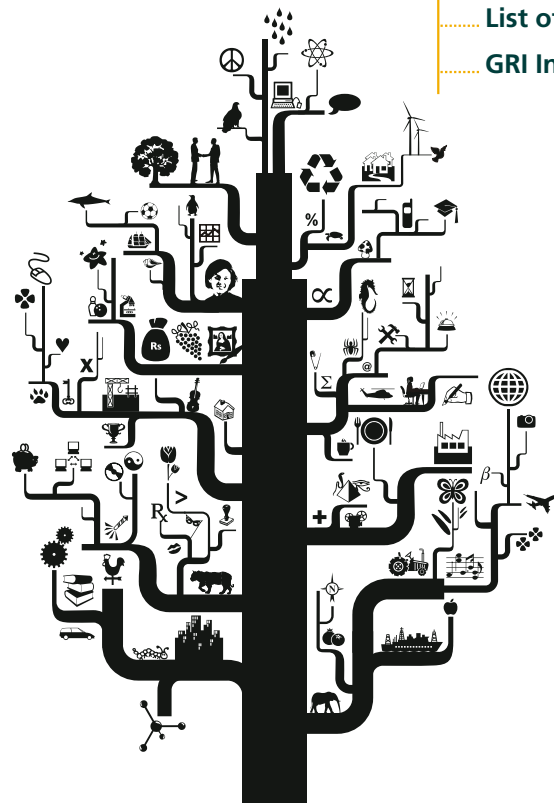


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The 'Tree of Sustainability', has its roots in Indian mythology. It is inspired by the 'Kalpvriksh' – a wish-fulfilling tree, possessing a perennial source of bounty. It symbolises long life, health, wealth, shelter and prosperity that last for a 'kalp'. Kalp is the longest time period known on Earth and equals 4,320,000,000 years.

The Tree represents our enduring commitment to sustainability.

Wealth is derived from the old English word "weal", which means "well-being" or "welfare".

Wealth signifies an aggregation of resources and can be defined as the total resources necessary to sustain a specific standard of living.

To ensure a continuous enhancement in our well-being today and for future generations, we view Sustainable Development as a means to collectively manage our World's Wealth

All best practices of wealth management such as beginning early, aligning short term opportunities with long term goals, a culture of accountability, capitalising on combined resources and business excellence are also applicable to sustainability.

Being an integral part of Indian society, we have almost nine decades of wealth management experience. We aim to draw on our track record and expertise as we advance sustainability in our way of doing business.

As custodians of wealth and well-being, we look forward to playing our part and actively contributing to this journey at multiple levels - individual, company, industry and community.

In this first Sustainability Report we focus on

Wealth Creation
The Economic Bottom-line

Wealth Distribution
The Social Bottom-line

Wealth Preservation
The Environmental Bottom-line



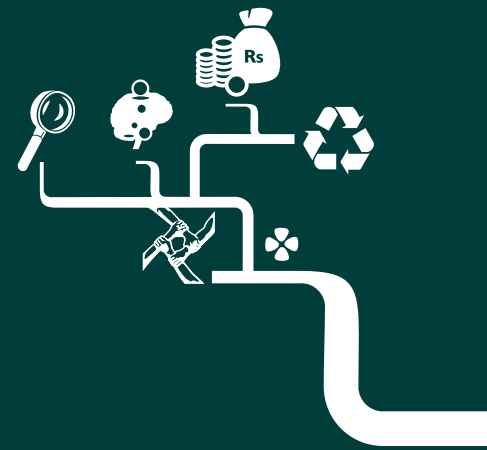
Transparency, scope and materiality

Transparency is an important element of our sustainability ambition. By publishing this report, in addition to the other information we provide on sustainability, our stakeholders can appreciate the progress we are making.

In the reporting principles, page 40, we elaborate on the scope and materiality of this report. It covers our activities and performance in the field of sustainable development of ABN AMRO India. Using the Global Reporting Initiative G3 Guidelines and through meetings with top management, business representatives, our internal Sustainable Development champions and external partners, we have prioritised the material aspects of our sustainability performance. Moreover we have used information from third-party questionnaires, feedback from dialogues and stakeholder meetings. For the reporting year 2006 we have included quantitative and qualitative information. We have also included qualitative information on the progress made until 30 September 2007.

Our products, services, the relationship with our clients, our employees, society, local communities and the environment are the focus areas of our sustainability strategy.

Therefore this report covers the following chapters:



- 1 What we stand for
- 2 Providing responsible financial services
- 3 Investing in our employees
- 4 Engaging with civil society and supporting local communities
- 5 Managing our impact on the environment



ABN AMRO One Bank. No Boundaries.

ABN AMRO Bank commenced operations in India in 1920 with a branch in Kolkata. Today the bank has 28 branches in India and our operations have expanded to 21 cities: Mumbai, Delhi, Chennai, Kolkata, Pune, Vadodara, Hyderabad, Bangalore, Surat, Noida, Gurgaon, Lucknow, Mangalore, Muradabad, Nasik, Panipat, Tirupur, Salem, Udaipur, Kolhapur and Ahmedabad. We cater to 1.5 million consumer clients in India. Currently the bank employs in India over 3,000 full time employees and more than 4,000 employees work for ABN AMRO Central Enterprise Services Pvt. Ltd. (ACES) the business process outsourcing subsidiary of the bank.

ABN AMRO is among the few foreign banks in India who offer a universal suite of banking products and service which cater to both retail and commercial clients. We provide a full range of tailored advisory, financial and operational services in both corporate and investment banking. ABN AMRO has constantly broken existing paradigms, delighted clients and created mindshare and salience in a hugely competitive market. Whether it was 365 days/Holiday Banking, Doorstep Banking Services, the banking-over-coffee concept with Bancafe or the latest 'Lifetime Cashback' offer on the ABN AMRO One credit card, the thread of innovation binds them together.

The Microfinance programme of ABN AMRO is the largest among its peer foreign banks in India. It delivers credit to the target community of rural poor women through intermediaries called microfinance institutions (MFIs). As of 30 September 2007 we service 30 MFIs across 17 states in India. Over 647,931 customers receive micro financing of USD 200 or less. The aim is to reach out to a million customers by 2009. Our other initiatives to catalyze social upliftment include financial aid for the underprivileged, knowledge sharing and capacity building of NGOs across India. As an acknowledgement of our commitment to sustainable development, ABN AMRO India was conferred the prestigious FT/IFC 2007 Emerging Markets Sustainable Bank of the Year award - both in the Asia region as well as globally.

ACES, a wholly owned subsidiary of ABN AMRO Bank NV, is a global shared service entity. It provides high quality transaction and ICT services to local and offshore internal clients and facilitates standardisation of processes within and across the various Business Units of ABN AMRO Bank. ACES is an important part of ABN AMRO's overall strategy to enhance the delivery value of our products and maintain profitability.

meeting the everyday financial needs of
over a million
personal banking clients in india.

Demonstrating belief in the India growth story and commitment towards banking-for-all, we have been early movers in bringing world class banking services to niche segments viz. microfinance, SME banking, private banking and diamond financing.



As an acknowledgment of our commitment to sustainable development, ABN AMRO Bank India, was conferred the prestigious

FT/IFC 2007
Emerging Markets Sustainable Bank of the Year award - both in the Asia region as well as globally.



Executive Address

Dear Stakeholder,

It is a pleasure to present the first Sustainability Report of ABN AMRO India. Through this report we seek to share with you our perspectives on sustainable development as we believe it offers significant opportunities to improve our business and to contribute to the well-being of our stakeholders and society at large.

We believe that sustainable banking is a way of doing business and not the cost of doing business. Doing the right business in the right way is at the heart of our organisation, hence our core business encompasses not just financial but also environmental, social and ethical considerations.

The Indian economy is booming and offers exciting opportunities for growth. Along with growth is the chance to positively impact social change and address many challenges such as poverty alleviation and environmental issues including preservation of natural habitats, climate change and water management. As a bank we can and want to play an active role in developing our country responsibly to

the benefit of its people, the environment and the economy.

We can only realise this in cooperation with our business partners and in dialogue with a broader group of our stakeholders. This report provides a look into some of the partnerships and engagements we have with a wide range of organisations and the benefits these have generated for multifarious entities. For us sustainability is about promoting an approach that is much more than just charity. It is about innovation, competitive advantage, business excellence and "making markets work" for sustainability. We strongly believe that the benefits of sustainability must be passed around. In this spirit, among others, we have:

- ❖ enabled Microfinance Institutions to reach out to 647,931 poor rural households (as of 30 September 2007) on our way to reach a million households in 2009 - offering them a chance to escape poverty;
- ❖ instituted India's first Socially Responsible Investment (SRI) Fund;
- ❖ facilitated ABN AMRO's first Carbon Credit transaction.

Sustainable development is not a 'magic' solution to all problems. There are limits to what we can do as a commercial organisation. Indeed, we have not yet got it right every time as we too are on the learning curve. On the other hand, we are deeply convinced that no commercial entity can be successful by creating wealth without well-being.

I take this opportunity to thank you all for your continued support in our beliefs. Through the insights in the ensuing pages, we have attempted to provide a fair, balanced and transparent view of our sustainability performance. Although we have been conferred the prestigious 2007 FT/IFC Emerging Markets Sustainable Bank of the Year award, we are not resting on our laurels. In fact, this spurs us on to do better and to make more possible. We look forward to working with you in this process and invite you to communicate your feedback on this report to:

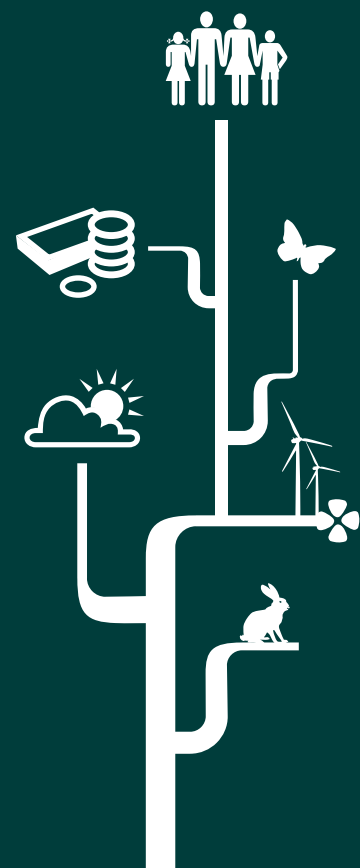
sustainable.development@in.abnamro.com

Romesh Sobti
Country Executive, ABN AMRO India and Chairman ACES

We believe that sustainable banking is a way of doing business and not the cost of doing business. **Doing the right business in the right way is at the heart of our organisation, hence our core business encompasses not just financial but also environmental, social and ethical considerations.**



For ABN AMRO, sustainability means
'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.'



1 What we stand for

- 1.1 ... What sustainability means to us
- 1.2 ... The Indian context
- 1.3 ... Business case for sustainable banking
- 1.4 ... Stakeholder engagement
- 1.5 ... Governance of sustainability
- 1.6 ... Compliance

What sustainability means to us

Our core business is to provide responsible financial services and solutions and create enduring value for our stakeholders, including employees, clients, suppliers, environment, communities, society, regulators and the financial sector. As a financial institution we hold a central position in economic and social infrastructures. We believe it is our fiduciary responsibility to create, distribute and preserve wealth. In this context, we recognise that societal expectations of the role of business are undergoing a transformation. Just 'being good' in business activities is not good enough. Economic development can not be sustained without environmental and social development. We are determined to be a driver for change by catalysing socio-economic development in a dynamically changing world.

Sustainability combines environmental, social, ethical and governance factors. It defines business excellence, innovation and our 'licence to operate' as a financial institution. It opens up new business opportunities, it helps us to strengthen our risk portfolio and it enhances the trust that our stakeholders have in the way we operate.

For ABN AMRO, sustainability means '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.'

The Business Principles of ABN AMRO

Employees:

We are the heart of our organisation. We pursue excellence.

Shareholders:

We aim to maximise long-term shareholder value. We manage risk prudently and professionally.

Clients:

We strive to provide excellent service. We build our business on confidentiality.

Business partners:

We assess business partners on their standards.

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.

Our ambition for sustainability is guided by our corporate values (Integrity, Respect, Teamwork and Professionalism) and business principles. They serve as a roadmap in our daily work and as a compass for our long-term direction.

The Indian context

Growth Opportunities

India is emerging as an important political and commercial player, internationally. A GDP growth of 9.4% per annum is indicative of the buoyancy of the economy and the

resultant prosperity. With an inward FDI of USD 8.4 billion and exports of USD 127 billion (both figures for the year ending 31 March 2007), there is a high degree of international interest and investment in India. Moreover, demand for Indian goods and services are growing at a hitherto unprecedented pace across a host of traditional as well as emergent sectors. We have also entered the age of the global Indian Multinational Corporation (MNC) with Indian companies spreading their wings across key international markets. In this connection, mergers and acquisitions are a competitive feature of the Indian business landscape,

reflected in mega-ticket cross border transactions by its leading corporations.

ABN AMRO India is a home-grown bank with long standing ties to the country. We synergize local roots and expertise with global outreach and experience from our international network including key markets like the Netherlands, USA and Brazil. This combination makes us the preferred banker for Indian companies, including Tata Steel and Suzlon Energy Limited, who have rendered us the opportunity to facilitate their international expansions through the acquisition of Corus and REpower respectively. The cross learning within our group serves as an inspiration in areas such as risk management, product innovation and sustainable development. Our prominent position in the Indian Socially Responsible Investing (SRI) market, microfinance and the engagement with our Indian peers on international standards such as the Equator Principles demonstrates our commitment to the cause. The strong position of ACES as an off-shoring engine is another example of how our organisation captured the opportunities of global markets at an early stage.

Sustainability Challenges

Despite the country's economic growth it still faces huge sustainability challenges at multiple levels including:

Social: poverty, inequitable distribution of wealth, education, illiteracy, health, migration, housing, gender inequalities, unemployment and underemployment

Environmental: climate change, depletion of natural resources, conservation and deforestation

Infrastructural: inadequate capacities of airports, bridges, ports, roads, power, utilities and water

Ethical: governance, bribery and corruption

A greater number of the country's populace is partaking in the growth of an emerging India. However, a high percentage of the population, namely 30%, still lives below acceptable standards of living (defined as below

USD 1 per day by the World Bank). Significant efforts have been made by various strategic players including the Government, Regulators, India Inc., civil society and the media to promote sustainable development.

The UN Millennium Development Goals (MDGs), which serve as a guidance for our Indian operations, reflect the multiple priorities prevalent in the Indian context.

UN Millennium Development Goals

The UN Millennium Development Goals are a set of time-bound targets, agreed upon by UN member states in 2000. They represent a global consensus on priorities for development policy and provide a compass for actions by developing countries and multi and bi-lateral donors. At the same time the MDGs can be used to monitor progress against the objectives up to 2015, by when they should have been largely achieved.

1.3 Business case for sustainable banking

It is our conviction that business excellence, competitive advantage and leadership in our markets are increasingly defined by sustainability. By including a sustainable development perspective into our way of doing business we believe we can foster and develop innovative partnerships and strengthen long term stakeholder engagement. This enables us to attract high quality capital plus project flows and to make markets work for sustainability.

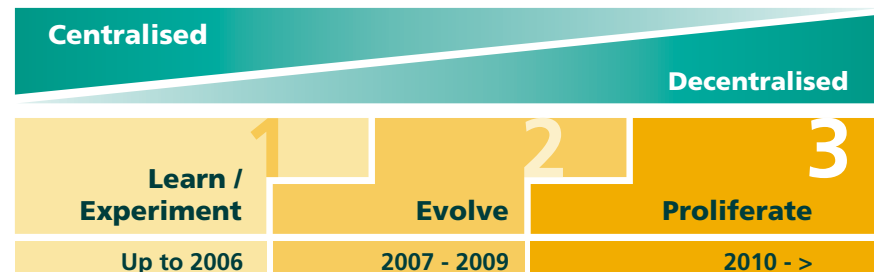


Fig.1: Sustainability evolution and vision at ABN AMRO India

1. Learn / Experiment

Our own path to sustainable development in India started 10 years ago. Our involvement with several philanthropic initiatives grew into a broader concern for the communities in which we operate. Since then we have developed a coherent and organisation wide sustainability rationale, engaged with stakeholders, learned from our clients and our employees, identified key sustainability issues and responsibilities and experimented with new business ideas and concepts.

2. Evolve

Now we have arrived at the following stage: challenging businesses to stretch ambitions, percolating sustainability into business activities and taking steps to institute a more systemic approach. Our sustainability strategy currently addresses sustainability in a three-year time horizon. The sustainability reporting process assists us to take stock of our work, take corrective measures as appropriate and establish necessary metrics to benchmark our progress.

3. Proliferate

As part of the continuous improvement of our sustainability performance we expect to proliferate sustainability to all business units by 2010. Ultimately, we aim to promote a decentralised system where the business units feel empowered and sustainability is 'business as usual' in their day-to-day operations.

