

ABN AMRO Company Profile

**written for FNV Mondiaal by
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ABN AMRO Company Profile

written for FNV Mondiaal by
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as part of the FNV Company Monitor project

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1. General characteristics

ABN AMRO is an international bank, its history going back to 1824. ABN AMRO ranks 11th in Europe and 20th in the world based on tier 1 capital, with over 3,000 branches in more than 60 countries, a staff of more than 97,000 full-time equivalents and total assets of EUR 855.7 billion (as at 30 June 2005)¹. The bank is ranked second on the Dow Jones Sustainability index.

1.1. Communication data

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1.2. Company structure

Ownership structure

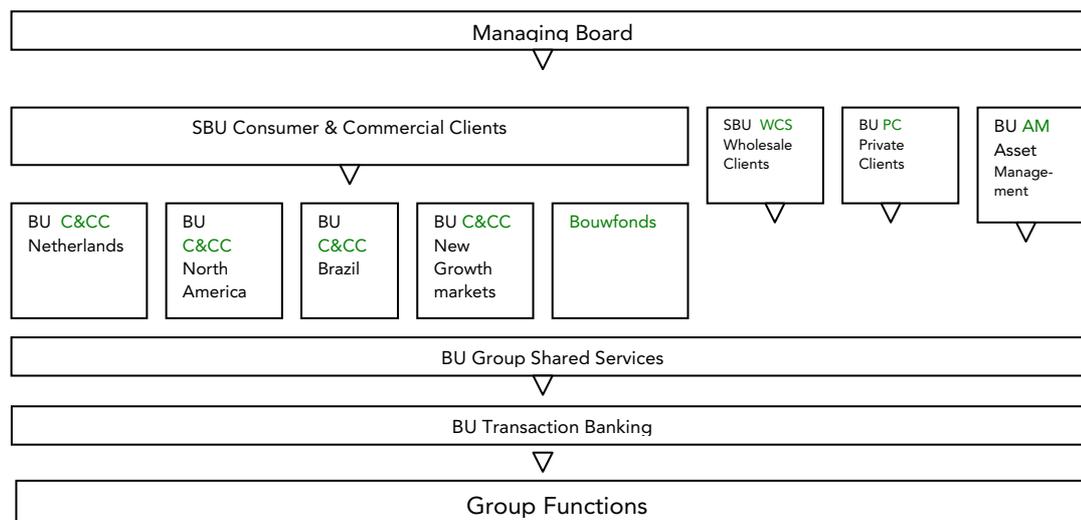
The bank consists of the listed company ABN AMRO Holding N.V., which conducts its business almost entirely through its wholly-owned subsidiary ABN AMRO Bank N.V. or this company's many subsidiaries. Shares are traded on the Euronext Stock Exchange and the New York Stock Exchange (NYSE), among others.

ABN AMRO is using the structure of Business Units (BUs) and Strategic Business Units (SBUs). Each of these units is responsible for managing a distinct client segment or product segment, while also sharing expertise and operational expertise across the Group (see graphic Company structure).

The two Strategic Business Units are 'Consumer & Commercial Clients' and 'Wholesale Clients'.

¹ Website ABN Amro, visited august 2005: <http://www.abnamro.com/com/about/profile.jsp>

Company Structure



Source: organisation structure copied from ABN AMRO Sustainability Report 2004.

Restructuring regarding company structure

An element of ABN AMRO's current strategy is to gain more value from being one Group. Therefore they created a shared product organisation comprising payments and trade, called the Transaction Banking Group, and a group services organisation that oversees all services and operations in the (S)BUs called the Group Shared Services.

The latest organisational changes and restructuring measures were announced at the end of 2004 and concern the BU Group Shared Services and SBU Wholesale Clients, leading to at least EUR 770 million of annual cost savings as from 2007, and resulting in a job reduction of 2,850 FTE's.

Composition of the Board

The members of the Managing Board collectively manage the company and are responsible for its performance. The responsibilities of the Managing Board are as follows:

- ❑ Rijkman Groenink: Chairman, responsible for Group Functions, Compliance, Audit and Corporate Development
- ❑ Tom de Swaan: Chief Financial Officer (CFO), responsible for Group Functions Risk Management, Finance and Legal
- ❑ Hugh Scott-Barrett: Chief Operating Officer (COO), responsible for Group Functions Human Resources, Investor Relations and Corporate Communications, as well as Transaction Banking Group and Group Shared Services
- ❑ Joost Kuiper: BU Netherlands, BU North America, Bouwfonds and the Commercial Segment
- ❑ Dolf Collee: BU Brazil, BU New Growth Markets, BU Private Clients and the Consumer Segment
- ❑ Wilco Jiskoot: SBU Wholesale Clients (including Private Equity) and BU Asset Management.

Composition of the Supervisory Board: A.A. Loudon; M.C. van Veen; W. Dik; A. Burgmans; D.R.J. Baron de Rothschild; Mrs L.S. Groenman; Mrs T.A. Maas-de Brouwer; A.C. Martinez ; M.V. Pratini de Moraes ; P. Scaroni; Lord Sharman of Redlynch; A.A. Olijslager.

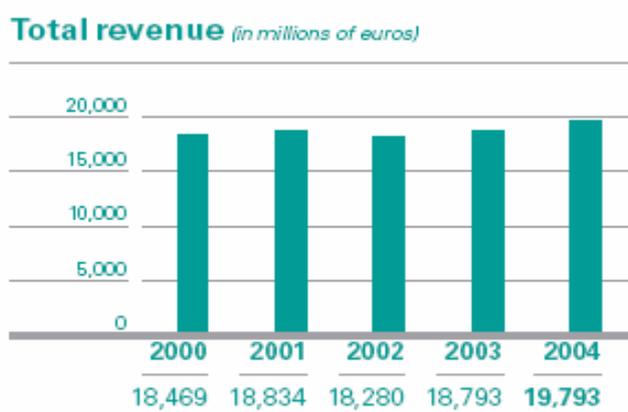
1.3. Basic Financial data

Table 1: Key figures income statement.

