Annual Report, Annual Accounts, Form 20-F and our website: www.abnamro.com/annualreport.

Disclaimer

This report is not intended as a solicitation, invitation, offer or inducement to engage in any investment activity; to make or refrain from making any investment or from exercising or not exercising any rights in connection with any investment; or to enter or refrain from entering into any agreement. The report is made for the purpose of investor and customer relations and to give details of ABN AMRO's commitment to sustainable development to existing

stakeholders. Nothing in this document is intended to extend ABN AMRO's existing obligations to its clients or shareholders.

All policies, procedures, criteria, instructions, statements, guidelines or anything similar that have been mentioned in the report; are intended for ABN AMRO internal purposes only, and under no circumstance should they be construed as creating any rights whatsoever to third parties. In assessing compliance with any of the policies and guidelines, the standards applied are subjective and any decision in relation thereto remains within ABN AMRO's discretion. ABN AMRO does not guarantee its adherence to these policies, procedures, criteria, instructions, statements, guidelines, and nor does ABN AMRO accept liability for whatever consequences may result from its not adhering to them. ABN AMRO reserves the right to change, amend or withdraw policies, procedures, criteria, instructions, statements and guidelines at its discretion at any time.

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Assurance report

Engagement and responsibilities

We have received the assurance engagement to review the Sustainability Report 2004 of ABN AMRO Holding N.V. (ABN AMRO). The scope of this report and the reporting principles, including any inherent limitations that could affect the reliability of information, are set out on page 82 and 83 of the report. This report is the responsibility of the management of ABN AMRO. Our responsibility is to express an independent opinion on the accuracy and adequacy of this report. A review is aimed at obtaining a moderate level of assurance for our conclusions. The extent of evidence-gathering procedures is less than that for an audit and therefore a review provides less assurance than an audit.

Scope of work performed

We conducted our review in accordance with the standard for assurance engagements generally accepted in the Netherlands, as issued by the International Federation of Accountants and the Royal Netherlands Institute of Registered Accountants (Royal NIVRA).

Our principal review procedures were:

- Obtaining an understanding of the sector and its relevant social responsibility issues
- Assessing the acceptability of the reporting principles used and significant estimates and calculations made in preparing the Sustainability Report 2004
- Performing analytical procedures at both Group and (S)BU level to assess the quantitative data
- Examining, on a test basis, evidence supporting the descriptive and quantitative data provided and studying relevant company documents
- Conducting interviews with the responsible company officers, mainly for the purpose of assessing the plausibility of the descriptive and quantitative data in the Sustainability Report 2004
- Evaluating the overall view of the Sustainability Report 2004, in part by testing its contents against the reporting guidelines set out in the Sustainability Reporting Guideline issued by the Council for Annual Reporting in the Netherlands and the guidelines issued by the Global Reporting Initiative.

Conclusions

Based on the procedures performed, nothing came to our attention that leads us not to believe that:

- the description of policy and measures in the Sustainability Report 2004 of ABN AMRO properly reflects the efforts made in 2004 and
- the quantitative data included in the Sustainability Report 2004 of ABN AMRO are free of material misstatement.

Amsterdam, 17 March 2005

Ernst & Young Accountants

Comparison of UN Global Compact and Business Principles

Here we provide an overview of our performance in living our Business Principles (based on our Corporate Values) and the UN Global Compact Principles. These Principles are based on the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on the Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the UN Convention Against Corruption.

Global Compact Principles	ABN AMRO Business Principles	Page
1 Businesses should support and respect the protection of internationally proclaimed human rights	8 We are a responsible institution and a good corporate citizen	27-36, 59-60, 63, 81
2 Businesses should make sure that they are not complicit in human rights abuses		
3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining		
4 Businesses should uphold the elimination of all forms of forced and compulsory labour	7 We assess business partners on their standards	27-36, 63, 81
5 Businesses should uphold the effective abolition of child labour		
6 Businesses should eliminate discrimination in respect of employment and occupation	1 We are the heart of our organisation	60-61, 63
7 Businesses should support a precautionary approach to environmental challenges	4 We manage risk prudently and professionally	9-10, 12, 27-36, 74-77
8 Businesses should undertake initiatives to promote greater environmental responsibility	5 We strive to provide excellent service	
9 Businesses should encourage the development and diffusion of environmentally-friendly technologies	9 We respect human rights and the environment	
10 Businesses should work against all forms of corruption, including extortion and bribery	10 We are accountable for our actions and open about them	10, 13, 27-36
	6 We build our business on confidentiality	
	2 We pursue excellence	
	3 We aim to maximise long term shareholder value	

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In preparing this report, we have used the guidelines provided by the Global Reporting Initiative (GRI).

More information can be found at www.globalreporting.org.

* = see our Annual Report and Form 20-F at www.abnamro.com/sustainability/com/about/reports.asp.

NR = Not reported as data is considered not relevant since ABN AMRO is a financial institution.

IC = Inside Cover (Profile).

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ABN AMRO Holding N.V. has its registered office in Amsterdam, the Netherlands and is entered in the Trade Register of the Amsterdam Chamber of Commerce under no. 33220369.

The bank consists of the listed company ABN AMRO Holding N.V., which conducts its business almost entirely through its wholly-owned subsidiary ABN AMRO Bank N.V. or this company's many subsidiaries.

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