1.4 Stakeholder engagement

Trust is the bedrock of our business. The ability to listen to our stakeholders and understand their needs is the result of continuous dialogue and engagement. We engage with diverse stakeholders including clients, employees, suppliers, shareholders, communities as well as regulators and the financial sector.

We believe our engagement with various stakeholders provides significant benefits.

Clients: risk mitigation, innovation and new products, client satisfaction

Employees: jobs, company pride / employee satisfaction, access to talent

Suppliers: environmental and social standards

Environment: reduced direct and indirect footprint, minimising costs

Society: poverty alleviation, reputation

Communities: inclusiveness, licence to operate

Shareholders: long term total shareholder return

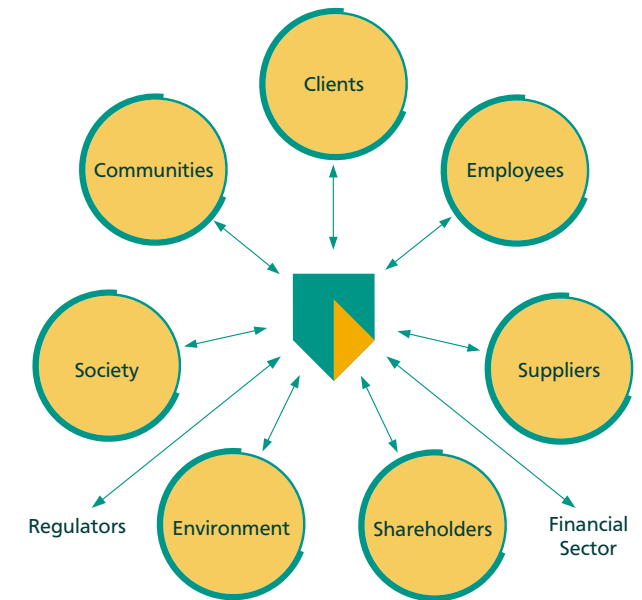


Fig.2: Our Stakeholders

Balancing diverse interests or making choices between conflicting options is a 'natural', daily challenge for a financial institution like ABN AMRO. We try to do this in our own interest, as well-informed and balanced as possible. Third party views do matter therein, including those of NGOs. We continue to enjoy a constructive engagement with such organisations

on 'issue management', both locally and internationally. We value their opinions as an important source of independent, community and /or nature-based input and factor it into our decision-making. We might not always adopt their positions, but we are open to explaining our decision to the extent client-confidentiality, a core facet of banking, allows us.

Engaging with NGOs

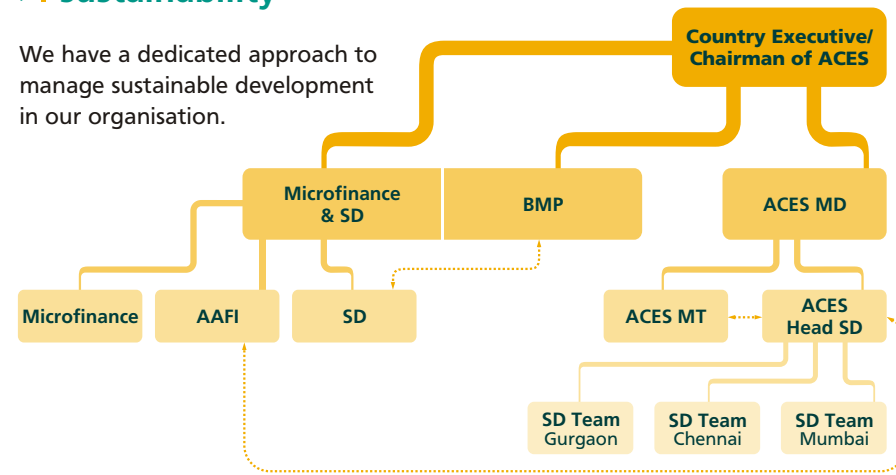
- ❖ NGOs are our partners in our microfinance business. Through the foundation we work with at least 36 organisations.
- ❖ We partner with NGOs as a source of learning and development. NGOs have unique competencies and information. They provide us with views and facts that we would not receive otherwise. Examples of this are engagements with Sanctuary, The Energy Research Institute (TERI), Oxfam Novib and Cordaid.
- ❖ For management of issues raised by and related to NGOs, we have a process in place that aims at addressing NGO requests for information, minimising reputational crises to the bank and fostering harmonious relations.

Partnerships and Frameworks

- ❖ Equator Principles
- ❖ Global Reporting Initiative (GRI)
- ❖ UN Environment Programme-Finance Initiative (UNEP-FI) - ABN AMRO India facilitated and sponsored the UNEP-FI Roundtable on Mainstreaming Sustainability in Indian Financial Institutions in Mumbai in December 2006.
- ❖ TERI: BCSD - is the Indian chapter of the World Business Council for Sustainable Development, Switzerland that seeks to promote environmental and social sustainability across Indian industry. We have been an active participant and supporter of the TERI - Delhi Sustainable Development Summit (DSDS).
- ❖ Reserve Bank of India (RBI) financial inclusion - we were invited by the RBI to provide policy inputs for the report of the internal group also known as the Khan Committee Report to examine issues related to rural credit and microfinance.
- ❖ We instituted the Microfinance Process Excellence Awards in 2005 together with PlaNet Finance.

Governance of sustainability

We have a dedicated approach to manage sustainable development in our organisation.



Sustainability Governance Organogram

Business Management Platform

The Business Management Platform (BMP) is the governing council of the bank comprising 14 senior management personnel, including the head of the Microfinance and Sustainable Development department. The BMP is the owner of the sustainability agenda of the bank.

Microfinance & Sustainable Development Department

The Microfinance and Sustainable Development (MF&SD) department is organised in a manner that seamlessly integrates the key tenets of poverty alleviation, financial inclusion, philanthropy, capacity building and mainstream linkages to finance. It functions as a catalytic and coordinating agent for sustainable development within the ABN AMRO Group in India.

Sustainable Development Champions

Our objective over time is to transfer ownership of the bank's sustainability agenda to the various businesses. Currently, each BU is represented by a Sustainable Development Champion who is the link between the MF&SD department and the respective business. In this manner, we are able to create engagement across businesses in a decentralised fashion and, when businesses feel empowered to integrate sustainability, create value by assisting them to actualise opportunities.

ABN AMRO Foundation India

The ABN AMRO Foundation India (AAFI) is the vehicle to execute our sustainability principles and deliver support to local communities, by building employee engagement and fostering socially and environmentally responsible conduct.

ABN AMRO Central Enterprise Services (ACES)

With its large pool of youthful and enthusiastic employees, ACES has a clear sustainability programme, which revolves around the theme of harnessing latent employee energy and channelling this into sustainability causes.

The ACES Managing Director (MD) is the prime mover behind the ACES sustainability efforts, supported by the entire Management Team (MT) of ACES which comprises of various business unit heads. The ACES sustainability agenda is the responsibility of the Head-Sustainability, who is also part of the ACES Management Team.

Sustainability teams, drawn from various business units across all ACES locations, have been set up in order to achieve objectives and based on a planned calendar of activities across locations. Employee participation is the basis of all ACES sustainable development efforts.

Continuity in the face of calamity



In August 2006 the city of Surat suffered a devastating flood. Below is an extract from an email of the Country Executive that captures the spirit of what ABN AMRO stands for.

"It's often said that character is made and displayed during times of adversity - that the tough get going when the going gets tough. And nowhere is this spirit better displayed than in the actions and

behaviour of our own employees as exhibited in the last few days in the wake of the crisis in Surat.

Surat experience demonstrates that as an organisation we have it in us to come together in times such as these and practice what the fundamental values of ABN AMRO Bank are. It's not just about the fact that we are possibly the first bank to start operations again in Surat or the fact that in doing so, we

will help the society and industry in Surat immensely in coming back to normalcy. It's about the spirit of our employees in Surat to brave all of nature's fury and yet respond to the call of duty at the earliest. It's the spirit of our teams from across the bank to come together and uphold the values of the shield. It's what should make all of us proud of being a part of ABN AMRO..."

Compliance

Compliance is one of the key control functions at ABN AMRO. Its purpose is to enable business growth in a manner consistent with the bank's regulatory obligations. In addition, it also plays the role of protecting the bank's reputation.

Some of the key elements of the compliance function in ABN AMRO are client acceptance, anti money laundering, Chinese walls, personal account dealing and ensuring adherence to applicable regulations. Compliance functions not only as a partner to business, but also as a trusted advisor and when the occasion

demands, performs a policing job as well.

From a governance perspective, compliance is completely independent of business and has a direct reporting line that extends to the head office. The global head of compliance reports directly to the bank's Managing Board, thereby ensuring a completely unbiased approach to the function.

Recognising the fact that people are the most important aspect of an institution's commitment to compliance, ABN AMRO has taken certain specific steps in this area.

For instance,

- ❖ All staff are required to complete

mandatory computer based tests on Compliance principles and Client Acceptance and Anti Money Laundering.

- ❖ As of 2007, performance objectives of all staff contain a 'Compliance Gatekeeper' as a pre-requisite; this ensures that unless individual staff members demonstrate adequate compliance knowledge and behaviour, their assessment does not proceed further.

- ❖ Induction programmes for all newly hired employees consist of a session on compliance, where they are taught the basic principles and philosophy practiced at ABN AMRO.

Wealth Creation

The Economic Bottom-line

As India continues its rapid economic growth creating in its wake, Indian "Multinationals", "global" Indians on one hand and unprecedented demand for energy, yet unresolved poverty, on the other, a whole new generation of opportunities and challenges have come to the fore.

In this chapter, we share with you how, through our deep Indian roots and wide international network, we have tried to address some of the developmental challenges facing India. By engaging with our stakeholders and acting on our values and business principles, we have brought several new-to-market products and solutions that aim to create sustainable wealth.

2 Providing responsible financial services

- 2.1 Sustainable Development Fund
- 2.2 Microfinance
- 2.3 (BoP) Advisory Services
- 2.4 Spotting business winners
- 2.5 Climate Change & Clean Energy
- 2.6 Managing Risk (ESE)
- 2.7 Risk Management in ACES

Sustainability products and services

ABN AMRO Sustainable Development Fund

Catalysing a new asset class through the launch of India's first SRI Fund.

Inspired by the encouraging response to Socially Responsible Investing (SRI) in our other markets, particularly in Europe, the United States and Brazil, as well as by the growing relevance of sustainable development in the Indian context, we started developing this fund in 2006 and launched it in 2007. The objective of this fund is to generate long-term capital growth from an actively managed portfolio of equity and equity related securities primarily of socially responsible companies focusing on sustainable development. This offering created a mind shift for the Indian investor and provided the opportunity to better align investment philosophies with personal values and principles.

For the purpose of identifying the investee companies, ABN AMRO Asset Management (India) tied up with CRISIL, India's leading rating agency and an associate of Standard & Poor's (S&P). An extensive set of sustainability criteria, encompassing environmental, social and corporate governance aspects, has been developed and is extensively used to assess the company's orientation towards sustainability responsibilities.

"In 2006 ABN AMRO Asset Management, India invited us to define and develop the criteria for their SRI Fund. As this fund is the first of its kind in our country, it has created a new asset class. We believe the SRI market is going to grow significantly. Our organisation in collaboration with Standard & Poor's and KLD Research and Analytics is going to shortly launch the country's first SRI index, which will - as we hope - be another innovation that contributes to sustainable development in our country".

Ms. Roopa Kudva
MD & CEO, CRISIL Ltd.

Working on our mandate, CRISIL developed scores for 500 Indian companies which comprise the S&P CNX 500 Index companies. This exercise was based on public disclosures made by these companies in their annual reports, public media and websites. Subsequently CRISIL created an SRI investible universe. This universe is evaluated by the Equities Desk of ABN AMRO Asset Management (India) based on rigorous financial analysis and investment processes for stock picking.

Launched in the first quarter of 2007, the closed ended fund mobilised

approximately INR 573 million within a month; an amount large enough to indicate that the retail Indian investor was ready for this unique offering. The fund has performed well (past performance may or may not be sustained in future) and this has encouraged us to consider issuing a second tranche. The offer document, for an open-ended fund, has been filed with the Securities and Exchange Board of India (SEBI) in August 2007.

... "Investors and analysts have taken note of this phenomenon. Socially Responsible Investment (SRI) is now the lead criterion for several global investors. In 2005, SRI criteria influenced investments by equity funds with over USD 2 trillion in assets or approximately 1 in 10 dollars invested in US companies..."

...In India too, CRISIL has developed an India-specific index of companies pursuing sustainability. ABN AMRO has come out with the Sustainable Development Fund - an emerging portfolio for developing countries such as India, with plans to invest in 340 companies committed to sustainable development..."

Harish Manwani
Chairman, HUL

The ABN AMRO Sustainable Development Fund is an important milestone in the evolution of India's financial markets. It not only created a whole new asset class, but also provided a solid foundation for CRISIL's and India's first SRI index, which is expected to be launched in January 2008. It is expected that once the SRI index is launched, the aspiration among companies to rank well on this index would create a motivation to enhance their sustainability disclosure standards. In the process, they could realise much of their latent capitalisation potential by attracting large sustainability oriented investors such as major pension funds like CalPERS from the United States and ABP from the Netherlands. As TERI Europe's SI2 Report (www.teriurope.org) clearly indicates, the inadequate disclosure of sustainability parameters is a reason why Indian companies are grossly underrepresented in these portfolios.

India has witnessed some welcome developments in this direction in recent years. The ABN AMRO Bank launched a Sustainable Development Fund as India's first Socially Responsible Investing Fund. Recently CRISIL, S&P and KLD have announced that they would develop an Environmental, Social and Corporate Governance (ESG) Index of Indian companies.

Y.C. Deveshwar
Chairman, ITC

Microfinance

Deepening and widening financial access through Microfinance Institutions (MFIs) that work with rural, poor women.

Despite India's impressive growth on several fronts in recent years, widespread poverty still remains its primary challenge. Much of this is caused by inadequate livelihood opportunities, particularly in rural

areas and is aggravated by the lack of financial access. A World Bank-NCAER Survey (2004) on rural access to finance revealed that, despite the wide branch network of banks spanning India, 70% of the rural poor do not even hold a bank account and the formal financial institutions meet less than 5% of the demand for microcredit. About 10 years ago, in an attempt to bridge this gap, MFIs started intermediating between the formal financial institutions and the poor, essentially as a socially motivated NGO movement.

In late 2003, we were the first international bank to launch microfinance, alongside some of our Indian peers. Our aim is to provide microfinance to one million rural, poor women by the year 2009. Given our limited branch network, lending through the MFIs was the most viable option. The MFIs represented a myriad of legal forms, operating often



Mr. Herman Mulder, delivering the keynote address at the Microfinance Process Excellence Awards '06, Ceremony. Amidst thunderous applause, each winner was felicitated with a trophy and certificate

without any definitive regulatory framework. Only a few MFIs served more than 50,000 clients and none were profitable besides two or three.

This led us to create an appraisal system that evaluates MFIs on the basis of their reputation, governance, management competency, transparency, quality of portfolio, business model, internal controls and not necessarily their current size of operations or profitability. This model relies heavily upon an extensive engagement with the MFIs, its stakeholders, a deep understanding of its internal dynamics and external

environment. This intimate yet cautious approach has stood us in good stead as the infamous Krishna district crisis of April 2006, involving some of the largest MFIs in the country, blew over without touching any of our partners. Even as the portfolio has grown modestly profitably to INR 2.36 billion as of 30 September 2007, with an outreach of 647,931 borrowers across 17 states, through 30 MFIs, the delinquencies remain nil. The close engagement also results in an invitation to join the Boards of the MFI. In the case of CASHPOR Micro Credit and the Grameen Koota promoted NBFC MFI, we have agreed to accept a seat on the Board and we play an active role in their governance.

However, most of the MFIs still remain severely capacity constrained. Some of the challenges are the lack of adequate trained personnel to manage growth and high cost of

transaction due to door step delivery of small value services. An early recognition of this led to creation of the "Microfinance Process Excellence Awards", an annual event jointly with PlaNet Finance (www.mpea.info) in 2005. Imparting training on process management to MFIs followed up with a competition and awards, this initiative has been hailed as a valuable contribution by all 94 MFIs that participated in 2005 and the 130 that participated in 2006.

With the creation of the ABN AMRO Foundation India in 2006, our MFI capacity building initiatives have been

institutionalised. Refer chapter 4 to know more about the Foundation and its activities.

Another challenge that MFIs face is their small equity base and the associated inability to leverage sufficient debt funds to scale-up. The Reserve Bank of India (RBI) in their desire to address this problem and accelerate the mandate of greater financial inclusion, introduced the concept of Business Correspondent (BC), which permits banks to engage MFIs and other Civil Society Organisations (CSOs) as service providers. To facilitate the understanding of the model, RBI organised a mission to Brazil and South Africa and ABN AMRO was invited to participate. In a group consisting of predominantly Indian banks, we were viewed as an important player due to our proactive role. We are now an active member of the group that is discussing with the RBI, the regulatory, technological and operational enhancements that would make the BC route viable for banks.