Income Statement (in millions EUR)	2004	2003	2002	2001	2000
Total revenue	19,793	18,793	18,280	18,834	18,469
Operating expenses	13,687	12,585	12,823	13,771	13,202
Operating result	6,106	6,208	5,132	5,063	5,267
Provision for loan losses	653	1,274	1,695	1,426	617
Pre-tax profit	5,451	4,918	3,713	3,613	4,725
Net profit	4,109	3,161	2,207	2,363	3,097

Source key figures: Annual report ABN AMRO 2004/website ABN Amro, September 2005²

Graphic: Revenues 2000-2004³



Graphic: Net profit 2000-2004⁴

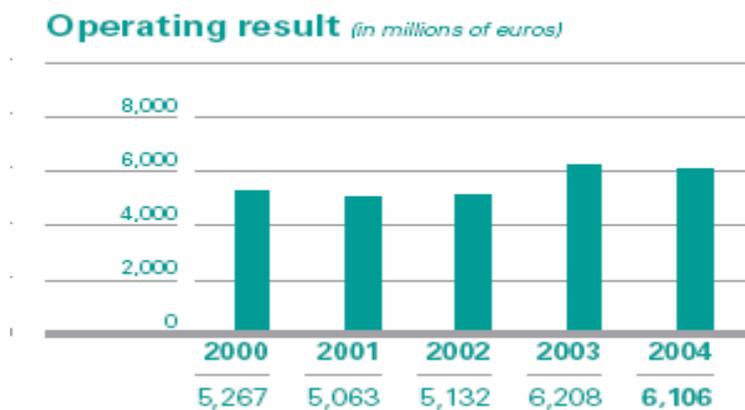


² http://www.abnamro.com/com/ir/data/abnamro_keyfigures_050405.xls and annual report 2004. Because of some differences in net profit figures, SOMO decided to take the net profit figures as mentioned in the annual report.

³ Copied from Annual report ABN AMRO Holding N.V. 2004

⁴ Copied from Annual report ABN AMRO Holding N.V. 2004

Graphic: Operating result 2000-2004⁵



1.4. Market positions

ABN AMRO belongs to the 20 major Financial institutions worldwide. Based on tier 1 capital it ranks number 20 of the world, but based on total assets it ranks number 16 of the world.

Ranking worldwide

Worldwide: Based on tier 1 capital

2004	2003	
1	1	Citigroup (United States)
2	5	JP Morgan Chase & Co (US)
3	3	HSBC Holdings (United Kingdom)
4	4	Bank of America Corp (United States)
5	2	Crédit Agricole Groupe (France)
6	8	Royal Bank of Scotland (United Kingdom)
7	7	Mitsubishi Tokyo Financial Group (Japan)
8	6	Mizuho Financial Group (Japan)
9	11	HBOS (United Kingdom)
10	10	BNP Paribas (France)
11	29	Bank of China (People's Republic of China)
12	22	Santander Central Hispano (Spain)
13	14	Barclays Bank (United Kingdom)
14	15	Rabobank Group (the Netherlands)
15	9	Sumitomo Mitsui Financial Group (Japan)
16	14	Wells Fargo & Co (United States)
17	17	ING Bank (the Netherlands)
18	19	Wachovia Corporation (United States)

Worldwide: based on total assets

2004	2003	
1	3	UBS (Switzerland)
2	2	Citigroup (United States)
3	1	Mizuho Financial Group (Japan)
4	5	HSBC Holdings (United Kingdom)
5	4	Crédit Agricole Groupe (France)
6	7	BNP Paribas (France)
7	13	JP Morgan Chase & Co (United States)
8	6	Deutsche Bank (Germany)
9	10	Royal Bank of Scotland (United Kingdom)
10	15	Bank of America Corp (United States)
11	11	Barclays Bank (United Kingdom)
12	8	Mitsubishi Tokyo Financial Group (Japan)
13	12	Credit Suisse Group (Switzerland)
14	9	Sumitomo Mitsui Financial Group (Japan)
15	16	ING Bank (the Netherlands)
16	18	ABN AMRO (the Netherlands)
17	17	Société Générale (France)
18	n.a.	Santander Central Hispano (Spain)

⁵ Copied from Annual report ABN AMRO Holding N.V. 2004

19	18	UBS (Switzerland)
20	20	ABN AMRO (the Netherlands)

19	19	HBOS (United Kingdom)
20	n.a.	Groupe Caisse d'Epargne (France)

Source: [The Banker](#), July 2005

1.5. Ownership positions

With the acquisition of Banca Antonveneta in Italy, finalized in September 2005 after a long take over struggle, ABN AMRO succeed in being the first foreign bank to set a foot on the ground in Italy. It is the biggest acquisition of ABN AMRO ever (8.1 billion euro). Banca Antonveneta has about 1,000 branches in Italy.

2005

Acquisition of Priory Group (subject to completion)
 Sale of Nachenius, Tjeenk & Co, (subject to completion)
 Acquisition of Bank Corluy (subject to completion)
 Acquisition of Banca Antonveneta⁶

2004

Sale of Executive Relocation to SIRVA
 Sale of LeasePlan Corporation
 Sale of ABN AMRO Trust to Equity Trust
 Sale of 80,77% stake in Bank of Asia to United Overseas Bank
 Sale of Professional Brokerage unit to Merrill Lynch
 Acquisition of BethmannMaffei, Germany (to strengthen BU Private Clients)

2003

Acquisition Banco Sudameris, Brazil
 Joint venture in bancassurance ABN AMRO and Delta Lloyd
 Stake bought in Xiangcai Hefeng Fund Management Company, China

2002

Activities in Lebanon sold to Byblos Bank
 Acquisition of Delbrück & Co, Germany
 Merger ABN AMRO Fund Managers and Artemis
 International custody joint venture between ABN AMRO and Mellon Financial Corporation
 Retail activities in Greece sold to Aspis Bank
 Sale of consumer banking business in the Philippines⁷

Selection of major brands and units,

AAAadvisors
 ABN AMRO Asset Management
 ABN AMRO Capital (Private Equity)
 ABN AMRO Working Capital
 ABN AMRO Private Banking
 ABN AMRO Wholesale Clients
 Alfred Berg
 Amstel Lease
 Banco Real
 Banco Sudameris

⁶ At date, September 2005, it is still not clear if ABN AMRO will win the take over struggle of Banca Antonveneta.

⁷ Website ABN AMRO, visited August 2005: <http://www.abnamro.com/com/ir/investments.jsp>

Bandepe
Banque de Neuflyze
Banque OBC
Bouwfonds
Delbrück Bethmann Maffei
Hollandsche Bank-Unie
LaSalle Bank
Montag & Caldwell
Mortgage,Com
NSM Gestion
Real Seguros
Saudi Hollandi Bank
Standard Federal Bank
Stater NV

2. Main activities of ABN AMRO

ABN AMRO implements its strategy through a number of (Strategic) Business Units, each of these units is responsible for managing a distinct customer segment or product segment.