MFIs often come under close public scrutiny because their mission of poverty alleviation is seemingly inconsistent with the high rates of

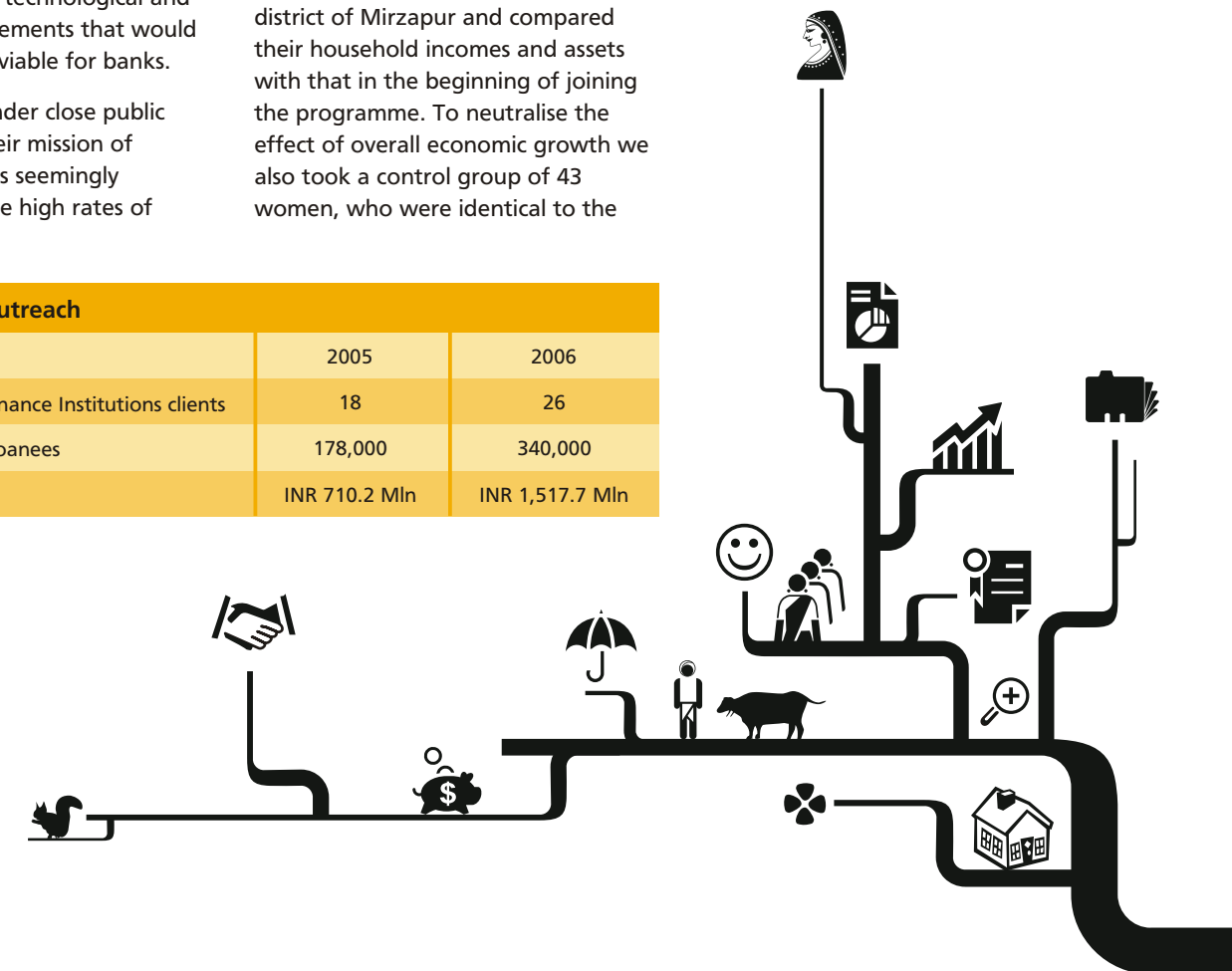
interest they have to charge (often 24 to 30% per annum) in order to cover their own costs of operation. Even as they must constantly innovate for greater efficiency, they are often reluctant to cut down their lending rates, choosing instead to build up reserves for funding growth and outreach. The recent phenomenon of private investors bringing the much needed equity to MFIs, is therefore a positive sign as long as they do not jeopardise the basic mission.

The question to ask, therefore is, given the high rates of interest charged by MFIs, can it possibly have a positive impact on poverty? We posed this question to ourselves, as early as 2004 and conducted an impact assessment survey jointly with CASHPOR Micro Credit. We took a sample of 171 mature clients (those who had gone through at least 4 loan cycles of 1 year each) in the poor and backward eastern Uttar Pradesh district of Mirzapur and compared their household incomes and assets with that in the beginning of joining the programme. To neutralise the effect of overall economic growth we also took a control group of 43 women, who were identical to the

sample of 171 except for their lack of access to microfinance. The results indicate that of the sample, as many as 58% had experienced a significant reduction in poverty, with 41% actually coming out of it.

The survey revealed to us that though microfinance is an effective tool in alleviating poverty, it is no silver bullet. Often, the vulnerabilities of poor households are so enormous that a few cycles of microloan are not sufficient to demonstrate the desired impact. This learning inspired us to look beyond microfinance and financial access to break the vicious cycle of poverty. In chapter 4, we share the work done by ABN AMRO Foundation India to provide more holistic livelihood opportunities through promotion of micro-enterprises and social intermediation.

| Microfinance Outreach | | |
|---|---------------|-----------------|
| Year | 2005 | 2006 |
| Number of Microfinance Institutions clients | 18 | 26 |
| Number of Micro-loanees | 178,000 | 340,000 |
| Total Portfolio | INR 710.2 Mln | INR 1,517.7 Mln |



Microfinance - An Impact Study with ABN AMRO

Pilot interviews, which commenced on 3 August 2004, soon revealed the complexity of identifying the impact of the CASHPOR India microfinance programme on its mature clients*. The very first interview revealed the impact can be significant, even if the poverty status of the household remains constant or even declines.

Prabhawathi who joined six years ago on 3 July 1998, had taken seven loans from CASHPOR India; five IGL loans and two short-term loans. In total she had borrowed INR 49,000 and all had been repaid on time or earlier. A model client, it would seem and we would expect to find a significant impact of the CASHPOR India loans on her poverty status.

Prabhawathi had been classified as moderately poor when she joined CASHPOR India, because her husband, Ganga Prasad, had his own loom and was a carpet weaver. Otherwise, they scored 3 on the CASHPOR Housing Index, which also indicated moderate poverty, but they did not have any large farm animals nor irrigated land.

Prabhawathi is still moderately poor and there is a risk that if her husband becomes seriously ill, her household could become desperate. How did this happen? First, the bottom fell out of the carpet market. Demand fell off drastically and Ganga Prasad had to look for another source of income. To avoid having to become a casual labourer, he asked his wife to take a loan from CASHPOR India. With the proceeds of the first loan of only INR 2,000, he stocked a pan shop; but it failed due to too much competition. Then, with a subsequent CASHPOR loan, he bought an array of plastic bags and started selling them to shopkeepers, door to door. He has been doing that for the past three years and earns a gross income of around INR 70 per day. He does not know what his profit is. He needs only INR 400-500 as working capital. His financing method is to keep replenishing his working capital from the previous CASHPOR loan which he tries to stretch-out until the next loan is due. They bought a "3rd class" buffalo for INR 3,000 from CASHPOR funds a

few years ago, to have another source of income, but it died. Prabhawathi does agricultural labour when she is called, but finds it difficult due to numbness in one of her legs.

Marriage of their daughter a couple of years ago along with illness of the wife



Moumita Sen Sarma, Head - Microfinance and Sustainable Development, ABN AMRO Bank and David Gibbons, Chairman, CASHPOR interacting with micro credit recipients in Mirzapur

and eldest son had created the need for lump sums of rupees. INR 30,000 was spent on the marriage, with INR 5,000 borrowed from a mahajan at 5% per month. They claim that the rest was from savings and relatives and that they didn't use any CASHPOR loan funds for the wedding, but it seems unlikely.

They have nothing to show from their CASHPOR loans - no productive assets, although their two younger sons are still schooling. A daughter, aged 15, was taken out of school after Class 7. They are frequently short of food, having to borrow in kind from the neighbours; but Ganga Prasad says he is careful to protect his working capital. He says his income from selling the plastic bags has actually increased over the past 12 months, due to his spending longer hours in the work.

With Prabhawathi and the eldest son apparently chronically ill, although he is engaged to be married, the household of six persons is almost entirely dependent upon Ganga Prasad for its survival. Both the eldest son and the 15 year old daughter will have to be married soon. Probably those ceremonies will be the main use of subsequent CASHPOR loans over the next few years. If

Ganga Prasad remains healthy, they will somehow pull through.

What has been the impact of CASHPOR India's loans on the household of Prabhawathi and Ganga Prasad? They are still moderately poor and with no productive assets, low

income and looming major lump sum expenditures, they may very well fall into the Very Poor category over the next couple of years, even if Ganga Prasad remains healthy, thus indicating a worsening of their poverty status.

Yet it cannot be argued that Prabhawathi and Ganga Prasad have not benefited from CASHPOR India's loans. They enabled the household to survive the disappearance of their main source of income, to meet their obligations to their eldest daughter and to get medicine for the illnesses of Prabhawathi and their eldest son. Thus their benefit from CASHPOR India has been significant. Coping with vulnerability and obtaining lump sums of rupees when they were needed to meet family obligations. In fact, CASHPOR India has become a kind of lifeline, that may enable them to meet important future family obligations as well.

David Gibbons,
Chairman CASHPOR Group

Base of the Pyramid (BoP) Advisory Services

Our BoP Advisory is a knowledge bridge between corporate businesses and rural markets comprising of microfinance clients. In 2006, putting to use over two years of learnings of microfinance, we began offering this knowledge to our corporate clients, who were looking to serve the rural markets with their products and services. Our MFI partners enjoy a unique position in this sector, not only do they possess an extensive distribution network but they are also a trusted brand, backed by an intimate knowledge of the needs of their clients and their ability to pay.

Through such collaborations we seek to provide a fresh outlook, innovation and a redefinition of the business processes to help bring affordable goods and services to the doorsteps of the poor rural consumer.

We have worked closely with eight large corporate clients in diverse areas such as energy, lighting, health and telecommunication. Mapping this new territory has yielded noteworthy benefits in terms of enhanced share of mind of our corporate clients and enormous learning. However, rural market penetration remains challenging. Which is why business presence has remained limited. Going forward, we intend to build upon this knowledge to offer sustainable supply chain solutions to large corporations, while providing livelihood opportunities to the rural poor.

Healthy Synergy

A global supplier of anti-Tuberculosis (TB) drugs for the World Health Organisation (WHO) programme initiated a project in 2006 to establish a self-sustaining patient-centred TB Treatment model through the microfinance route.

Our experience in the field of microfinance and our grassroots network of clients enabled us to assist this supplier. We connected them with a leading NGO/MFI that works in a



Seeking information at the anti-TB pilot camp

part of the country that is severely affected by TB. For both the partners, we developed structures for product delivery and financial flow, directed towards increasing access to diagnostic services and quality anti-TB drugs among the rural poor and ensuring the effective administration of treatment through community based interventions.

This unique tripartite relationship between a business house, an NGO and our bank resulted in the launch of the anti-TB pilot project in the first quarter of 2007. Although the scope of the project is limited, the 6-month period of the pilot reaches out to a population of 140,000 women and provides treatment to approximately 200 TB patients. An example of how the bank's core business providing responsible financial services, combined with innovative partnerships can support and improve local communities.

Lighting up with a 'SMILE'

Philips focuses on improving the quality of people's lives through the timely introduction of meaningful innovations. In India, it launched its SMILE (Sustainable Model in Lighting Everywhere) project to meet the needs of BoP (Base of the Pyramid) markets. The aim is to develop affordable, high quality, energy-efficient lighting where it is most needed.

In the rural areas of the country where the village socio-economy follows the rising and setting of the sun, a battery operated lantern would allow small shops to keep their

shutters open for up to four hours longer and thereby do more business.

We worked with Philips to tap into the extensive rural knowledge of four of our MFI partners. Women in the villages told us that they have little money and therefore want to buy products that help increase their income.

Working through our MFIs provides Philips with access to a large customer base and an effective way of the financing of the lantern. To make the proposition more attractive Philips built in a commission for the MFI. ABN AMRO structured a lease-finance model for the micro-entrepreneur.

Innovative trials are always an iterative process. In an extremely price-sensitive market the entrepreneur and the MFI suggest looking at strategic options to offer a redesigned product positioned with a focus on increasing income for rural livelihoods. This would be a winning proposition for all stakeholders.



The battery operated SMILE lanterns

*Mature Clients are defined as those individuals who are still in the programme and who have taken at least four Income-Generating Loans (IGL).

Spotting business winners from the commercial mid-market segment

In the Indian economy the Small and Medium Enterprises (SME) sector is an engine of growth. SMEs are a major contributor to the economic development of our country. Recent growth in this sector has occurred across a range of areas such as renewables, green businesses and micro-enterprises. Obviously, there are SMEs that have identified opportunities by focusing on sustainability. Our pronounced profile on sustainability and our drive to spot winners has given us a head start in this segment.

Our growth strategy in India is focussed on the mid-market segment (companies with a turnover between INR 1.25 billion and INR 6 billion). For these clients, we bring the combined strength of our sector expertise with global presence, local market insights and in-depth product knowledge to deliver a full range of tailored advisory, financial and operational services. In the process, we believe we have helped create some significant success stories, two of which we have shared.

Fuelling the Future

Praj Industries Limited (Praj) is a technology, engineering and equipment company focused on ethanol plants, breweries and wastewater treatment systems. Over the years, Praj has emerged as a key enabler for economies across the world to shift to ethanol as an energy source. It is one of the few companies

with the ability to provide complete end-to-end solutions for setting up an ethanol distillery. Praj has about 75% market share in India and approximately 8% market share in selected markets overseas.

The key driver of rise in ethanol demand has been high oil prices. The ethanol programme also offers other significant benefits such as energy diversification, controlled emissions of greenhouse gases and has a positive impact on rural economy by creating demand.

Some of the key challenges for the ethanol programme are improving yields from various raw materials, improving energy efficiency and finding alternative cost-effective feedstock. Praj has contributed in enhancing yields from various feedstock by identifying newer yeast strains and by engineering the plant for varying capacities and raw material characteristics. Through its integrated approach to plant design, Praj has developed several models that reduce steam consumption to half, thus improving energy efficiency in the distillation process. In the long run, the most promising source lies in conversion of cellulosic feedstock to ethanol through enzymes. Praj seeks to establish its capability to provide engineering and fabrication solution to this sunrise opportunity.

ABN AMRO has partnered Praj in its growth by offering customised solutions on various commercial banking products and services over the last four years. We have witnessed the company's growth from a USD 25 million local company to USD 160 million international player. ABN AMRO has worked closely with Praj, advising and supporting its foray

in diverse international markets from South America to East Asia.

Enabling Equitable Business

Shree Renuka Sugars Ltd. (SRSL) is engaged in the manufacturing and marketing of sugar/refined sugar, industrial alcohol/ethanol and power from its cogeneration plants. SRSL's uniqueness in the Indian context is its versatile business model which combines leasing-in operating units



Partnering green business and community

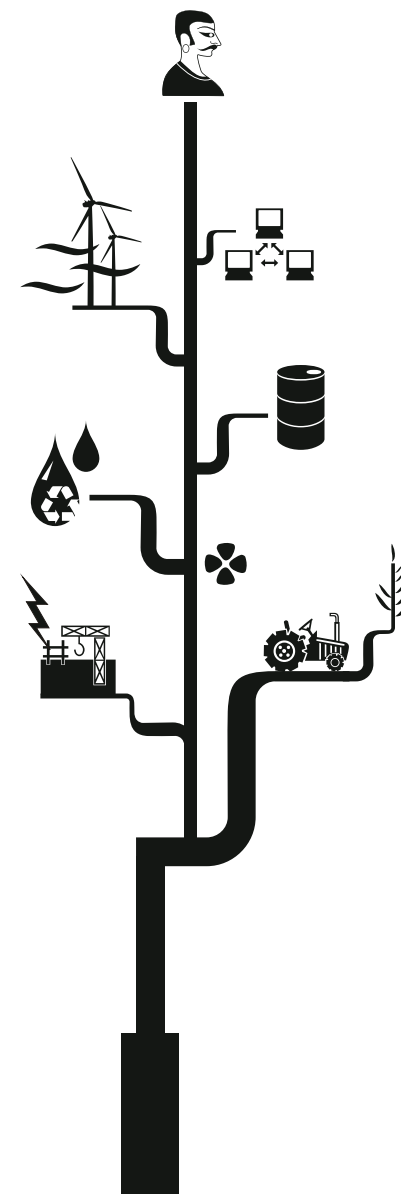
along with owning integrated production facilities. SRSL has approximately 9000 farmers as shareholders (constituting about 29% of holding in the company). As shareholders, these farmers enjoy a share of the profits of the company. The company has also formed a trust, Shree Renuka Sugars Development Foundation, which mainly focuses on promotion of education, healthcare and overall betterment of the farmers and the local community.

With the Government notifying supply of ethanol blended petrol in 20 states and four Union territories, SRSL has committed that it will supply 217 million litres to oil marketing companies (OMCs) during the tender period of three years. SRSL is a leader with currently 20% market share in fuel ethanol and the largest ethanol capacities in India.



Enabling economies to adopt a sustainable source of fuel

ABN AMRO has partnered SRSL in its growth by offering customised solutions on various commercial banking products and services over the last two years. ABN AMRO has successfully underwritten and syndicated an external commercial borrowing of USD 50 million for the company taking it into international markets. We have also supported it by extending bilateral long term credit facilities and working capital facilities. We have helped the company to manage its currency risks by offering hedging solutions. We are closely working with the company and leveraging our network expertise to offer various innovative trade / equity raising solutions.



Climate Change and Clean Energy - Wealth redistribution through Carbon Business

With the melting of the Himalayan glaciers, that provide water for the entire Indian subcontinent and 40% of the world's population, the perils of climate change have arrived at India's doorsteps. With predictions of serious water scarcity, loss of biodiversity, desertification and drop in agricultural productivity, the Economic Times reported a 5% likely dip in India's GDP for every 2°C rise in temperature.

Although India accounts for less than 5% share of the world's carbon emissions today, things may change in the future. In the next twenty years with its energy consumption slated to grow over 200%, it may well become a major carbon emitter particularly if 65% of its energy requirement is expected to come from coal. India can be part of the solution by addressing the challenge and grasping the opportunities.

The opportunities for businesses lie not only in the trading of Carbon Emission Rights but also in actively promoting renewable / clean energy. We have been an active player in both these areas and have made available our expertise to help our clients seize such opportunities.

Harnessing Green Power

Suzlon Energy Limited (SEL) is the 5th largest wind turbine manufacturer in the world with a global market share of about 8% and over a 50% share in India. The company started its operations in the year 1995-96 with

a turnover of about INR 125 million and has grown to a INR 79.86 billion company in the short span of just 12 years. The company has registered over 100% annual compounded growth over a period of the last three years. The company represents a new breed of global Indian MNCs that increasingly integrate global best practice into their management approach. Suzlon's presence in key markets such as Europe, USA, China, Australia and India through R&D facilities, select manufacturing, marketing and distribution has enabled it to leverage global expertise and offer a uniquely indigenous model, based on "total wind power solutions". The company has also often embraced an approach of inorganic growth through aggressive M&As to achieve its business objective of being a global player.

Our strategy for SEL was to provide suitable acquisition targets for both vertical and horizontal integration and we were awarded the mandate for the integrated offering for the REpower acquisition. REpower is the world's 7th largest wind turbine manufacturer with a strong presence in Europe. The acquisition has strong benefits for SEL in terms of complementary market position, business strategy and technology. The financing was structured as a single facility with all tranches guaranteed by SEL with ABN AMRO managing the entire product spectrum viz. Corporate Finance advisory, Sole syndication mandate and Joint lead arranger mandate for the proposed equity / equity linked offering. We also work with SEL's subsidiary in Denmark for commercial banking transactions. As SEL's footprint expands to other markets we see an increasingly proactive role for ourselves to partner SEL.

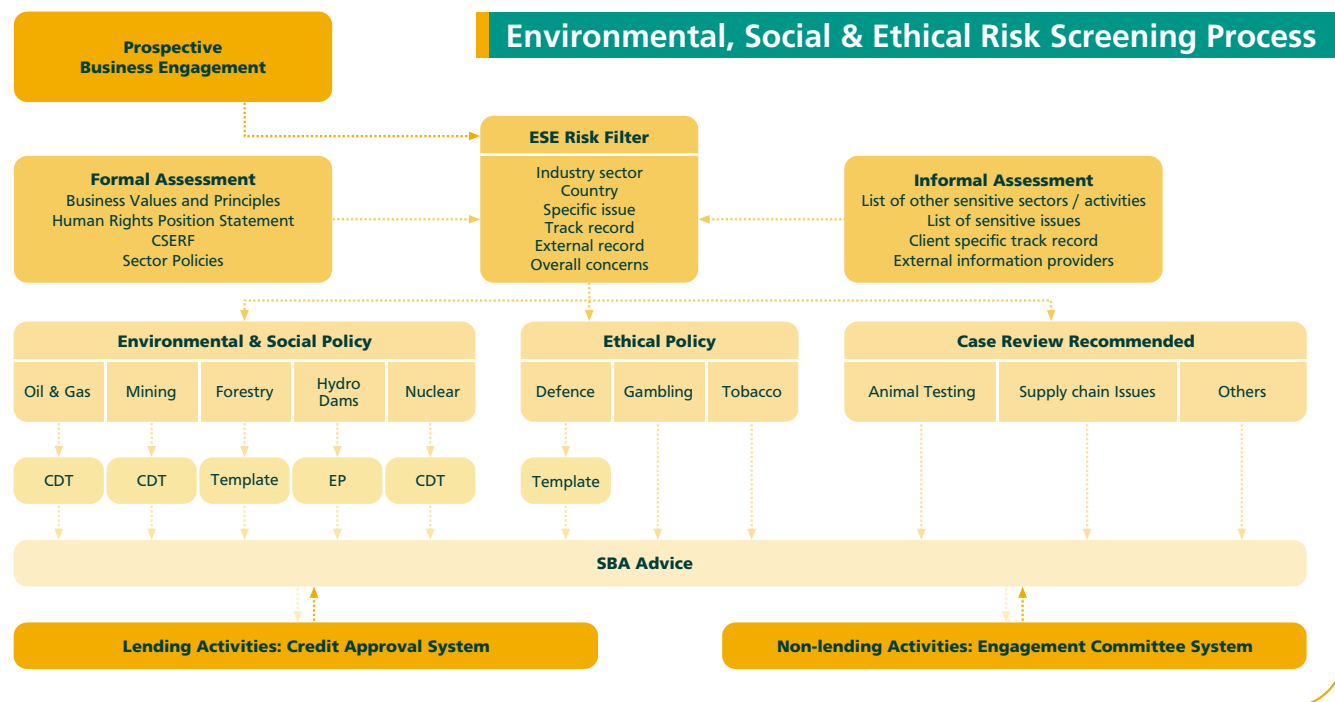


Empowering business to harness renewable power for the world

2.6 **Managing risk using Environmental, Social and Ethical considerations**

Prudent and balanced risk management lies at the very heart of our ability to provide responsible financial services to clients. It includes not just credit, market and operational risks, but also reputational risks.

In our risk assessment processes, ethical issues have long been considered vital. In recent years social and environmental issues have become an integral part of all decisions. We have well-defined global policies for risk management and apply them meticulously in the Indian context. We are also bound by various international principles and codes of conduct, such as Equator Principles for Project Finance, of which ABN AMRO was one of the conceiving signatories with IFC in 2003. With acceptance by over 50 banks, it has become the worldwide standard. In all our decisions these principles are strictly adhered to.



The bank has an independent Risk function which oversees all risk dimensions. This Risk function supports the Country Credit Committee (CCC), which approves all risk policies and exposures. Chaired by the Country Executive, the CCC comprises the Country Risk Officer (CRO) and Business Heads. The Risk function in India is a part of the bank's worldwide Group Risk Management function with delegated local approval authorities.

While assessing sustainability risk, the primary tool we use is the Environmental, Social and Ethical Risk Filter (ESE). The filter covers the list of key sensitive industries and also touches upon social and ethical risks. ESE is mandatory for all new proposals and accompanies all subsequent reviews which are done at least on an annual basis. The filter is designed to

enable an assessment if the sustainability issues are sufficiently addressed. In case they are not, further engagement is warranted either through the CRO or Sustainable Business Advisory (SBA). The SBA is a specialised unit within the Risk function, a knowledge centre providing sector and issue specific environmental, social and ethical intelligence/guidance.

Sector Specific Risk Policies

Policies cover: Defence, Oil and Gas Sector, Forestry and Tree Plantations, Mining and Metals, Nuclear energy, Gambling, Dams Guidelines and Position Statements for Animal Testing and Human Rights. www.abnamro.com/com/about/sd/sd_policies.jsp

With a vast majority of our businesses in India either belonging to brownfield projects or lower than the prevailing threshold, there have been only two projects in 2006 that required the application of Equator Principles, which mandatorily involves the expertise of SBA. Both were approved by the Risk function, one with and the other without conditions.

Currently all our clients, except those falling under programme lending, International Diamond & Jewellery Group and Microfinance are subject to the ESE filter. In 2006, in all there were 1146 counterparties, of which around 979, comprising 85% in number and 75% in exposure, were subjected to ESE filter.

We pursue active engagement and dialogue with clients who are not yet

fully compliant with our policies. This offers them the opportunity to understand our policies and principles in order to decide how they may enhance compliance in the foreseeable future. So far, we have not exited any client relationships on ethical, social and environmental grounds, as we believe our 'ability to influence' is far greater through active engagement than by parting ways.

India's complex developmental, environmental and social challenges create a varying relevance of ESE issues across our different stakeholders. Sometimes even the issues are seemingly at conflict with one another, for example poverty alleviation versus environmental conservation. Therefore ESE issues need to be applied prudently in each case. This dilemma is also reflected in the fact that none of the Indian banks have adopted Equator Principles. We are also engaging with leading Indian banks to explore how the Equator Principles may be applied in the Indian context.

Our CRO in India is currently working on broadening the scope of ESE assessment and also trying to customise it to Indian business. A phased rollout is expected to start by the end of 2007.

Diamond & Jewellery Policy

India is an important diamond trading hub and ABN AMRO India has strong roots in this industry. Through its vast experience it has developed robust policies that have proven to minimise the risk of dealing with so called conflict diamonds. Our credit policy for diamond financing puts in place strong regulations and conditions related to the activities taking place in that sector. Whenever we encounter evidence that could imply the presence of conflict diamonds, child labour, or other unacceptable violations of our core principles we employ firm guidelines that have been either developed through our longstanding experience in this challenging area or prudent sectoral practices, such as the Kimberly Process.

2.7 **Risk Management in ACES**

ACES being the global back-office for the entire ABN AMRO Group, it has a special responsibility for ensuring uninterrupted transaction processing.

In the back-office transaction processing operations, apart from risk mitigation techniques, the emphasis is on providing very high quality services.

In this context, an overarching Risk function has been set-up in the form of the ACES Risk Committee overseeing the risk related sub-functions namely the BCM (Business Continuity Management) Committee, the ORM (Operations Risk Management) Committee, the Compliance Committee, the Information Security Management System Committee and the Quality Assurance Committee, with senior management participation in the functioning of these areas.

ACES has set very high standards in many areas of Risk Management:

In the area of Information Security, ACES is an ISO 27001 certified entity across all locations and business functions. ACES is in fact the only ISO 27001 certified entity across the entire ABN AMRO Group.

ACES is also an ISO 9002:2000 certified organisation with clear quality and business excellence policies formulated and enforced across the organisation.

ACES has deeply entrenched ongoing Quality Circle and Kaizen programmes along with a Six Sigma approach to business excellence.

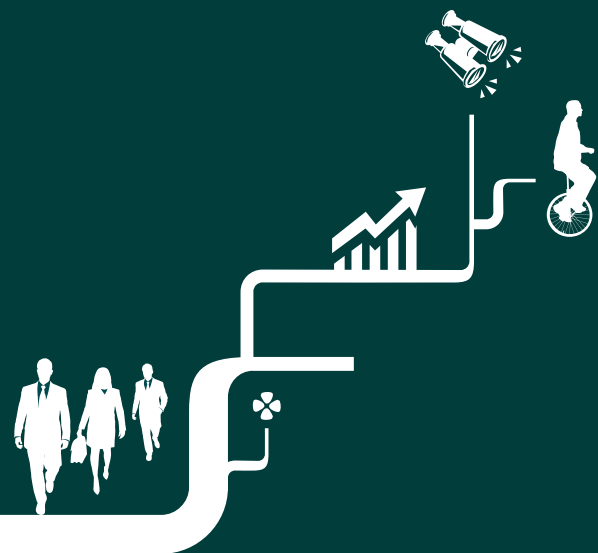
In the area of process control and adherence, the ACES Operations Transaction Banking unit has a high number of CDCS (Certified Documentary Credit Specialist) certified personnel. The CDCS is an external certification which is recognised as a special qualification across the world, in the area of documentary trade transaction processing.

ACES has a robust Business Continuity Management (BCM) process set-up, with a multi-location and multi-city approach to BCM. Chennai, Delhi and Mumbai have site-specific BCM plans which are regularly tested. Over the last couple of years, BCM strategies have been invoked under various real-life situations across all three cities covering aspects as diverse as floods, terrorism/bomb blasts, civil unrest, commotion and general strike calls. These events have not had any impact on ACES' ability to deliver world class services to its global clients.

Compliance with regulations is mandatory at ACES, with all new employees having to compulsorily undergo training on compliance responsibilities, preferably within 90 days of joining ACES. ACES processes back-office transactions for more than 30 countries for the ABN AMRO Group, the impact of each country's compliance regulations also need to be kept in mind at the operations level. This highly complex deliverable has been flawlessly managed over the many years of ACES existence.

Apart from ensuring that ACES delivers world-class operations, ACES has been continuously improving internal standards, as evidenced by the ISO certifications mentioned above and ISO re-certifications over the past many years. Moreover, ACES is in the process of matching the Malcolm Baldrige Quality Award's internal criteria as an additional quality certification towards registering for the prestigious Deming Award.

With the Indian economy on a huge upswing, creating a robust job market and high salaries, the employment market has turned turbulent and competitive. Currently the entire financial industry is struggling with the challenge of attrition due to this high growth and increased demand for scarce talent.



3 Investing in our employees

- 3.1 Employee sensitivity to sustainability
- 3.2 Employee diversity and engagement
- 3.3 Attraction and retention of employees
- 3.4 Rewards and Recognition

Our journey from being a modest two branch diamond financing bank into a full service, multi-product, multi-location, leading foreign bank in India, complete with a world-class BPO serving third parties, is barely 15 years long. This has been possible only because of the lively spirit and commitment of our employees. In 2006 we had a total of 7,136 employees in India divided over the bank and ACES.

| HR Indicators | ABN AMRO India (Excluding ACES) | | ACES | |
|---|------------------------------------|--------|-------|-------|
| | 2005 | 2006 | 2005 | 2006 |
| People employed in headcount as per year end | 3,028 | 3,329 | 2,875 | 3,807 |
| Average people employed in FTE | 2,892 | 3,135 | 2,460 | 3,462 |
| Breakdown of actual turnover (total) | 30% | 47% | 29% | 40% |
| Breakdown of actual turnover (voluntary) | 30.1% | 46.19% | 26% | 36.7% |
| Breakdown of actual turnover (involuntary) | 0% | 0.19% | 2.1% | 3.8% |
| Breakdown of actual turnover (natural) | 0.07% | 0.51% | 0.04% | 0.09% |
| Number of employees with a fixed contract | 3,028 | 3,329 | 2,875 | 3,807 |
| Number of employees with a temporary contract | 10 | 9 | 34 | 35 |

In recent years however, with the Indian economy on a huge upswing, creating a robust job market and high salaries, the employment market has turned turbulent and competitive. These are exceptional market conditions. Currently the entire financial industry is struggling with the challenge of attrition due to this high growth and increased demand for scarce talent. Corporate India has recorded its highest rise in salaries at 22% in the first half of 2006-07. This increase was 17% in 2005-06 and between 8.35% and 12.6% in the previous three years. The salary bill for foreign banks rose by about 40% in the previous year due to increased salary levels and employee bench strength.

At ABN AMRO most of the attrition is at the junior levels with minimal attrition at senior positions. Undesirable as it is, junior level attrition is an industry phenomenon and a way of life in the market. Nevertheless, effectively handling attraction and retention of talent is a key element of sustainable development. Our Human Resources department has taken several initiatives to address the challenges, which are outlined in the section on employee attraction and retention. We are confident that these will show results over time.