ABN AMRO is active in three principal customer segments:

Consumer & Commercial Clients;
Wholesale Clients (WCS) and;
Private Clients & Asset Management,

The (Strategic) BUs are:

SBU Consumer & Commercial Clients (C&CC):

Personal customers and clients in the small and medium enterprise (SME) sector,
About 20 million clients worldwide,
Three home markets: the Netherlands (through ABN AMRO Bank), the US Midwest (as LaSalle and Standard Federal Bank), Brazil (as Banco Real),
New Growth Markets: in Europe presence in Belgium, France and Spain and in Italy through shareholdings in Capitalia and Banca Antonveneta; In Asia presence in India, Indonesia, Singapore, Pakistan, United Arab Emirates, China/Hong Kong, and Taiwan and in Saudi Arabia via the Saudi Hollandi Bank, Bouwfonds,

SBU Wholesale Clients (WCS):

Corporate, institutional and public sector clients in about 50 countries,
Provides integrated corporate and investment banking solutions to more than 10,000 clients,
Three businesses: Commercial Banking; Fixed Income, Futures and FX (FIFF): and Equities & Investment banking,

BU Private Clients (PC):

Provides private banking services to wealthy individuals and families,
Leading player in private banking in the Netherlands and France, and strong positions in Germany, Luxembourg, Miami and Switzerland,
Ranks in the top ten of the world's top private banks, with EUR 125 billion Assets under Administration (as at 30 June 2005),

BU Asset Management

Provides mutual funds and handles investment mandates, Has local presence in 20 locations worldwide and manages EUR 167,1 billion (as at 30 June 2005) for private investors and institutional clients

BU Transaction Banking Group

Transaction Banking is the product organisation covering all payments and trade in the bank for retail, private client, commercial and wholesale markets,

BU Group Shared Services (GSS)

GSS was established in January 2004 to create cost savings through consolidation and standardisation, It focuses on further exploiting new market solutions for support services with the aim to achieve better products and services for clients at lower costs,

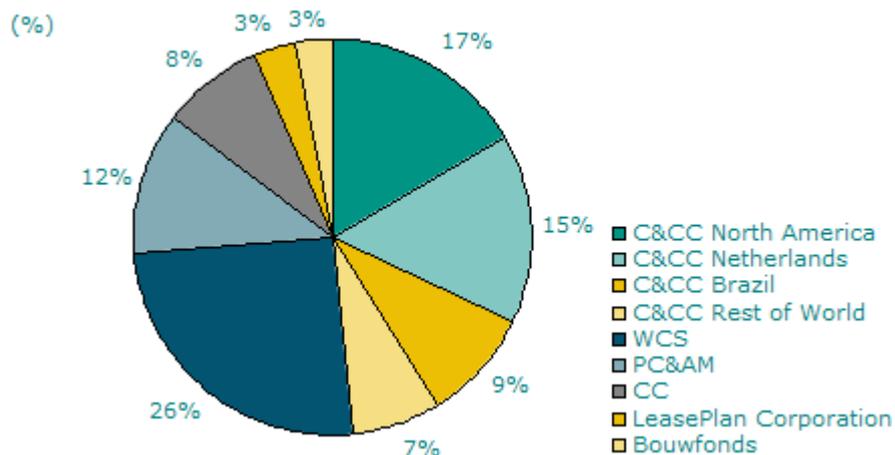
BU Group Functions

Group Functions' basic functions are governance, which is facilitating the implementation of Managing Board policy throughout the bank; standard and policy setting, which is setting the parameters within which the BUs work; and sharing its expertise with all SBUs.

2.1. Key figures per Business Unit

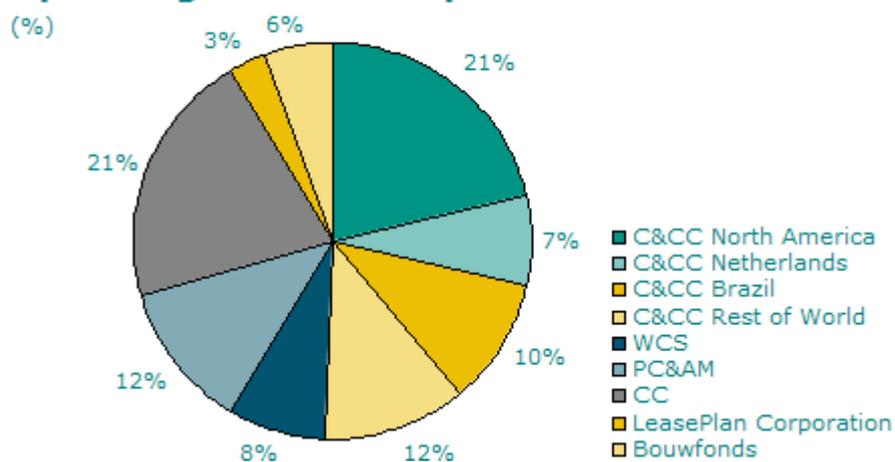
Graphic: Revenues 2004 per SBU.

Revenues 2004 per SBU



Note: Leaseplan is sold in 2004

Operating result 2004 per SBU



Number of employees per (S)BU in 2004

Number of employees (in FTE's)	2004
Total Consumer & Commercial Clients	16,008
Of which:	
C&CC Netherlands	5,406
C&CC North America	4,605
C&CC Brazil	3,183
New Growth markets	904
Bouwfonds	1,910
Wholesale Clients	26,566
Private Clients	3,675
Asset Management	3,555
Other countries	21,443

3. Key figures per region and activity

ABN AMRO is strongly international oriented; in 2004 it had about 3,800 branches worldwide, of which about 700 in the Netherlands. The recent acquisition of Banca Antonveneta makes Italy the new home market for ABN AMRO, Antonveneta has about 1,000 branches in Italy, serving 1.5 million customers, and has more than 10,000 employees⁸. The total number of branches and offices worldwide will be about 4,800 at the end of 2005.

Number of branches and offices	2004	2003	2002	2001	2000
Netherlands	698	711	739	736	905
Other countries	3,172	2,964	2,687	2,836	2,774
Total branches worldwide	3,861	3,675	3,426	3,572	3,679

Source: website ABN Amro, September 2005 http://www.abnamro.com/com/ir/data/abnamro_keyfigures_050405.xls

Although the number of countries where ABN AMRO is present declines, it is still present in some 60 countries.