Employee sensitivity to sustainability

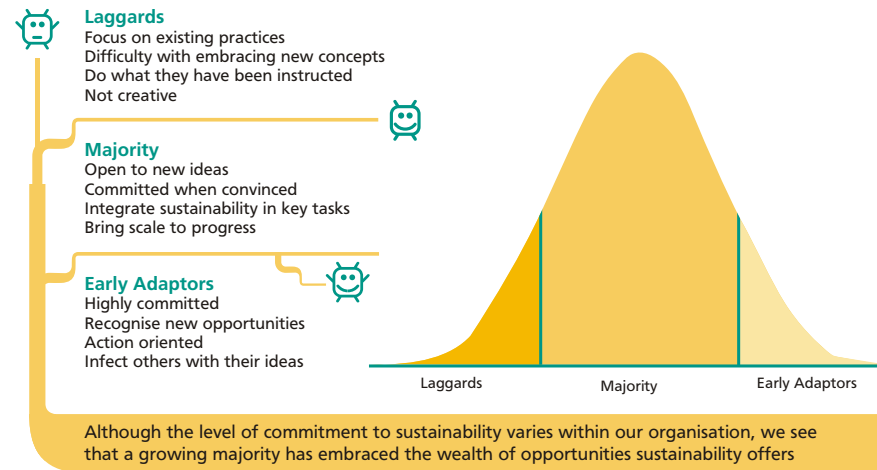
We recognise that sustainability is a

journey and that different employees are at different levels of awareness. Employees in certain businesses are more cued in to sustainability either due to direct materiality e.g. Country Risk Office or employees interfacing with commercial clients. In many cases, this shift is driven by markets which necessitate an awareness about sustainability. This is exemplified by the experience of ABN AMRO Asset Management India. As the team was developing the ABN AMRO Sustainable Development Fund, sustainability became material and today the team is aware of it.

We believe employee sensitivity to sustainable development will be critical to the long term success of sustainability in our organisation.

Our experience shows that employees do indeed move along a 'sustainability continuum' (see figure).

We are optimistic that over time more employees will take the initiative to integrate sustainability into their professional practices. Our aim is to promote sustainability leadership, such that it becomes part of the core thinking processes and gets translated into products and service offerings. Moreover, we expect that informed and connected employees will positively extend the competitive advantage of the bank.



To enhance sustainability sensitiveness, we undertook various initiatives around World Environment Day. On 5 June 2007 we tied up with W.I.A.A. (Western India Automobile Association) to perform air-checks on employees' cars in Mumbai with the message that maintaining correct car tyre pressure reduces CO₂ emissions, saves fuel and increases passenger safety.

On 1 June 2007, we also launched the screening of 'An Inconvenient Truth' - Al Gore's seminal film on climate change, across all our facilities. By 30 June the film had been screened at 10 locations. Given the large numbers of employees spread across various geographies in the country, this exercise is still underway and is expected to be completed by the end of 2007.

3.2 Employee diversity and engagement

We believe that diversity in our workforce enriches the perspectives of our employees which in turn boosts performance. We value varied representation and we want our workforce to reflect Indian society. We think that this cultural diversity enhances our position in the markets.

An engaging environment has been created through a combination of initiatives built around the employee's lifecycle in the bank. This includes hiring the best talent available, educating them on the bank values and culture, clarifying and setting agreed performance objectives, providing exciting work opportunities, honest and transparent appraisals, investing in staff training and development, offering competitive rewards, providing attractive career opportunities and encouraging a healthy work-life balance.

We offer all our employees a working environment based on respect and equality. We strictly prohibit any offensive, intimidating or unwelcome physical, written or spoken conduct regarding any person's race, colour,

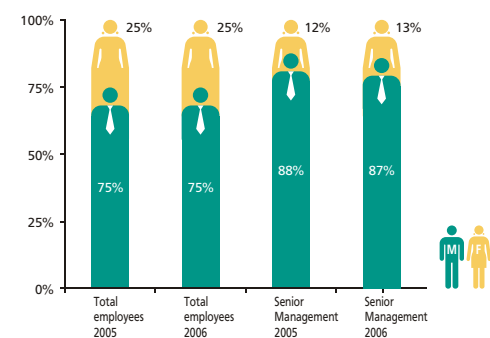
gender, disability, age, religion, national origin, ancestry, sexual orientation, marital status, or any other criteria. A complaint reporting and investigation procedure has been defined and is available on HR policy online for employees. The Complaints Committee consists of senior professionals from the bank including the Country Executive.

Our desire to promote good working environments also includes a focus on health and safety. In accordance with our business principles we strive to provide a safe and healthy work environment for every employee and believe our facilities are conducive to doing good work. We have a medical facility and a doctor in our main office in Mumbai, who is available to all staff. In 2006 we conducted two eye check-up camps for employees. We also periodically undertake health and safety drills especially for fire and have a business continuity plan in place in case of natural disasters.

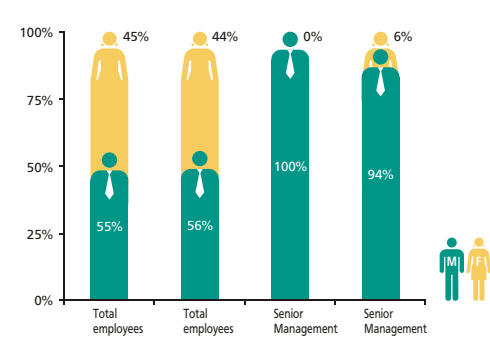
We are an equal opportunities employer. Our ratio of women to men is currently 1:4. We believe this can be explained by certain cultural trends as in India many women stop working once they are married or after they

have a child. However, in ACES the gender diversity is almost evenly distributed, with an increase in women occupying senior positions.

Diversity by Gender ABN AMRO India (excluding ACES) 2005-2006



Diversity by Gender ACES 2005-2006



Successful Diversity

Over the past couple of years, ACES has been recognised in the Business Process Outsourcing (BPO) space as an equal opportunity employer. ACES has on its rolls about 21 differently abled individuals, with disabilities ranging from orthopaedic impairment to hearing and speech disabilities. ACES has also been a pioneer in employing persons with cerebral palsy and integrating their work-life into a normal schedule.

Ace Performer - A case in point would be that of Siddharth Jayakumar, a cerebral palsy affected person, who has been working with ACES since 2004. Siddharth has been a beacon of hope for differently abled people to the extent that he is now employed in the Documentary Checking team of Operations Transaction Banking. The Documentary Checking team requires a very high degree of specific job knowledge and awareness of international rules relating to documentary credit. To the credit of Siddharth, he has successfully completed the CDCS examination (Certified Documentary Credit Specialist). Siddharth has also been twice invited to the Rashtrapathi Bhavan by the President of India to present his views on what could be done by the country for cerebral palsy affected people. It is also important to note that these differently abled persons are given no special concessions and are treated like any other individual when it comes to recruitment and career opportunities.

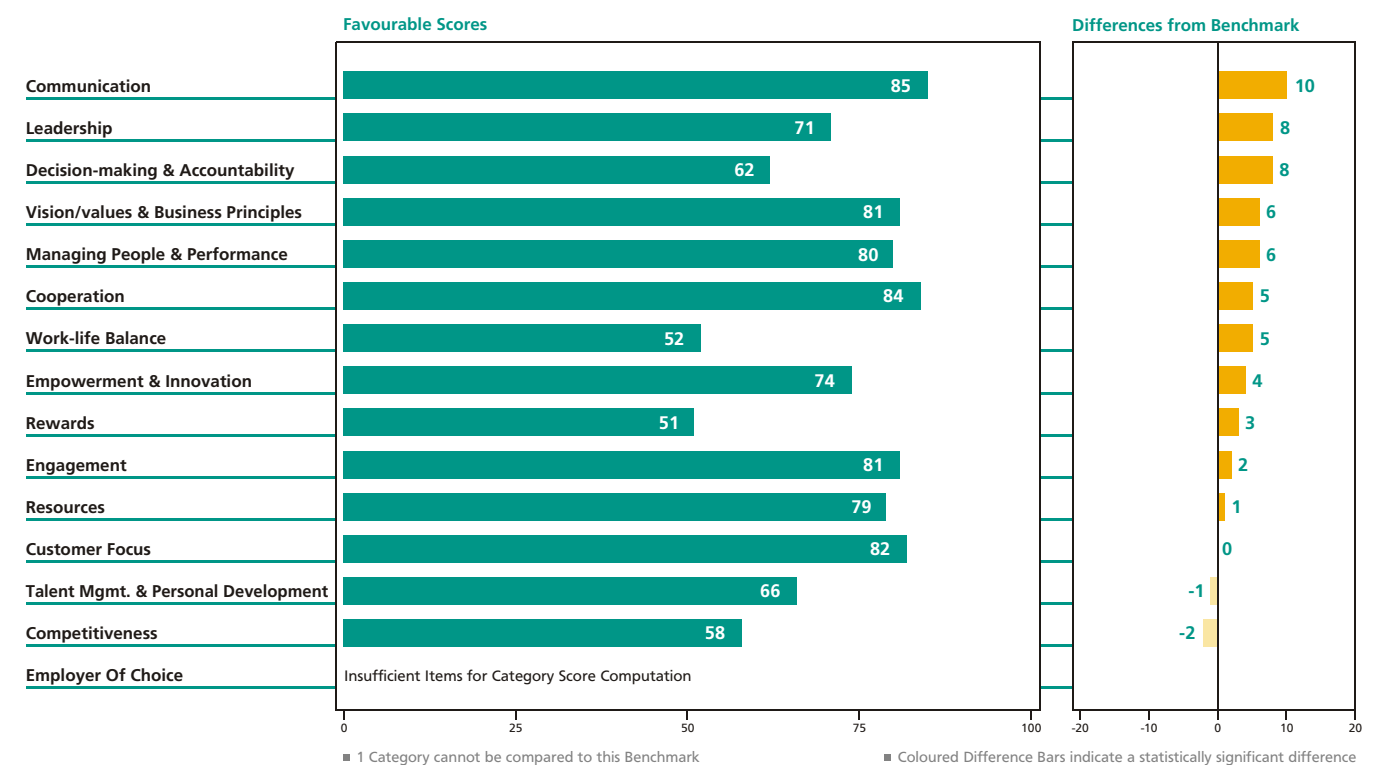
Consistent and comprehensive employee feedback is a key element of our HR initiatives. We have instituted employee engagement surveys under the 'Your Views Our Future' theme which represents both external benchmarking against

an implementation agenda was prepared through Result to Action workshops. Based on the inputs of the engagement survey, a supervisory skills programme was introduced to build skills in the first line of management.

most factors is favourable versus ABN AMRO Asia internal benchmarks and ISR Global Financial Services benchmarks.

On other internal assessments, the results are as follows:

ABN AMRO - Category Scores Ranked By Difference From Benchmark INDIA [EXCL. ACES] (2862) vs. ISR INDIA NATIONAL NORM (25198)

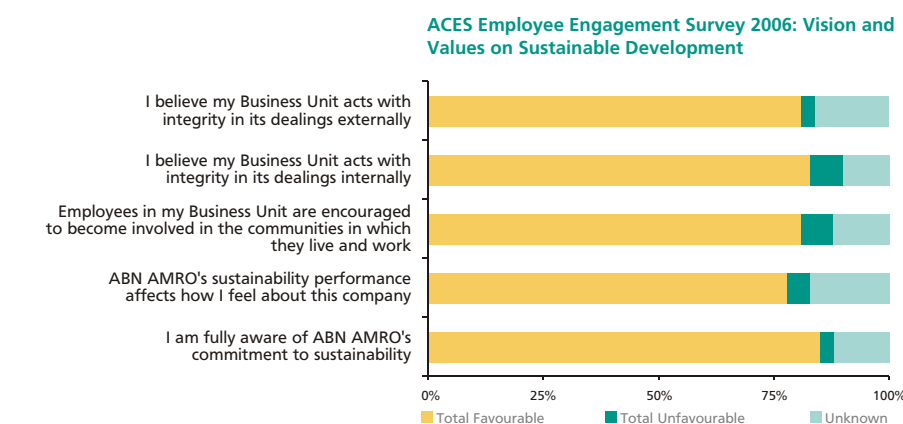
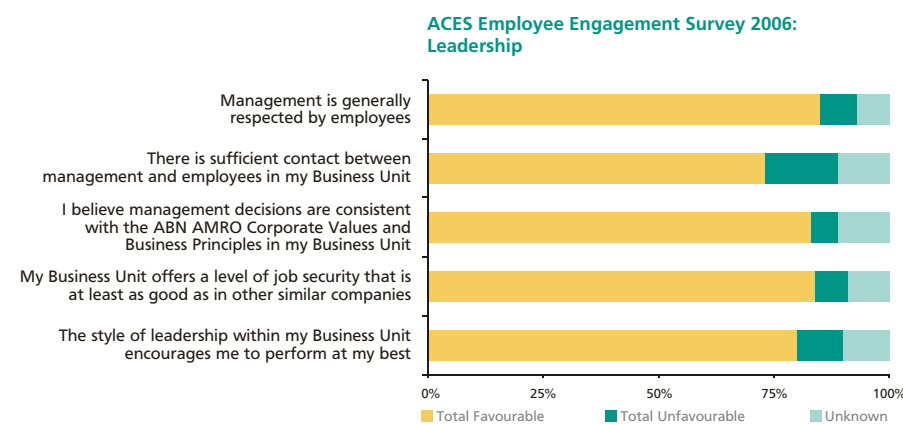
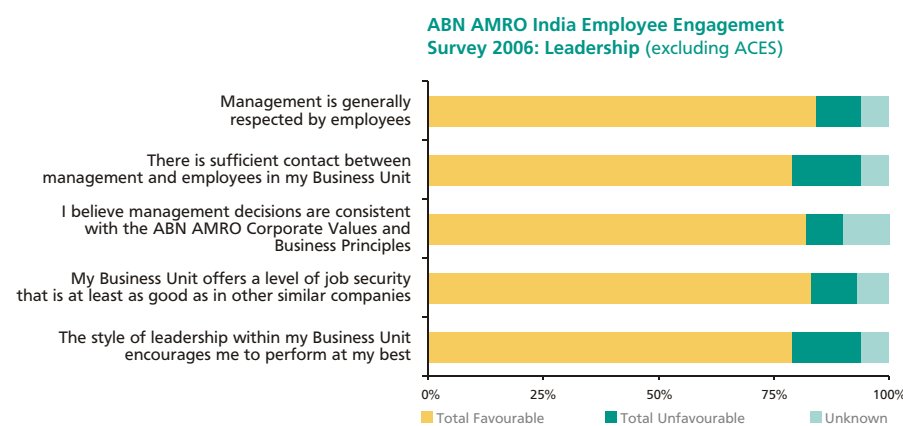
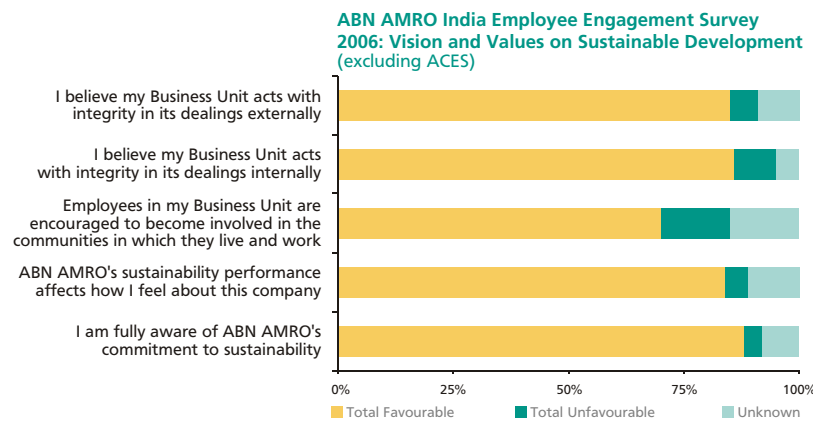


industry as well as internal assessments. This survey was conducted in 2005 and 2006.

Through the external benchmarking survey, engagement scores were presented to the line managers and

On majority of the factors, ABN AMRO India was rated higher than a national benchmarking survey conducted by ISR India National. This is a reflection of the commitment demonstrated by the local management towards building employee engagement. The score on

On sustainable development scores, a majority of the employees believed that the BU encouraged community involvement and also felt proud about the organisation's sustainability performance.



Attraction and retention of employees

We recognise that remuneration is an important component of employee retention to an organisation. We conducted mark-to-market analyses and discovered that about 20% of our employees work below the market median. As a result we took remedial measures through three salary corrections in December 2006 to June 2007. We also undertake other measures to attract and retain employees, some of which are enunciated in the following part.

Internal Application & Employee Referral Programme

The Internal Application & Employee Referral Programme called Banking on You (BOY) enables employees to nominate colleagues for internal positions. Since its launch in 2005, more than 2000 profiles have been received from staff and over 386 vacancies have been closed through BOY (that amounted to almost 14% of the total number of new recruits in 2006). This simple yet effective strategy has saved ABN AMRO India an estimated USD 380,000 and over the next year, plans are to increase the proportion of BOY hiring twofold.