Number of countries and territories where present	2004	2003	2002	2001	2000
	58	63	66	67	74

Source: website ABN Amro, September 2005 http://www.abnamro.com/com/ir/data/abnamro_keyfigures_050405.xls

Presence worldwide				
Europe	(vervolg Europe)	North America	South America	Asia and Pacific
Austria	Romania	Canada	Argentina	Australia
Belgium	Russian Federation	Mexico	Brazil	China, People's Republic of
Czech Republic	Spain	United States	Chile	Hong Kong
Denmark	Sweden		Colombia	India
Finland	Switzerland		Ecuador	Indonesia
France	Turkey		Netherlands -Antilles	Japan
Germany	United Kingdom		Paraguay	Korea, Republic Of
Gibraltar	Uzbekistan		Uruguay	Malaysia
Greece	Monaco		Venezuela	New Zealand
Ireland	The Netherlands			Pakistan
Italy	Norway	Middle East and Africa		Philippines
Jersey	Poland	Egypt		Singapore
Kazakhstan	Portugal	Saudi Arabia		Taiwan
Luxembourg	Romania	South Africa		Thailand
Monaco	Russian Federation	United Arab, Emirates		Vietnam
The Netherlands	Spain			
Norway	Sweden			
Poland	Switzerland			
Portugal	Turkey			
	United Kingdom			
	Uzbekistan			

⁸ Het Financieele Dagblad, Trots en tevredenheid bij Antonveneta, 27 september, 2005, p.15.

3.1. Turnover, profits and employment per region

Table : Number of employees in and outside the Netherlands.

Number of employees	2004	2003	2002	2001	2000
Netherlands	28,751	31,332	32,693	36,984	38,958
Other countries	70,520	81,331	73,745	74,726	76,140
Total (nominal figures)	99,271	112,663	139,131	111,710	115,098

Source: Annual report 2004 and website ABN Amro, September 2005

http://www.abnamro.com/com/ir/data/abnamro_keyfigures_050405.xls

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

Source: Sustainability report 2004.

The number of employees in the Netherlands has declined significantly: in 2000 the bank had about 39,000 employees. In 2004 the average number of employees is 29,852 (the nominal number of 28,751 is given in the annual report 2004). That is a decline of almost 10.000 employees.

The restructuring process: 'Zonder omwegen'.

On September 17, 2001, 75% of the employees in the Netherlands received a letter with the announcement that he or she was not indispensable (!). Only 25% of all employees was regard as indispensable. This way of communicating with the employees have caused enormous tensions among the employees and was regretted by the management later on. Those 75% was offered a (very good) compensation pay. In the end more than 6,500 employees took the compensation offer and left the bank.

In December 2004 the bank announced again another round of restructuring that involved a reduction of some 2,850 FTE's across the Group. The financial impact of this restructuring initiative as a whole has been covered by one-off charges of EUR 790 million in 2004.

In the Netherlands the bank shall adhere to the existing social plans, in the other countries, as stated in the Sustainability report, they "will respect local customs". This can lead to the situation that there are substantial differences in redundancy pays internationally.

4. Strategy

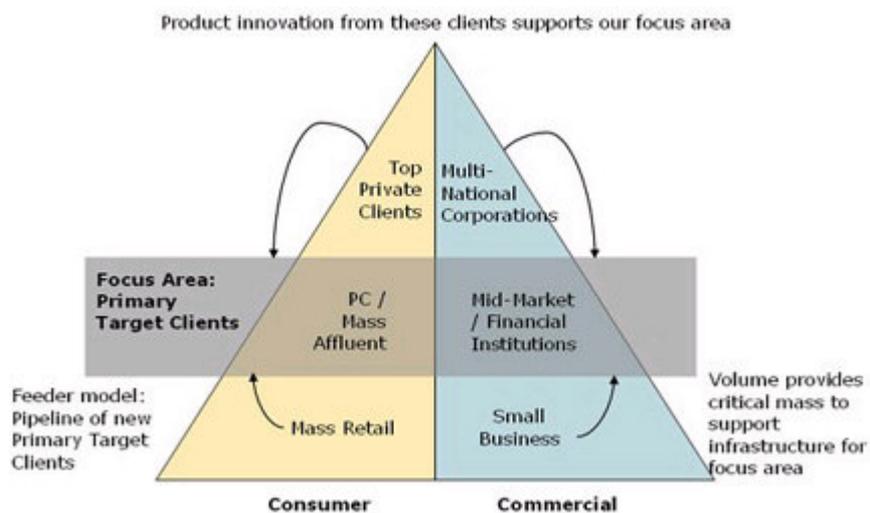
In early February 2005, ABN AMRO the bank introduced its first-ever global tagline: 'Making more possible'. According to the bank it stands for customers and the bank together achieving goals and taking up challenges.

Their growth strategy is to build on ABN AMRO's strong mid-market positions. The BU New Growth Markets is successfully exploiting the attractive opportunities that are opening up in several emerging markets, including Greater China and India.

4.1. Focus on the mid-market

The strategic focus is on the mid-market segment, the segment that is expected to be the most profitable in the future. The consumer mid-market consists of clients who require more than a basic banking package (mass affluent and private clients), but who don't yet fall into the small category of top-end private clients. The commercial mid-market ranges from mid-sized companies in their home markets to a smaller number of large multinational clients and financial institutions.

The focus on the primary target clients will also guide future investments and acquisitions to enhance profitable revenue growth.



9

⁹ <http://www.abnamro.com/com/about/strategy.jsp>

5. Labour Relations

5.1. ABN AMRO bank and restructuring

In a restructuring round at ABN-AMRO bank (2003), the maintenance of the traditional 'last in first out' principle for selection for redundancy was set overboard. Eventually, the trade unions accepted a management proposal for a selection procedure based on quality as well as age.

On January 2004, a coalition of trade unions¹⁰ in The Netherlands sent an open letter to the Chairman of the Board, Mr. Rijkman Groenink, with the message that the ongoing restructurings measures are taking its toll on the employees, while the profits of the bank are only growing. The coalition of the Dutch unions were asking for a time out: to stop the restructuring measures for a couple of years. But as we already could read earlier, restructuring and outsourcing are still going on.

5.2. ABN AMRO and offshore outsourcing

The case of ABN AMRO reported by the MOOS project:

The ABN AMRO bank has started to speed up the outsourcing of IT operations, Whilst the IT function was long regarded as being part of the core business, now the management has a more restricted vision of what is core for the bank and what not, what activities provide competitive advantage and what not, All non-banking functions will sooner or later be outsourced, Also cost reduction and improvement of the quality of the service are major objectives of the ongoing restructuring,

Outsourcing of IT began in 2003, when the IT jobs of the Business Unit Wholesale have been outsourced to EDS, Now, there are two further projects targeting IT functions: the Infrastructure Unit and in Development and Maintenance, Here, 1,200 of the 1,600 jobs from the Dutch IT departments are affected, The 400 remaining employees will partly be transferred to different business units, From the 1,200 jobs that are lost, 800 will be offshored to India directly; the other 400 will be outsourced, Both operational employees and management staff of the departments will have to look for another job, All affected employees are high-skilled IT professionals,

In the Netherlands, the involvement of the trade unions and the works council in corporate restructuring, such as outsourcing is a legal condition, In a so-called 'employability agreement', covering the period 2004-2008, the social partners of ABN AMRO have agreed on how to manage the impact of outsourcing, The agreement¹¹ includes several strategies, such as redeployment to other jobs in the establishment after retraining in the internal 'employability centre', Next, it is agreed that employees will be moved to the new outsourcer company, The conditions of this workforce transfer are also part of the criteria for the final choice of outsourcer, The employability agreement involves a right for an outsourced employee to return two years after the transfer to the destination company, Experiences with the first outsourcing operations, initiated in 2003, showed that approximately ten percent of the employees returned to the bank, mostly older workers, For the current outsourcing plans the unions fear that it will be difficult to find sufficient new jobs for the affected workforce,

¹⁰ De Unie, BBV, CNC Dienstenbond and FNV Bondgenoten.

¹¹ Alegemene Uitgangspunten met betrekking tot outsourcing, Amsterdam 7 November 2002.

The involvement of the unions in outsourcing and offshoring projects is regarded by the management as an important dimension in the whole operation, provided they are represented in the affected units,¹²

In the beginning of September 2005, ABN AMRO Bank announced the lay off of another 1,500 staff, due to the outsourcing of IT operations worldwide in a series of deals worth €1,8 billion (US\$2,2 billion) over five years. IBM Corp, will take the lion's share of that to run the bank's main data centers, develop applications and manage bank employees' desktop, laptop and handheld computers, The bank also struck application development deals with Accenture Ltd, of Bermuda and three Indian companies -- Infosys Technologies Ltd, of Bangalore, and Tata Consultancy Services Ltd, (TCS) and Patni Computer Systems Ltd., both of Mumbai, Infosys and TCS will also provide application support, ABN AMRO said,

ABN is committed to pay IBM €1,5 billion, TCS €200 million and Infosys €100 million over the five-year life of the deal. The deals form part of ABN's Group Shared Services program, announced last year. The bank expects the IT element of this program will save it at least €258 million a year from 2007.

Some of those savings will come from payroll reductions: ABN will retain 1,800 full-time IT staff, transfer 2,000 to the five IT vendors and lay off around 1,500 others over the next 18 months (ending March 2006).

A majority of the transferred staff will move to IBM. The bank said it is consulting employee representatives around the world about the outsourcing deals, and they must obtain regulatory approval before the transfers can go ahead.¹³

5.3. Dutch Central Works Council

Sourcing policy was a prominent agenda item in the Cental Works Councils discussions during 2004. In November 2004, a joint meeting of the CWC, the Managing Board and four Dutch members of the Supervisory Board was held to discuss the offshoring and outsourcing of the bank's non-core activities.¹⁴

In accordance with the covenant concluded in 2003 with the Dutch Central Works Council (CWC), the three Supervisory Board members responsible for Dutch affairs in relation to the CWC – Maarten van Veen, Wim Dik and Louise Groenman – attended by rotation five meetings of the CWC, in 2004.

¹² [http://www.union-network.org/uniindep.nsf/0/47197f46e57d1c4fc1256ff6004e829b/\\$FILE/MOOS%20Newsletter%202.pdf](http://www.union-network.org/uniindep.nsf/0/47197f46e57d1c4fc1256ff6004e829b/$FILE/MOOS%20Newsletter%202.pdf)
Moosproject, Newsletter 2, <http://www.moosproject.be>

Making Offshore outsourcing sustainable - UNI-Europa's project

¹³ http://www.infoworld.com/article/05/09/01/HNIBMwinsoutsourcing_1.html?APPLICATION%20DEVELOPMENT

¹⁴ Annual report 2004, page 20.

6. CSR Policy

6.1. CSR issues in the financial sector in general.

The private financial industry plays a pivotal role in the functioning of many economies in the world. Banks and insurance companies intermediate capital flows for governments, corporations and individuals, which affect people's lives and the choices available in society. By intermediating financial flows, financial firms raise, allocate and price capital as well as provide risk coverage for businesses.

Increasing attention of the role banks play in business operations or large projects that lead to human rights violations and environmental degradation has helped to open the discussion of 'accountability' of these financial firms.

Most of these private sector specific CSR initiatives can be divided into three areas:

- ❑ How policies, services and products of financial firms impact society: the social, human rights and environmental impacts of, for instance, projects financed by banks or bonds issued by an investment bank. CSR initiatives relating to the impact of financial services can also cover the way in which financial firms operate, e.g. the terms an insurer uses to assess the risk of a company. These initiatives often focus on how CSR principles are managed (not what their actual effects are).
- ❑ How financial firms actively promote sustainable development: financial firms can be pro-active and support socially and environmentally friendly developments, e.g. by designing new products that favour better social or environmental practices. Such products might be, for example, loans with lower interest rates for companies with a proven social and environmental record. Financial firms can also advocate for more sustainable practices among their colleagues within the whole financial industry.
- ❑ How financial firms operate in-house: the social and environmental aspects of their own operations such as labour and work conditions, recycling and energy consumption.

This profile does not include a fourth area, charitable initiatives by financial firms. SOMO views that charitable activities would not be necessary if CSR would cover the core business of any company and if all firms paid enough taxes. CSR initiatives and guidelines.

6.2. The CSR Policies of ABN AMRO

ABN AMRO has quite an extensive policy on Corporate Social Responsibility. ABN AMRO distinguishes itself in a very positive way to acknowledge the pivotal role financial institutions as banks play regarding sustainable development. They acknowledge their sphere of influence as a major financial institution providing capital and expertise. As ABN AMRO has formulated it in its Sustainability Report 2004: "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." Many other companies understand CSR as charitable initiatives by companies instead of covering the core business, like ABN AMRO does.

In 1997 the bank formulated its Corporate Values to provide the foundation for the bank's [Business Principles](#).

Corporate values ABN AMRO:

- Integrity
- Teamwork
- Respect
- Professionalism

The Business Principles were launched in November 2001 and updated in March 2004. (see also for the Business Principles in the Annex).

In short the ten Business Principles are:
We are the heart of our organisation
We pursue excellence
We aim to maximise long-term shareholder value
We manage risk prudently and professionally
We strive to provide excellent service
We build our business on confidentiality
We assess business partners on their standards
We are a responsible institution and a good corporate citizen
We respect human rights and the environment
We are accountable for our actions and open about them

The following remarks can be made about the Business Principles:

- The Business Principles do not refer directly to the standards established in the Universal Declaration of Human Rights, nor the Fundamental International Labour Organisation (ILO) Conventions, nor the OECD Guidelines. The terms are too vaguely.
- There is no independent verification.