Fun Club

Fun Club is an informal initiative launched across all branches. Under this programme the bank matches employee contributions towards creating a working corpus for fun activities. This programme is entirely owned by the staff through a Fun Club committee. The Fun Club organises events which add an element of fun at work and improve employee camaraderie and work place morale.

E-Portal

The HR E-portal is a Lotus Notes based application which is a single window to the staff on various HR issues, facilitating ease of access. The E-portal provides information on staff policies online, enables online access to employee performance tracking and reviews, knowledge sharing, along with information on the Fun Club and other HR initiatives.

HR Roadshow

The roadshow involves a presentation on the various HR services/products which benefit the employees plus an HR help desk where employee queries are addressed. The roadshow helps improve employee awareness about various benefits programmes which they can avail. The roadshow also helped HR connect better with staff and improve engagement levels.

Professional Learning

The bank strives to promote internal and external programmes whereby employees have the opportunity to enhance their performance and grow in their careers.

The HR Programme on Training and Development ensures that it is an integrated activity, encompassing the identification of needs, designing delivery methods, producing materials, implementing programmes and evaluating their effectiveness.

We have several programmes, addressing various stages of the employee lifecycle. Over and above these programmes, employees are offered a host of learning programmes which range from computer based skills to presentation skills and from business etiquette to selling skills.

In 2006, we also conducted a Sustainable Development Facilitator workshop. This 'train the trainers' programme comprised 53 participants from most of our business units. The objective was to achieve a shared understanding of our sustainability strategy and priorities and discuss ways to percolate these throughout the organisation. The trainers serve as guides to their own business units. While this programme was a one-off, its success has motivated us to consider making this a regular offering.

Training and development activities are geared towards operating successfully within our markets and in relation with relevant stakeholders. All our employees receive regular performance and career development reviews to assess actual performance and career opportunities for the future.

| Professional learning | ABN AMRO India (Excluding ACES) | | ACES | |
|---|---------------------------------|------------|-----------|------------|
| | 2005 | 2006 | 2005 | 2006 |
| Average hours of training per FTE per year | 9.4 | 14.4 | 13.54 | 19.05 |
| Total spending in INR (out of pocket costs) on training employees | 10,040,338 | 14,454,738 | 5,300,000 | 28,400,000 |
| Number of FTEs | 2,892 | 3,135 | 2,460 | 3,462 |
| Amount spent on training per FTE (in INR) | 3,472 | 4,611 | 2,141 | 8,210 |

- [Basic Banking](#)
- [OYM Induction](#)
- [MFG Modules](#)
- [The 2006 Customer Experience Management Conference](#)
- [Adventure In Attitude](#)
- [Team Building](#)
- [Job Evaluation - Professional Development Seminar 2006](#)
- [Equity Valuation Workshop](#)
- [Management Associate Programme - 2006](#)
- [Train the Trainer](#)
- [Negotiation Skills & Presentation Skills](#)
- [Basic Banking & Basic Credit Programme](#)
- [Customer Service Excellence](#)
- [Insurance ICARE](#)
- [Product Knowledge](#)
- [Selling Skills](#)
- [EDGE Programme](#)
- [PMP Coaching](#)
- [Insurance & Investment](#)
- [Negotiation & Selling Skills](#)
- [Lead To Win - The "Super - Wiser" Skills \(Pilot\)](#)
- [MS Excel - Level 2](#)
- [Lominger T7 - Capsule Workshop](#)
- [Financial Markets for the Successful RM](#)
- [Structuring & Financing of Mergers & Acquisitions](#)
- [Turn Of Cycle](#)
- [Workshop on Interviewing Skills](#)
- [Lead To Win - The "Super - Wiser" Skills](#)
- [VBA with Excel](#)
- [Advanced Credit Analysis](#)
- [Financial Planning & Wealth Management](#)

Investing in our people helps them find the best way to enhance their career and thereby add value to our organisation. One initiative that we are particularly proud of is the Learning and Education Assistance Programme (LEAP), which encourages professional development among employees by offering assistance to pursue relevant Degree and Diploma courses. The defining criteria is that courses selected should make a direct contribution to the achievement of the employee's assigned job responsibilities, as well as the growth of the employee's potential within the bank. As an incentive, after completion of the course, the bank reimburses the amount spent on tuitions. The bank also reimburses employees for membership fees of professional bodies (e.g. ICAI - The Institute of Chartered Accountants of India, ICSI - The Institute of Company Secretaries of India).

Similarly, ACES' higher education programme branded ACE Advantage has also been a noteworthy success. This programme caters to the youthful employee population in ACES, majority of whom have joined ACES soon after completing their basic college education. ACE Advantage enables employees to pursue higher education including professional qualifications or a management degree while continuing to work with ACES.

3.4 Rewards and Recognition

We realise that recognition and rewards are important motivators and building blocks for leadership. Our focus is to create long term reward programmes which ensure retention and longer commitment to the organisation. In 2006 we launched an initiative called 'Incredible July' in the Consumer business. The initiative established a comprehensive linkage between employee engagement and rewards programmes. Both monetary and non-monetary elements were included in this programme.

In the Commercial Clients business units we launched the following recognition programmes:

- ❖ Breakthrough of the year
- ❖ Banker of the year
- ❖ Innovation of the year
- ❖ Credit structurer of the year
- ❖ Sustainable development deal of the year
- ❖ Vigilant banker of the year
- ❖ Rookie of the year
- ❖ Team of the year

In other business units too, we are implementing similar recognition programmes. These programmes provide the platform to recognise extraordinary employee contributions. Our initiatives have had a significant impact on employee attrition. While the total attrition in May and June of 2006 was 194 and 157 employees respectively, it dropped to below 100 after our 'Incredible July' initiative.

2007 had also witnessed various initiatives like GOLD (Global Online Learning & Development) - an e-learning platform and an online performance management system, with reward programmes like the Sales Excellence Recognition Programme. These programmes have had a visible impact on the employee engagement.

Drivers of Sustainability



Romesh Sobti
Country Executive,
ABN AMRO India
and Chairman ACES



Kalpathi Sridhar
Country Risk Officer, India
Mumbai



Aarathy Parthasarathy
Employee Director, AAFI
Chennai



Paul Abraham
Managing Director, ACES
Mumbai



Raj Katra
Head - Human
Resources, India
Mumbai



Vasantha Kumar
Head - Marketing &
Communication, India
New Delhi



A. Dhananjaya
Country Compliance
Representative, India
Mumbai



Brijesh Mehra
Country Corporate &
Investment Bank Head, India
Mumbai



Tushar Lowalekar
Consumer Banking Cluster Head,
Ahmedabad & Udaipur
Ahmedabad



Sanjeev Anand
Head - SME/IMM, India
New Delhi



Soumitra Sen
Regional Consumer Banking Head -
Western India
Mumbai



Nikhil Johri
Managing Director,
ABN AMRO Asset Management (India) Ltd.
Mumbai



Natraj Subramanyan
Business Manager &
Head-Sustainable Development, ACES
Chennai



Manmohan Singh
Executive Director - Global Clients
Mumbai



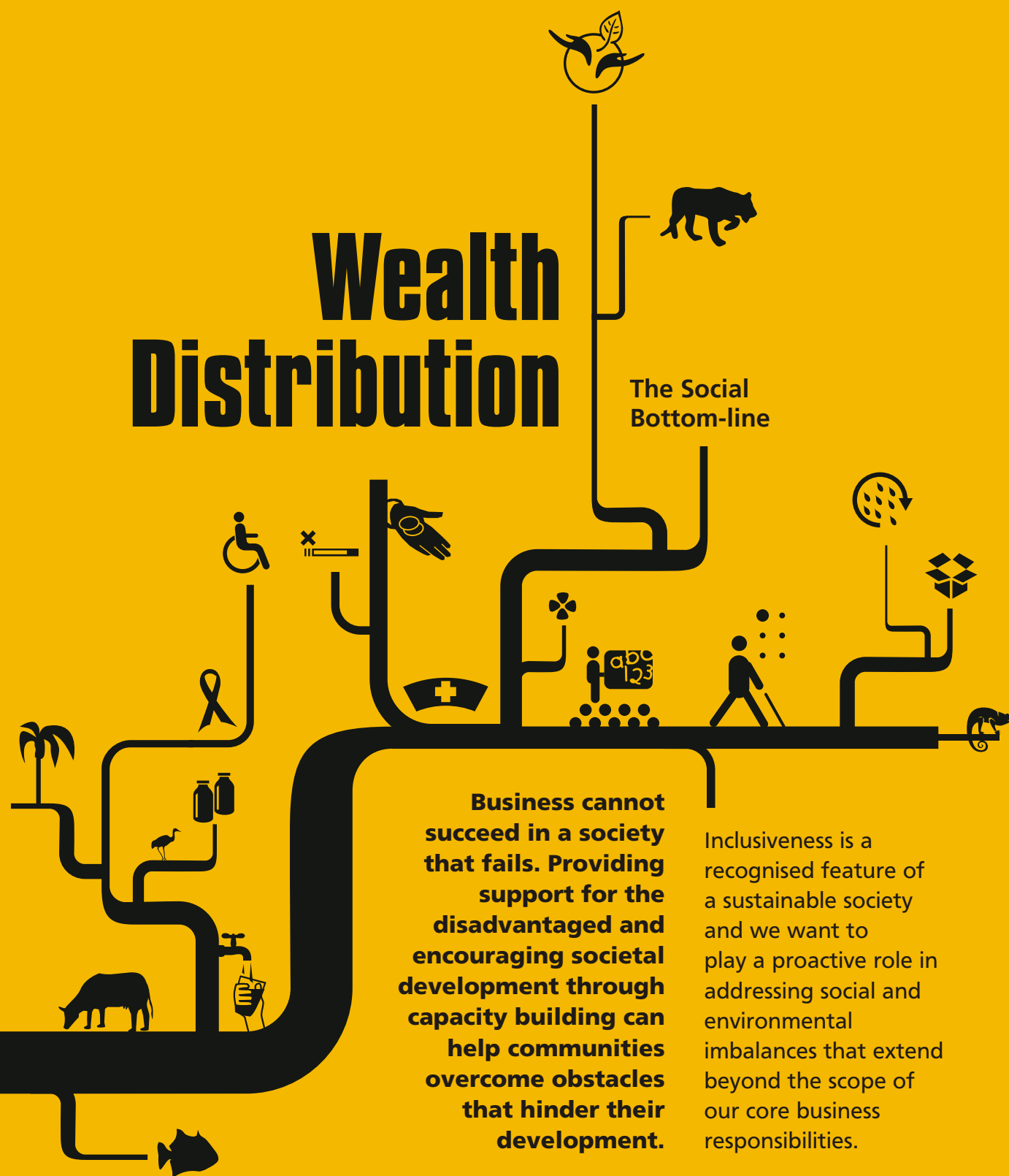
Meera Sanyal
Head of Services, Asia
Mumbai

Wealth Distribution

The Social Bottom-line

Business cannot succeed in a society that fails. Providing support for the disadvantaged and encouraging societal development through capacity building can help communities overcome obstacles that hinder their development.

Inclusiveness is a recognised feature of a sustainable society and we want to play a proactive role in addressing social and environmental imbalances that extend beyond the scope of our core business responsibilities.



4 Engaging with civil society and supporting local communities

4.1 Social Development

4.2 ABN AMRO Foundation India

The demand for greater corporate accountability and transparency is partly driven by increased public scrutiny towards companies and their "licence to operate." We believe that we can play a constructive role in this. For over 10 years we have demonstrated our commitment to society by initiating projects and sponsoring events, organisations and other activities that contribute actively to the communities in which we operate.

In India we have a two pronged approach to supporting communities, through direct assistance and through social intermediation which includes capacity building. Most of our efforts are aligned with the 8 UN Millennium Development Goals and the 10 principles of the Global Compact. It stimulates closer cooperation with governments, NGOs and clients, together with stronger employee engagement.

- ❖ For over 10 years we have been assisting SUPPORT, an NGO that does work in the field of drug addiction and HIV/AIDS among street children and homeless youth in Mumbai;
- ❖ We actively support the St. Louis School for the Blind, a school for visually handicapped children in Chennai;
- ❖ We also sponsor the Sanctuary Wildlife Conservation Awards, an event that recognises the contributions of India's wildlife defenders;
- ❖ Our employees are encouraged to pursue social projects with NGOs and we actively support an employee volunteering programme which includes community sabbaticals for each employee.

Vision beyond profits

Project VISION

In January 2003 ACES Chennai launched Project VISION, an initiative of ACES at the St. Louis School for the Deaf and Blind. Every week volunteers of ACES visit the children at the school to read, teach and play with them. Project VISION is popular among employees of ACES Chennai.

The primary objective of this initiative is to expose our employees to the underprivileged people around them and to engage them in a social activity which goes beyond financial contributions. ACES has also donated an audio system and a Braille computer.

Water Harvesting

Chennai being a water starved city, the school was spending about EUR 450 a month to buy potable water. ACES sponsored construction of a Rain Water Harvesting structure, a water treatment facility and storage tank. A huge underground water tank of 72,000 cubic feet capacity was built, which doubles up as a top quality Basket Ball court. The tank capacity is 1.3 million litres of water. As a result, the school no longer purchases water. Started in the month of February 2004, the project was accomplished by September 2004.

This initiative of ACES reaped a double benefit: it helped the school tide over a financial crunch and equipped the school to conserve a scarce resource.

The Gift of Education

The school has lot of residential students from economically backward families who cannot afford education. ACES plays a vital part by facilitating sponsorships for these students from our colleagues across the globe. Volunteers at ACES work closely with the school to shortlist the candidates in need of financial aid, create their profiles and upload them on our intranet site and request members of the global teams for sponsorships. In 2006, we had sponsored education and accommodation of around 50 students.

ACES volunteers also work in close connect with the school to prepare quarterly progress reports and share these with the sponsors to facilitate a lasting link between the sponsors and the children.

4.1 Social Development

Our contribution to community investment goes beyond financial support. We deploy where appropriate our resources, including our employees, knowledge and infrastructure. We continue to encourage our employees to give their time and energy to community investment programmes and more than half of our BUs actively promote sustainability partnerships with external stakeholders. These partnerships include:

4.2 ABN AMRO Foundation India

Through its years of varied community interventions, ABN AMRO India has built up an understanding of the special skills that go into the delivery of community services in the pluralistic, multi-cultural and spatially diverse Indian society. Recognising the need to design and deliver these services in a specialised and converged manner from within ABN AMRO, a separate legal entity, the ABN AMRO Foundation India (AAFI) was created. It has been invested with specialised skills that enable it to undertake strategic social interventions that respond to community needs in contemporary Indian society. The key objective is to achieve a high level of synergy from a process of financial grants used in conjunction with our employees' knowledge and skills that are harnessed through a symbiotic process of employee volunteering. AAFI strategically deploys these resources in convergence with local governments and fellow stakeholders to optimise investments for comprehensive community development.

The core themes for AAFI are:

- ❖ Poverty alleviation through primarily women-led initiatives (Emphasis on microfinance and micro enterprise promotion activities)
- ❖ Child (Protecting the rights of the underprivileged children)
- ❖ Environment (Supporting conservation-related efforts)
- ❖ Relief and Rehabilitation (Responding to large scale disasters, natural or otherwise)

The four core themes for delivering community investments emanate out of critical concerns that engage Indian society: fast-paced non-inclusive economic growth, environmental concerns that are further complicated by the energy needs of an economically aspiring work force, competing demands for land resources from industry and ecological hotspots, susceptibilities to disasters typical of a tropical landscape and the

nutritional and educational needs of a society that is demographically youthful. The projects entail activities that are in consonance with above social concerns while being innovative enough to tap emerging opportunities such as natural resources management, value addition to agri-produce and carbon credits from farm activity.

AAFI currently implements a flagship programme on poverty alleviation that selects and formulates projects that integrate poverty alleviation with one or more of its other core themes. This flagship programme is supported by the ABN AMRO Foundation at the group level and Cordaid, a Dutch NGO.

The key focus of the flagship programme is to build capabilities and capacities of the microfinance institutions and micro-enterprises in underserved areas. The

| Identification of potential MFI | Capacity Gap Assessment | Technical Assistance Plan | Implementation & Follow up |
|---|--|---|--|
| Underserved Regions Strong Field Presence Good Governance Transparency | Culture Strategy Structure Systems Skills Performance | Priority areas Participative Milestones Common Understanding | On site/off site Workshops Training Programmes Consulting Infrastructure Support |

ultimate goal of these initiatives is to enhance access to financial services to millions of poor who are currently not reached by the mainstream financial sector as well as promoting sustainable entrepreneurship in the sector. The process can be presented as follows:

The capacity building activities comprise of two broad heads:

Technical Assistance and infrastructural support to MFIs

This component intends to focus on improving the quality of products, services and systems of emerging MFIs in underserved regions of India to make them more efficient and more effective. The end goal of this activity is to enable each of these MFIs to scale and graduate them to a stage of operational and financial sustainability.