Besides the Business Principles the bank has formulated 5 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.

Corporate Governance

The corporate governance policies and procedures are laid down in the ABN AMRO Instruction Manual, which is available for all staff via the intranet. The Bank has a whistle blowing policy allowing employees to report any concerns they have about perceived violations of corporate policies in good faith, and providing clear guidelines for dealing with these concerns. In 2004 all employees have been informed about this policy and it is showed to them where it can be found in the Instruction Manual.¹⁵

CSR policies on sector level

ABN AMRO has experienced quite some negative publicity on various CSR issues. Most of these issues have to do with the project financing of ABN AMRO. ABN AMRO is one of the biggest financiers in the mining industry worldwide, but also in the oil and energy sector.

Project financing is the target of many CSR initiatives. Projects that are considered 'high risk' are precisely those where CSR problems are most likely to occur.

Risky project areas:

- financing projects that harm tropical rainforests e.g. palm oil plantations,
- financing mining operations,

¹⁵ ABN AMRO Sustainability Report 2004.

- ❑ financing oil and gas operations,
- ❑ financing trade in 'blood diamonds' originating from rebels in conflict areas,
- ❑ financing investments in countries that gravely violate Human Rights (e.g. Burma)

NGOs have undertaken campaigns against financial firms for their role in financing such risky projects. In response, some financial firms have developed sector specific guidelines for project financing. For example, ABN Amro developed the "ABN Amro Risk Policies on Forestry and Tree Plantations". However independent, external verification of the implementation of these guidelines is still not in place.¹⁶

An overview of these various issues:

- ❑ BTC Oil Pipeline
- ❑ Project finance copper/ goldmine
- ❑ Chad Cameroon Petroleum development and pipeline project
- ❑ Criticised on a specific client involvement
- ❑ Project finance new pulp mill (clear cutting parts of old-growth forests).
- ❑ SRI fund investment and chain responsibility
- ❑ Restructuring of our organisation
- ❑ Palm Oil Plantations in Indonesia
- ❑ Palm Oil Plantations in Indonesia (involvement in the destruction of rain forests in Indonesia through financing palm oil plantation companies).
- ❑ Conflict Diamonds (financial services regarding conflict diamonds as a source of funding for rebel movements in Africa.)
- ❑ Burma/IHC Caland (Issue: Having a business relationship with a company involved in a project in Burma)
- ❑ Cluster Bombs (Issue: Cluster bombs and ABN AMRO's relationship with the British company Insys)

ABN AMRO has developed the sector policies for project financing with making use of the input from NGO's (Novib, Amnesty, Milieudefensie and the World Nature Fund). See also in the Annex. The sector policies of ABN AMRO:

- ❑ Defence Policy
- ❑ Forestry Policy
- ❑ Tobacco Policy
- ❑ Mining Policy
- ❑ Oil & Gas Policy
- ❑ Human Rights Position Statement
- ❑ Social and Ethical Country Risk Framework
- ❑ Equator Principles

The implementation of the CSR policies

At Group level, ABN AMRO has a dedicated Sustainable Development department located in Group Risk Management, with Managing Board member and Chief Financial Officer Tom de Swaan ultimately responsible.

This Group Sustainable Development team is responsible for outlining the Group strategy on sustainable development, sustainability reporting, stakeholder engagement and developing internal understanding and expertise. They act as a knowledge centre and catalyst for initiatives and for embedding sustainable development across all its (S)BUs. This team also supports the (S)BUs in developing sustainable financial products and services, and advises on business ethics and policies¹⁷. With vesting the Group Sustainable Development department in the Group Risk Management organisation, which plays a central role in the overall

¹⁶ Critical issues in the Financial sector, SOMO, Myriam Vander Stichele, update May 2005.

¹⁷ ABN AMRO Sustainability Report 2004.

decision making processes of the bank, ABN AMRO shows that it is serious of making CSR an integral part of the core business.

Group Sustainable Development has created a dedicated department, Sustainable Business Advisory (SBA), with overall responsibility for global sustainable risk management policy development and implementation. As part of Group Risk Management, Group Sustainable Development and SBA operate independently of the bank's commercial activities.

It falls outside the scope of this report to discuss all implementation tools (such as the Client Diagnostic Tool, the Environmental, Social & Ethical Risk Filter (ESE-filter, the Equator Tool) but we conclude that ABN AMRO really makes an effort to implement CSR in its core activities.

The reporting on CSR

The Sustainability report 2004 is received positively by various stakeholders. What is positive compared with the first sustainability report is that it has a more pro-active attitude, instead of purely focused on the risks for the bank itself. The reference to the Millenium Development Goals is received positively, just as the publication date simultaneously with the Financial report and the reporting according the Global Reporting Initiative. Criticism is focused on the lack of measurable goals.

Joining relevant CSR initiatives

The ABN AMRO has joined some relevant CSR initiatives¹⁸, such as the:

- ❑ the UNEP Statement by Financial Institutions on the Environment and Sustainable Development;
- ❑ a statement by CEO's of financial firms belonging to the World Business Council on Sustainable Development (WBCSD) and;
- ❑ The United Nations' Global Compact's supplement on the financial sector.
- ❑ The Equator Principles
- ❑ The Global Reporting Initiative.

ABN AMRO was one of the leading banks in signing the Equator Principles.

CSR products and Services of ABN AMRO

ABN AMRO has developed various CSR products and services, but it falls outside the scope of this report to discuss them all. But they have SRI products, Green investments (in the Netherlands 265 million in 2004, 212 million in 2003). microfinance projects and is related to ShoreCap International. ShoreCap is an initiative of Shorebank, the IFC, the FMO, and the Asian Development Bank (ADB). ABN AMRO has an interest worth 0.7 million USD in Shorebank, and interest of 22% in FMO. In India the local ABN AMRO branches works with local Micro Finance institutions (MFI's).

In Brazil the bank has developed products for poor clients, such as a credit card.

Concerning sustainable assets management, only 1,443 million euro of the total assets of 161 billion is socially responsible invested, that is only ,89% of total assets.

ABN AMRO as employer

Due to mergers and acquisitions, the number of employees of ABN AMRO outside The Netherlands has almost doubled between 1991 en 2000.

In the Netherlands, the loss of thousands of ABN AMRO jobs in the 1990s and in 2001-2004 has not resulted in forced redundancies. Good labour relations and trade union rights archieved all kind of arrangements to make workers leave. This has however not alleviated the unrest among personnel.