In the prevailing MFI environment, tremendous gaps exist in several areas of operations and management. Key capacity constraints are identified in close consultation with the management of the MFIs and focused technical assistance is provided to address these constraints. 1-3 years action plans to achieve the desired outreach and sustainability are chalked out. Technical assistance is delivered by the capacity building teams of AAFI and Microsave, a leading consultant in the sector. Under this programme, we currently work with six MFIs, of whom three are from Assam, two from Uttar Pradesh and one from Bihar. Our ambition is to scale up to 50 MFIs in the next two years. In addition to technical assistance, we also aim to provide access to funds for information and communications technology.

Implementation of Micro Enterprises (ME) and Social Intermediation (SI)

The goal is to equip the poor with capacity building tools - to enable them to produce and market quality goods and services and to enable marginalised communities, such as those relocated by the state, to integrate with mainstream society.

The poor face two major disadvantages in the market economy - lack of quality and lack of scale. ME initiatives address this issue through systematic skill development for quality and through aggregation of produce for achieving critical mass. Handicrafts, food grain and commodities, animal husbandry and

crop husbandry are the popular economic activities covered under ME. SI comprises a special set of interventions designed for susceptible and marginalised populations and covers a wide range of services like setting up of Community Based Organisations (CBOs) or Panchayats, testing of soil types to determine suitable crops, protection of villages through embankments, sourcing, drinking water, provision of healthcare services, provision of financial and functional literacy to the members of the community.

ME and SI projects are currently being implemented across the states of Maharashtra, Orissa and Kerala creating capacities and market linkages in activities like handicrafts, commodities trading, dairy and facilitating rehabilitation and resettlement projects.

Employee Volunteering

An explicit focus on sustainability in recent years has helped achieve a convergence of the two primary social roles of our employees - one as professionals within ABN AMRO and the other of being an active member of civil society. Volunteering by the employees in ABN AMRO supported causes, particularly SUPPORT and St. Louis Blind School has been fairly popular. Now AAFI has been assigned a specific mandate of enabling knowledge transfer, by facilitating meaningful engagement of ABN AMRO staff in the Foundation's projects. Towards this, AAFI has designed a volunteering programme in a manner that facilitates transfer of knowledge and skills of the staff to the project beneficiaries while enabling the staff members to return to work with an enriching experience in socially and environmentally relevant work. Volunteering by employees of ABN AMRO is expected to contribute about 180 person days worth of skilled efforts to AAFI in the next two quarters.

In a bid to move AAFI closer to the employees and to actively stimulate and drive Employee Engagement for the Foundation activities, an employee has recently been selected to join the Board of AAFI. The campaign inviting nominations for the

Employee Director received an overwhelming response from across all BUs and included participation from varied geographies. Fifty-five applicants encompassing nearly all grades and socio-economic backgrounds, equally distributed across gender levels vied for this position. The criteria for selection included ability to motivate, having an existing network and track record in similar work. An equally important deciding criterion was the proven ability to balance professional commitments with community work. This position has a tenure of two years after which fresh nominations would be called for.

Gram Utthan - Promoting micro enterprises

Gram Utthan is an organisation situated in Kendrapara, Orissa - one of India's poorest states. Its focus is on holistic support and development of rural coastal areas, especially those that are extremely isolated and inaccessible. The ABN AMRO Foundation India supports around a thousand beneficiaries through two specific Gram Utthan projects:



Bringing development at the doorstep of the underserved

- ❖ A dairy promotion project that offers support and education on cow rearing as a main source of income.
- ❖ A commodity packaging centre that has been set up to involve local producers and local retailers, ultimately offering quality goods at fair prices to the local community.

Gram Utthan's approach has not only involved its members at every step of the process, but has also given them an active role in deciding who should gain from the opportunities provided. Overall, 50,000 households are

indirectly benefiting from these programmes. Many meetings and interviews were held resulting in the community having chosen those most in need of income generating activities to participate. Although the project is only in its early stages, the success of the endeavours has been very encouraging. The project has facilitated further community investment by the local dairy federation who will be setting up milk collection centres to pick up produce from the beneficiaries of the project.

One of these beneficiaries is Nilambari Biswal. She took a loan of INR 15,000 under the special programme for promoting dairy and marketing cooperatives. The loan enabled her to buy a new crossbreed cow that will produce around ten litres of milk a day, much more than the three litres a day which her previous native cow produced. The training she received has made her confident about her future and the future of her business. She found the cultivation of fodder (feed for cows made at home) the most novel and enlightening aspect of the training. Her biggest worry is still

the health of her cattle, but with automatic health insurance, her mind is more at ease. Gram Utthan is there for any support at her doorstep.

SUPPORT - Sharing wealth, creating well-being

After working for ABN AMRO India for more than 15 years, I considered myself privileged and fortunate to work for a large MNC. But I also felt that I should be able to use my good fortune for some of those who have not been so fortunate. I came into

contact with the NGO SUPPORT (Society Undertaking Poor Peoples' Onus for Rehabilitation) and visited its care and rehabilitation centre. I was very impressed by their work. You can describe SUPPORT with one word: transformation. Transformation of a child's life from one of deprivation and exploitation, to one of rediscovering the joys of childhood, self-worth and confidence to lead a normal life in mainstream society.

In Mumbai there are a lot of street children due to parental abuse, abject poverty at home, sexual abuse or lure of the big city. As soon as they land up on the streets in a big city, the tragic realisation dawns about the harsh life staring at them. But they have no one to turn to and are unable to return home. When they are on the street, to survive, they usually get into petty crime and drugs. SUPPORT's programmes help children to get off the streets, if possible be reunited with family and otherwise care for them till they find a suitable job placement.



Mr. Hoshang Irani, with his extended family and a SUPPORT child training for a better future

I started requesting my colleagues to contribute some money to provide better clothing, medicine, food and services for these children. The response was very encouraging. Every month the contributions increased. After a few months we invited the Country Executive of ABN AMRO India, Mr. Romesh Sobti, to visit the rehabilitation centre. He too was impressed by the work done by this NGO and committed to match the monthly contributions of the employees by the bank in India. This doubled the contributions and resulted in a healthy regular inflow of funds for the NGO. During my subsequent visits, I could see marked

improvement in the facilities provided to the children. The children got more balanced meals, wore better clothes and the overall quality of services was enhanced. The bank also started contributing in various other ways, such as purchasing greeting cards and desktop calendars based on the paintings done by the children of SUPPORT. Employees got involved in various ways, like arranging a movie show for the kids, taking the kids for a picnic or arranging a clothes collection drive. Also ABN AMRO employees from other countries, notably the Netherlands, became involved and donated money. These employees are raising money to buy a suitable plot of land and build new premises for the children.

Although I tried to balance my time at work and with the NGO, I heard a voice within me saying that I should give more time for this cause. Accordingly, I decided to leave the bank three years ago and devote my time entirely as a voluntary worker for SUPPORT and contribute in transforming the lives of the

drug using street children of Mumbai. Currently we have approximately 100 boys and 25 girls in the age range 6 to 18 years undergoing detoxification / rehabilitation at the residential centres in Mumbai. The vocational training centre currently has around 25 boys undergoing cooking, screen-printing, welding, carpentry and masonry work training. That is a total of 150 children under our care.

Hoshang Irani
SUPPORT, Mumbai

PROJECT TIGER - Melghat



N. Sunil Kumar, Head of ABN AMRO Foundation, India, on the Tiger trail

This project is a Social Intermediation initiative that integrates poverty alleviation with the environment. AAFI is assisting 3 of the 41 forest villages that have been relocated in the first phase to clear the core area of human presence in Melghat tiger reserve, an important site under Project Tiger, a major species retrieval program of Government of India. It involves the creation of community based organisations, capacity building for enhanced production from land and cattle, supply of farm inputs and aggregation of produce and producers for market linkage.

The AAFI package is mounted on a Government budget that facilitated 19 point basic amenities, thereby imparting sustainability to a process like community relocation that is highly sensitive. The improved quality of life perceived by third party/ media/local NGOs and the positive responses from the relocated communities signal the success of this initiative which is a win-win for natural habitats and local communities.

The Sanctuary ABN AMRO Wildlife Awards

The world probably loses one plant or animal specie every 10 minutes. The natural treasure of India that supplies us clean air, water and earthly resources is being lost even before it is catalogued. Tigers, elephants and rhinos are in decline in India, as are their irreplaceable habitats.

At the start of the new millennium, in 2000, ABN AMRO joined hands with Sanctuary magazine to remind the nation and the world of the immense worth of this 'natural' infrastructure and the impact their destruction will have on the quality of human life. Since the damage is a result of human actions, we realised, it was also our responsibility to come up with the required solutions.

Believing that people who have devoted their lives to the defense of our national treasure should be honoured and recognised, we instituted the Sanctuary ABN AMRO Wildlife Awards to instill positivism, support, encouragement and hope in individuals and groups fighting against heavy odds. In the intervening seven years, we have honoured several "Earth Heroes" whose lives are shining examples of valour and dedication. Here we share with you, the story of one such "Earth Hero" - Samir Acharya - Winner of ABN AMRO Sanctuary Wildlife Service Award 2002 and Financial Assistance from ABN AMRO in 2006.



Mr. Samir Acharya - 'Earth Hero' and Mr. Bittu Sahgal, Editor, Sanctuary Magazine, with award winners and their families

Samir Acharya is the founder of the Port Blair-based Society for Andaman and Nicobar Ecology (SANE). One of the leading groups in the islands, SANE has been at the forefront of environmental activism for over a decade. Acharya has played a critical role in drawing attention to both the fragile environment and the threatened tribal communities of this precious and spectacular island ecosystem. He has also fought consistently to save them from destruction. He continues to wage this battle, often single-handedly against all odds, with tenacity and deep commitment. A quiet worker, he has nevertheless played a critical role in bringing island issues to the notice of a subcontinent that is self-obsessed and tends to regard environmental and tribal issues in distant islands as irrelevant to their lives. The national and international media have learned to rely on Acharya for the truth that invariably lies behind the story. SANE is a co-petitioner in a Public Interest Litigation filed in the Supreme Court on the matter of deforestation in the Andamans and the harm being done to local tribal cultures including the Jarawa and the Onge. In October 2001, the Supreme Court issued an order to stop all tree-felling in the Andaman and Nicobar islands. Subsequently, a detailed set of orders were passed by the Court in May 2002, that provide the islands and their indigenous people with their best hope of survival. This legal campaign and the results achieved would have been impossible if not for Samir Acharya and SANE.

"Today climate change poses unparalleled environmental, social and economical challenges for us all. No citizen, no politician, no NGO and no corporate can afford to distance themselves from the responsibility of dealing with these challenges. Banks and financial institutions play a crucial role in guiding the development of nations and they must use their influence to usher in an age of sensible ecological governance."

For almost a decade ABN AMRO India has subscribed to and practiced the view that good ecological practices translate into good long-term economics; I expect others will emulate this example."

Bittu Sahgal
Editor, Sanctuary magazine



Tropical splendour of Andaman and Nicobar

Wealth Preservation



The Environmental Bottom-line

As a society we need to protect our 'natural capital'. Global warming, environmental degradation, natural resource depletion, deforestation and loss of diversity are denuding our planet. Other challenges such as high population growth and migration will further test the fragile ecological balance.

For India this is a matter of great concern. The challenge is to synergise short term economic growth, much needed funds for poverty alleviation, education, health and large infrastructure projects, with more medium term oriented environmental stewardship.

5 Managing our impact on the environment

- 5.1 ... The environmental impact of our buildings
- 5.2 ... The environmental impact of our purchases
- 5.3 ... The environmental impact of business travel

Environmental stewardship requires careful consideration and active contribution by all members of civil society, each in their own 'sphere of influence' to take a balanced approach. This may even require the business sector to deliver beyond what is prescribed through existing regulations, not only in their own housekeeping but increasingly in their full value-chain.

For the financial services sector the direct impact on the environment is relatively low, while the indirect sphere of influence through its capital services and advisory to clients is much larger. As a mover of capital we often influence our clients to be environmentally conscious.

As part of our commitment to sustainable development we want to manage our direct impact on the environment. After various isolated initiatives, we have only recently taken a more systematic approach towards managing our impact on the environment and expect our efforts to materialise within a few years. This chapter shares our intentions and first steps, rather than provide any robust results. However, since transparency is a key feature of sustainability, we are reporting our current trajectory.

We are now in the process of designing an integrated environmental action plan. This plan covers three specific areas:

1. the environmental impact of our buildings;
2. the environmental impact of our purchasing;
3. the environmental impact of our business travel.

These internal operations are addressed by a specific department called Facilities Management and Services (FMS).

The environmental impact of our buildings

In India our bank has 28 branches and several office facilities in Mumbai, Delhi and Gurgaon. ACES has seven office buildings in the same three locations. Most of these buildings have a fixed contract for maintenance, which includes a certain amount for water and waste management. This means that we receive little feedback on our environmental performance. ACES started measuring several environmental indicators in 2005. Since measuring is the starting point of managing, as from 2007 the bank started to use the same management system for offices larger than 25,000 m².

To improve our ability to manage our environmental impact, we are considering ways to change leasing contracts. Alongside incremental improvement, ACES and the bank have started investing in green buildings.

| Environmental Indicators | ACES | |
|--|-----------|------------|
| | 2005 | 2006 |
| Paper usage* (tonnes) | 47 | 132 |
| Paper usage per FTE (kg) | 19 | 38 |
| Recycled paper (%) | 0% | 21% |
| Waste* (tonnes) | 37 | 115 |
| Waste per FTE (kg) | 15 | 33 |
| Recycled waste (%) | 1% | 79% |
| Water use (m ³) | 19,354 | 33,347 |
| Water use per FTE (m ³) | 8 | 10 |
| Electricity use (kWh) | 6,126,255 | 11,150,329 |
| CO ₂ emissions electricity in metric tonnes (calculation based on GHG protocol Initiative by WRI/WBCSD) | 5,786 | 10,527 |
| CO ₂ emissions electricity in metric tonnes/m ² rental area | 0.24 | 0.27 |

*The significant increase in use of paper and waste produced at ACES is due to a substantial jump in the number of employees and the multiplicity of processing tasks.

Green Workplaces

ABN AMRO India is piloting the concept of the green buildings in Indian banking. Our branch in Ahmedabad, which opened in January 2007, is India's first bank branch that operates in a green building, as defined by the Leadership in Energy and Environmental Design (LEED) Green Building Rating System™. LEED promotes a whole-building approach to sustainability by recognising performance in five key areas of human and environmental health: sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality. For more information: <http://www.usgbc.org/LEED>

The branch employs smart technology like motion and heat sensors in every room to reduce power consumption to the minimum. A computer controlled building management system monitors and adjusts the lighting and air conditioning in every part of the building, depending on requirements, occupancy, available light and other factors.



ABN AMRO, Ahmedabad - India's first green bank building

Heat deflecting windows are used to save on energy costs. Building material waste was minimised and all office equipment purchased from producers that embrace sustainability e.g. use of recycled materials in their products. The branch is in the process of applying for the highest possible certification - Platinum certification.

The ACES facility in Olympia Towers, Chennai is located in a building that is currently the largest LEED GOLD certified facility in the world. The ACES facility at Raheja Towers, Chennai, although not officially certified by LEED, has used a building management system from the start of its operation in 2002.

We are monitoring the environmental impact of these green buildings closely and we aim to compare this data with the environmental performance of our regular buildings. By including the economical dimension of these alternatives, we have all variables in place to take a sound decision on whether and how we will modify the portfolio of our buildings.

The interior design and execution for the ABN AMRO Ahmedabad Branch heralds a cutting edge milestone for commercial interiors in Asia. Registered for the first Platinum Status for any bank worldwide in the US GBC LEED 2.0 programme, it highlights a conscious attempt of corporate India to respond to the issues of the much debated climate change and carbon footprints through buildings in mainstream business.

The savings of energy costs for lighting (34%); reduction in consumption of potable water (45%); HVAC system saving (19%); daylighting in interiors (75%); use of recycled and deprivat materials (40%) make it an enviable economic model which is difficult to ignore".

Karan Grover
Architect - Green Branch, Ahmedabad

The environmental impact of our purchases

The environmental impact of our purchasing focuses on office supplies and other sourcing decisions. The bank is considering promoting measures such as business cards on recycled paper, pens made from recycled material, double sided printing, minimal use of plastic and paper cups and electricity conservation.

We aim to improve the management of this impact by implementing a new vendor policy. The policy, effective from 1 May 2007, limits the range of vendors we are working with. This in turn will benefit quality management and lead to cost and resource saving. Like the existing group policy, it includes sustainability criteria which we will take into account for all purchases above a certain threshold.

ABN AMRO India Vendor Policy

India Procurement Policy and Process has been developed to establish a minimum framework, by which goods and service are procured from the market and to facilitate the following objectives:

Maximise economic leverage by standardisation of goods/products/services and rationalisation of vendors/suppliers.

Develop information that can be shared with user groups.