¹⁸ Overview main memberships and/or partnerships of ABN AMRO regarding CSR Initiatives: Carbon Disclosure Project; European Conference Board on SD Reporting; Global Reporting Initiative (GRI); UNEP-FI; UN Global Compact; VBDO Nederland; WBCSD; Equator Principles IFC Biodiversity; IFC Supply Chain; IMD Lausanne; MVO Nederland; Prince of Wales's Business & the Environment Programme. Source: Sustainability report 2004.

In contrast, redundancies and reorganisations outside the Netherlands have been handled quite differently. The managers receive shorter periods for implementing the reorganisation and if allowed by law, redundancies can be forced upon.

Brazilian trade unions have complained that their relation with ABN AMRO is not as good as in the Netherlands. The communication was difficult and little progress was made to improve labour conditions as requested. Remunerations and working conditions at ABN AMRO in the Netherlands are satisfactory according to the trade unions, a special collective labour agreement has been agreed which sets the working conditions and salary policy at ABN AMRO specifically. In Brazil, some trade unions have complained that the general collective labour agreement for the banking sector was not implemented at ABN AMRO, especially as it relates to working hours. To conclude, while, ABN AMRO globalizes its services and has strategies and financial targets set for the company world wide, labour relations are left to the local management and are not as good as at the home country of the bank.¹⁹

It is also stated in the Sustainability Report of 2004 that the local management is responsible for implementing the Health and Safety Policies.

¹⁹ Liberalisation in Banking Services does not have the stated effects : summary of a case study of ABN AMRO in Brazil, December 2001, SOMO, by Myriam Vander Stichele.

7. Annexes and Updates

For the annexes, more information about the financial sector and financial corporations and updates of this research see our website: www.somo.nl

Annex I:

UNEP Statement by Financial Institutions on the Environment & Sustainable Development

See <http://unepfi.net/fii/english.htm>

Annex II:

The "Equator Principles"

See <http://www.ifc.org/ifcext/equatorprinciples.nsf/Content/ThePrinciples>

Annex III:

CEO's and Chairmen statement of companies operating in the financial sector of WBCSD

See http://www.wbcsd.ch/DocRoot/JhkkboXiIGKmPEbhIOZh/20020925_finance.pdf

Annex IV:

The Collevocchio Declaration on Financial Institutions and Sustainability

See <http://www.foe.org/camps/intl/declaration.html>

Annex V:

NGO Collective Analysis of the Equator Principles

See <http://www.globalpolicy.org/socecon/ffd/2003/06ngos.htm>

For a summary of the main points see http://www.ran.org/news/equator_ngo.html

Annex VI:

UNEP Statement of Environmental - Commitment by the Insurance Industry

See <http://unepfi.net/iii/statemen.htm>

Annex VII:

GRI FINANCIAL SERVICES SECTOR SUPPLEMENT ON SOCIAL PERFORMANCE
(NOVEMBER 2002)

See <http://www.globalreporting.org/guidelines/sectors/GRIFinancialServices.pdf>

Annex 1: The Business Principles

A compass to guide us on our journey

ABN AMRO is an ambitious institution, committed to continuous improvement in everything we do. Our success depends on excellent performance and a solid reputation. Transparency and dialogue are of crucial importance in all our relationships if we are to maintain our reputation as a respectable and reliable institution.

Based on our four [Corporate Values](#), we have formulated Business Principles to guide all our employees in their daily work. Defining them clarifies what we stand for and unites us as a group.

These Business Principles are:

- We are the heart of our organisation
- We pursue excellence
- We aim to maximise long-term shareholder value
- We manage risk prudently and professionally
- We strive to provide excellent service
- We build our business on confidentiality
- We assess business partners on their standards
- We are a responsible institution and a good corporate citizen
- We are accountable for our actions and open about them

Business Principles alone are not the answer to every problem, but they do challenge us to translate their spirit into our daily practice and shift our horizons beyond short-term profit to long-term value creation through sustainable development.

ABN AMRO employees: the heart of our organisation

1 We are the heart of our organisation

Our spirit, the pleasure and pride we take in our work, shows the importance we attach to fulfilling our mission, living our Values and meeting the expectations of our audiences. We all have a responsibility to create and maintain an open culture, based on respect, loyalty and trust. This is the foundation for organisational success as well as our personal development and satisfaction.

2 We pursue excellence

We shape the future of ABN AMRO by delivering the highest quality service to our clients while maintaining our solid reputation and adhering to financial targets. Meeting our organisation's ambitious goals requires excellence in performance and behaviour. We recruit the best qualified people and continuously develop them in view of providing competitive advantage in our chosen markets. We also assess our performance thoroughly and regularly.

Our External Audiences: the world in which we live our Business Principles

For our shareholders

3 We aim to maximise long-term shareholder value

The measure of the success of our business is the growth of its long-term shareholder value. In seeking to maximise this value, we manage the interests of clients, employees and capital providers, as well as society and the environment. Capital and other resources are allocated according to where they can best realise this objective of long-term shareholder value.

4 We manage risk prudently and professionally

Judging and managing risk is fundamental to successful banking. We take a prudent and professional approach to all types of risk, from credit to operational and reputational risk, while meeting our clients' needs and seizing suitable business opportunities.

For our clients

5 We strive to provide excellent service

Without our clients we have no business. We aim to be the proactive and trusted financial partner in all phases of our clients' lives. We listen to our clients and offer customised and state-of-the-art advice and service, based on our vast expertise and extensive network.

6 We build our business on confidentiality

Confidentiality is the foundation for long-term relationships that benefit both our clients and our own organisation.

With our business partners

7 We assess business partners on their standards

We also expect our clients, business partners, suppliers and other audiences such as Non-Governmental Organisations (NGOs) to practice high standards consistent with their own legitimate purposes. We take their standards into account when assessing our mutual relationship.

In society

8 We are a responsible institution and a good corporate citizen

We are aware of and act on our broader responsibilities to the societies and communities in which we operate. We behave as good citizens, working closely with local regulators and complying with their regulations. We play an active role in local communities, as well as in the global community and suitable international forums.

9 We respect human rights and the environment

Respecting human rights and the environment is an integral part of responsible social behaviour and corporate citizenship. We follow these principles of sustainable development in line with the legitimate role of a business.

Compliance: Our Business Principles are for real

10 We are accountable for our actions and open about them

Accountability and transparency are great business strengths and important in all our relationships. We are accountable for all activities over which we have management control. We provide relevant, timely and correct information in an open way. Within the boundaries of confidentiality, we are open to dialogue with parties who have a sincere interest in us.

Explained

Our Business Principles are the result of intensive discussions with management, employees and external audiences, as well as an international benchmark. Putting our principles on paper is only the beginning. Living them is the challenge we face in our day to day working lives. We therefore explain in this section what our Business Principles are, why they are important and how we will use them. We also explain what they mean in practice.

What

Our Business Principles are...

- A set of principles that build on our Corporate Values by further clarifying what we stand for
- A compass for individual and collective behaviour
- A clarification of what we are prepared to be judged on by our audiences, although they are not a contract
- A dynamic set of statements that may evolve in line with new developments, insights or dialogues with our audiences
- A reinforcement of the rules and regulations already reflected in our instruction manuals and general policies, such as those in the areas of Risk Management, Human Resources and Compliance.

Why

Our Business Principles are important...

- Long-term shareholder value is built on two pillars; performance and reputation
- Adding value and strengthening our reputation are therefore two main responsibilities of every employee
- Performance is about delivering excellent service to our chosen client segments while adhering to our financial targets
- Reputation is the result of the perceptions of all our audiences. It takes a long time to build a reputation, which, by definition, is vulnerable
- Therefore, knowing our own beliefs and objectives will help us to take the right business decisions
- It will also help us to engage with our audiences to generate trust and loyalty in order to deliver maximum shareholder value over time by maintaining sustainable relationships.

How

We will use our Business Principles...

Because of the complicated nature of the dilemmas we face at work, and the urge to be high performers as well as to maintain our reputation, it is not always easy to determine the best way forward.

The Business Principles cannot and should not try to provide pre-packaged solutions to every type of dilemma the business faces, but provide direction in solving them. Furthermore it should be clear that dilemmas have to be discussed: nobody in our organisation is alone in solving them.

In the development of policies and procedures the Corporate Values and Business Principles are always taken into account. We will embed the Business Principles in organisational processes such as appraisal and promotion procedures, as well as performance contracts.

Share and discuss any dilemma you have with your colleagues and line manager and always ask these questions before acting on a dilemma:

- What is the business rationale?
- Will I be able to justify my actions against ABN AMRO rules and regulations, our Corporate Values and the Business Principles?
- What impact will the action have on the business, my team and me?
- Will my action maintain or strengthen the reputation of ABN AMRO?

- What will the impact be on ABN AMRO's audiences and stakeholders?

In Practice

The best way to give meaning to Business Principles is by describing their implications. This is just a start and by working with the Business Principles in practice over time and through further understanding the dilemmas we face, new examples will emerge, our thinking will evolve and further steps in this process will be taken.

Our Employees (principles 1-2)

Our culture is open and diverse, designed to allow employees develop their talents and reward them accordingly. ABN AMRO employees take pride both in making the numbers and in living the Corporate Values and the Business Principles. All these elements are part of the assessment and appraisal meetings between employees and their managers.

ABN AMRO recruits the best qualified people and provides continued development opportunities throughout their careers. Our in-house Academy provides leading edge training and development for all employees. We provide and maintain a safe and healthy work environment for every employee and we inform and train our employees to work safely and efficiently.

Our Shareholders (principles 3-4)

Managing for Value (MfV) embodies the governing objective of maximising long-term value for our shareholders. We adhere to strict financial targets. Some may argue that there is a trade-off between the strategic objectives and the Values and Business Principles. This is not so. MfV aligns all these elements by establishing and promoting a holistic approach to managing the interests of all our audiences.

Risk management and analysis is inherent in banking and includes reputational risk. While interacting with our audiences and doing business we have to uphold the bank's reputation. A transaction with an unattractive reputational risk profile should be avoided, no matter how profitable it could be in the short term.

Our Clients (principles 5-6)

First-class service is the key to realising our clients' and our own objectives. It is very important that we know our clients and that we carry out our client acceptance procedures rigorously. We assess business transactions carefully before agreeing to them, taking non-financial aspects into account. However, we are not responsible for the activities of our clients. Therefore we cannot be judged on or be discredited for their actions.

Confidentiality means that we will not communicate with third parties on our confidential agreements and discussions with clients, except to fulfil legal obligations. While preserving confidentiality, we are willing to have dialogues on the principles and policies underlying our decisions, with parties who have a sincere interest in us.

We are dedicated to the principle of the open market economy, and conduct our activities in an honest and competitive manner.

In society (principles 8-9)

We comply with the legislation and regulations of the countries in which we are active. We are a guest in those countries and we behave accordingly. We always try to find appropriate ways to communicate openly with governments and international institutions on our contributions to society and the principles to which we adhere. We believe that open communication is an asset in our relationship with regulators, governments and international institutions.

The way ABN AMRO conducts business contributes to the sustainable development of the countries in which we are active. Nevertheless there might be situations where we ultimately have to decide to withdraw, if we are not able to do our business according to the standards of our Business Principles. However, this step will be taken only as a last resort and after due assessment of the impact of our services.

We support sustainability, human rights and preservation of the environment in line with the legitimate role of business. We emphasise the boundaries of our responsibilities as a commercial organisation, because business cannot and should not take over the responsibilities of governments. We will not enter into transactions that conflict with these principles. Since our primary focus is on maximising shareholder value in the long-term, we will be most successful if we have good relations with all stakeholders.

ABN AMRO wants no part in corruption, fraud or bribery. Only in exceptional circumstances are gifts accepted, provided that: the gift is not cash, the gift is clearly not made in return for or in anticipation of any consideration, and the gift is of nominal value only. The same rules apply to presenting gifts. We already have and are further developing specific risk management policies on environmental and human rights issues.

Compliance (principle 10)

We are accountable for all activities over which we have management control. We will also work on the implementation of our Business Principles in those entities in which we have a stake of more than 50% and management control. All managers are responsible for ensuring that their employees are aware of the Business Principles and that they are able to comply with the principles in their work. Compliance with our Business Principles is a major element in the assessment of managers and employees. Our Business Principles reflect the extent of our responsibilities towards our audiences, with whom we are actively developing open communications to explain our actions within the framework of these responsibilities. In addition, we report on the implementation of, and compliance with our Business Principles.

Annex 2: Sector policies of ABN AMRO

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 and metals clients, initially within WCS 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. 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 only engage with our business partners who are deemed responsible and share our belief in human rights. In situations where national laws differ from our own standards, we engage and work with our business partners to assess a course of action to 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 high-risk countries 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 us the opportunity to highlight those engagements of particular concern and to manage/withdraw from such engagements 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.

More information on the Equator Principles can be found at www.equator-principles.com