Enhance partnership with the Business Units (BUs).

Appropriate Vendor Selection practices.

Ongoing Vendor Management oversight.

Compliance of standard contract provisions with applicable ABN AMRO Policies and Standards.

The environmental impact of business travel

Besides the buildings in which we work, business travel is a major part of our energy-use and contribution to CO₂ emissions. We recognise this and have recently initiated the process of measuring this impact. We have performed a zero-measurement for this reporting process, which showed that we do not have the systems in place to aggregate sufficient information. We are considering alternatives on what we want to measure, what systems we need for that and by when these can be available. This will be part of a broader consideration on mobility of our employees. We expect that business travel may be limited to a certain extent by using video conferencing equipment. In our global operations this is being done frequently and ACES is also piloting this initiative.

| Business travel | ABN AMRO India (Excluding ACES) | | ACES | |
|---|---------------------------------|-----------|-----------|-----------|
| | 2005 | 2006 | 2005 | 2006 |
| Business travel by plane (km) | na | 6,710,236 | na | 8,703,875 |
| Business travel by lease car (km) | * | * | 2,943,397 | 9,275,906 |
| CO ₂ emissions due to business travel (metric tonnes) calculation based on GHG protocol initiative by WRI/WBCSD** | na | 836 | na | 2,797 |

* This figure is not applicable for the bank as unlike in ACES, the bank does not engage employees to work night shifts, who are provided a pick up and drop convenience facility.
** The total CO₂ emission business travel equals an average of 0.61 metric tonnes per employee for ABN AMRO India.

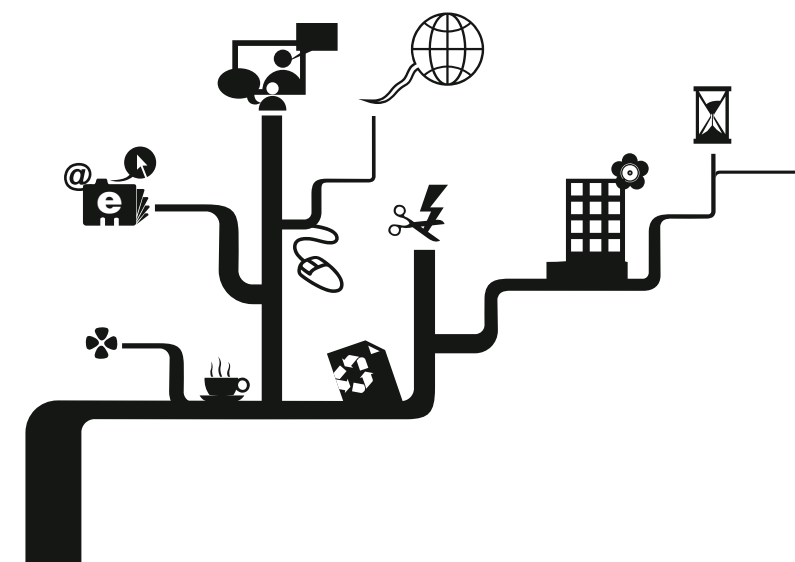
Responsible Recycling

In 2006, we signed up for the HP 'Take back Programme' wherein HP collects our used ink cartridges for recycling. Plastics and metal parts are processed into raw materials to make new products. Other materials like residual ink or toner are used to generate energy or disposed off responsibly.

Choosing Technology over Travel

Extensive use of Video-Conferencing equipment in ACES

ACES has been pioneering the extensive use of video-conferencing facilities in order to reduce the environmental impact of air-travel and reduce travel costs to the company. As the facilities of ACES are geographically spread over three cities (Mumbai, Chennai and Delhi), the members of the Management team often use the video-conferencing facilities to conduct meetings with their teams. A new hardware installed at certain key desks (Tandberg) has helped the Management team conduct meetings at short notice, improve the communication channels and decreased the need for individual team members to fly to Mumbai for physical meetings. As a next step, we are working on our ability to link up overseas centres through these facilities, reducing travel costs, time and emissions even further.



Reporting Principles

First Sustainability Report

This is the first sustainability report of ABN AMRO India. Although we have a clear commitment and ambition with respect to sustainable development, we regard it as a continuous learning process. This process, which started some 10 years ago, can be divided in three main steps; learn/experiment, evolve and proliferate. We expect to reach the proliferation phase in 2010. Although we believe this report is a balanced and correct reflection of our sustainability performance, we expect that our reporting will improve in terms of clarity, consistency and accuracy over time.

Scope

This report covers ABN AMRO India, which consists of: the branches of ABN AMRO Bank N.V.,(referred to as AABI in the report), ABN AMRO Asia Equities (India) Ltd., ABN AMRO Asia Corporate Finance (India) Pvt. Ltd., ABN AMRO Securities (India) Pvt. Ltd., ABN AMRO Asset Management Company Pvt. Ltd., ABN AMRO Central Enterprise Services Pvt. Ltd. and the ABN AMRO Foundation India.

The report includes the activities and performance in the field of sustainable development and quantitative data of all these organisations for the calendar years 2005 and 2006. The qualitative data is up to 30 September 2007. The information and data covers the total of ABN AMRO India, unless specifically stated otherwise.

Selection of topic

We used The Global Reporting Initiative G3 Guidelines and its supplement for the financial services sector. Please refer to the GRI matrix on page 45. This report is at a self declared GRI B+ level.

Moreover we have had discussions and interviews with top management, BU heads, SD champions of the BUs and external parties to prioritise the material aspects of our sustainability performance. In the interviews we have discussed progress over the last year and expectations for the near future.

We also used information from third-party questionnaires, feedback from dialogues and stakeholder meetings. We used our Corporate Values and Business Principles as a framework for the structure of the report. Moreover we build on the experience of ABN AMRO Group, which has published its fourth sustainability report, also covering the Indian organisation, earlier this year.

Reporting process

We have no overall information system in place for sustainable development, comparable to the management information system used for obtaining financial information.

Nevertheless, whenever possible we have used existing sources of information for gathering data. For example in the area of Human Resources and to a certain extent for environmental data we could rely on regular information.

In addition we have used questionnaires to aggregate relevant information. These questionnaires were sent to 14 contact persons. We were in close contact with them to test and double-check the data.

This process helped generate relevant input, but it also helped us to identify "white spots" in our information sourcing. Although we are confident in the overall reliability of the data reported, we recognise that some of these data were subject to a degree of uncertainty because of limitations

associated with measuring, calculating or estimating data. Where these uncertainties are material, they are described in the report. When data is not available this is indicated in the table by "na" (not available).

At the end of the process, senior managers approved the data used in the sections on their respective units. The reliability of this report has been reviewed by Ernst & Young. Although the ABN AMRO Group Sustainability Report was verified by Ernst & Young, a separate assurance process has been executed for this report. The assurance report can be found on page 42.

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 have also referred publicly available quotes. We appreciate the contributions from our stakeholders, but obviously we cannot take responsibility for their statements.

Forward-looking statements

This report covers some forward looking statements. By their nature these statements involve risk and uncertainty because they relate to events and depend on circumstances, that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

Further information about ABN AMRO India

This report only covers limited aspects of ABN AMRO India. To get a more complete picture of our organisation we refer to other sources of information such as our website www.abnamro.co.in.

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 India's commitment to sustainable development to existing stakeholders. Nothing in this document is intended to extend ABN AMRO India's existing obligations to its clients, shareholders or other parties.

All policies, procedures, criteria, instructions guidelines or anything similar that have been mentioned in the report are intended for ABN AMRO India 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 India's discretion. ABN AMRO India does not guarantee its adherence to these policies, procedures, criteria, instructions guidelines, nor does ABN AMRO India accept liability for whatever consequences of it not adhering to them. ABN AMRO India reserves the right to change, amend or withdraw policies, procedures, criteria, instructions guidelines at its discretion at any time.

ABN AMRO India reserves the right not to make available (details of) the policies, procedures, criteria, instructions guidelines or anything similar that have been mentioned in the report to third parties.

26 November 2007
ABN AMRO Bank N.V.
Mumbai, India.

Independent Assurance Report

We have been engaged by ABN AMRO India (the Company) to provide independent assurance for its Sustainability Report (the Report). The preparation of the Report and its content is the sole responsibility of the management of the Company. Our responsibility is to provide 'limited assurance' on the report contents as described in the scope of assurance. This assurance report should not be taken as a basis for interpreting the Company's overall sustainability performance, except for the aspects mentioned in the scope below.

Scope of Assurance

The Report covers data and information for ABN AMRO India operations which consists of the branches of ABN AMRO Bank N.V., (referred to as AABI in the report), ABN AMRO Asia Equities (India) Ltd., ABN AMRO Asia Corporate Finance (India) Pvt. Ltd., ABN AMRO Securities (India) Pvt. Ltd., ABN AMRO Asset Management Company Pvt. Ltd., ABN AMRO Central Enterprise Services Pvt. Ltd. and the ABN AMRO Foundation India. We have assured the following aspects of the report:

- The materiality of the subject matters covered in the report;
- The statements and assertions pertaining to the reporting period (1 January 2005 to 30 September 2007);
- Sustainability performance indicators (1 January 2005 to 31 December 2006);
- Processes and internal controls for collating sustainability performance data;
- The Company's approach to stakeholder engagement.

Exceptions from scope of Assurance

- Aspects of the Report other than those mentioned above;
- Sustainability performance data outside the defined period (1 January 2005 to 31 December 2006);
- Company statements that describe expression of opinion, belief, aspiration, expectation, and aim; or future intention provided by the Company on the indicators mentioned in the scope;
- Issues related to Intellectual Property Rights and other competitive issues.

Steps taken to carry-out Assurance work

The assurance provided to the Report is in accordance with the International Federation of Accountants' (IFAC) International Standard for Assurance Engagements (ISAE) other than Audits or Reviews of Historical Financial Information (ISAE3000).

Our team of professionals visited the Company's premises in Mumbai at Brady House, Sakhar Bhavan, Empire Building, and Mafatlal Chambers. To gain assurance on the data and information presented in the report, the team interacted with selected stakeholders:

Meeting with the Country Executive, ABN AMRO India and Chairman ACES:

We met with the Country Executive, ABN AMRO India and Chairman ACES to understand his perspective on incorporating and embedding sustainability aspects of the Company in the report. We also discussed about the Company's sustainability strategy, internal protocols and systems to compile sustainability specific data and information.

The Company's Sustainable Development (SD) team:

We had several rounds of discussions with the members of the Company's SD team to understand the process of reporting. Whenever and wherever required we coordinated with SD team members to access databases and relevant supporting documents for the information under review. We also examined and reviewed the explanation to define materiality in the Report through discussion and review of appropriate documentation.

Select internal stakeholders:

We interacted with selected executives and senior-managers of the Bank, as well as specific heads of department as and when required, to gain assurance on the nature of claims and statements made in the report. We also coordinated with other personnel of the Company across locations in India wherever required.

Select external stakeholders:

We interviewed selected external stakeholders mentioned in the report (such as personnel from Praj) to perceive their relation with the Company and their understanding of the Company's sustainability performance. Whenever and wherever required we gathered documentary evidence to support various statements made in the report.

We obtained sufficient and appropriate evidences to support the conclusions in this assurance report. Most of the information and data verified was supported with documentary evidence; wherever such documentary evidence could not be collected on account of confidential information our team physically verified the documents. We also tested sample data across the Report and assessed its auditability and accuracy. We understood and considered various assumptions made for arriving at final numbers against KPIs.

Our Observations

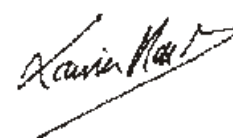
Our observations on the Report are as follows:

- The Report describes clearly the Company's Governance structure and how it embeds Sustainability. The Report develops how the Company is translating its Sustainability Strategy into its core operations. The Report explains the role of the "Sustainable Development" team, which is there to make Sustainability a key component of its culture and business processes;
- The Report articulates the business case for Sustainability, and touches upon the wider context of Sustainability by presenting information on Socially Responsible Investments (SRI), Micro Finance (MF), as well as Human Resource practices, and how they help make a difference to stakeholders;
- The Report outlines how the Company prescribes adherence to Equator principles, and how the adherence to the same is taking place in India;
- The Report elaborates on varied approaches for engaging with stakeholders, which address the diversity of relationships, as well as their specific situations and expectations. However, the comprehensive and structured engagement process followed for employees and clients can be extended to other stakeholders;
- AABI has adopted appropriate systems w.e.f. 01 January 2007, to capture sustainability performance data and information on environmental indicators such as water, electricity and paper.

Conclusions

On the basis of our assurance methodology, nothing has come to our attention that would cause us not to believe that:

- The Company has reported material Sustainability issues that have a high impact on the Company and are of high importance to its stakeholders;
- The Company has reported data on the performance indicators (as mentioned in the scope above), which has been transposed from internal records;
- The Company has reported statements and claims which are correctly reflecting Company's achievements, as supported by both documentary evidences and internal records.



Ernst & Young Pvt. Ltd.

New Delhi, India
Dated: November 26, 2007

| List of Abbreviations | | | |
|-----------------------|--|---------|---|
| ACES | ABN AMRO Central Enterprise Services Pvt. Ltd. | ICT | Information Communication Technology |
| AAFI | ABN AMRO Foundation India | KYC | Know Your Customer |
| AGM | Annual General Meeting | kWh | Kilowatt-hour |
| BoP | Base of the Pyramid | LEAP | Learning and Education Assistance Programme |
| BCSD | Business Council for Sustainable Development | LEED | Leadership in Energy and Environmental Design |
| BMP | Business Management Platform | MFI | Microfinance Institution |
| BC | Business Correspondent | MNC | Multinational Corporation |
| BCM | Business Continuity Management | MDG | Millennium Development Goal |
| BPO | Business Process Outsourcing | MT | Management Team |
| BU | Business Unit | MPEA | Microfinance Process Excellence Award |
| BOY | Banking on You | M&A | Mergers and Acquisitions |
| CSO | Civil Society Organisation | ME | Micro Enterprises |
| CRISIL | Credit Rating and Information Services of India Ltd. | NCAER | National Council for Applied Economic Research |
| CalPERS | California Public Employees' Retirement System | NBFC | Non-Banking Financial Companies |
| CSERF | Country Social Ethical Risk Filter | NGO | Non-Governmental Organisation |
| CCC | Country Credit Committee | OMC | Oil Marketing Company |
| CRO | Country Risk Officer | ORM | Operations Risk Management |
| CDCS | Certified Documentary Credit Specialist | RBI | Reserve Bank of India |
| CBO | Community Based Organisation | R&D | Research & Development |
| CAAML | Client Acceptance and Anti-Money Laundering | SRI | Socially Responsible Investment |
| CO ₂ | Carbon dioxide | S&P | Standard & Poor's |
| DSDS | Delhi Sustainable Development Summit | SEBI | Securities Exchange Board of India |
| ESE | Environmental, Social and Ethical | SME | Small and Medium Enterprises |
| ESG | Environmental, Social and Governance | SRSL | Shree Renuka Sugars Ltd. |
| FTE | Full-time equivalent | SEL | Suzlon Energy Limited |
| FMS | Facilities Management and Services | SUPPORT | Society Undertaking Poor People's Onus for Rehabilitation |
| FDI | Foreign Direct Investment | SI | Social Intermediation |
| FT/ IFC | Financial Times / International Finance Corporation | SANE | Society for Andaman and Nicobar Ecology |
| GRI | Global Reporting Initiative | SBA | Sustainable Business Advisory |
| GDP | Gross Domestic Product | SMART | Specific, Measurable, Agreed, Realistic and Time Bound |
| GHG | Greenhouse Gas | SD | Sustainable Development |
| GOLD | Global Online Learning & Development | TERI | The Energy Resource Institute |
| HR | Human Resources | TB | Tuberculosis |
| HP | Hewlett-Packard | USD | United States Dollar |
| HVAC | Heating, Ventilation, and Air Conditioning | UNEP-FI | UN Environment Programme - Finance Initiative |
| INR | Indian Rupees | WHO | World Health Organisation |
| ICAI | Institute of Chartered Accountants of India | WIAA | Western India Automobile Association |
| ICSI | Institute of Company Secretaries of India | WRI | World Resources Institute |
| IGL | Income-Generating Loans | WBCSD | World Business Council for Sustainable Development |

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| 2.4 Location headquarters | Mumbai, India |
| 2.5 Countries located | India |
| 2.6 Nature of ownership and legal form | Branch of / Fully / majority owned by ABN AMRO |
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| 4.3 Independent members | www.abnamro.com |
| 4.4 Mechanisms for shareholders and employees | www.abnamro.com |
| 4.5 Compensation highest governance body | www.abnamro.com |
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| EC 2 Financial implications due to climate change | 19, 37-39 |
| EC 3 Coverage benefit plan obligations | NI |
| EC 4 Financial assistance received from government | NI |
| EC 6 Locally-based suppliers | Majority |
| EC 7 Local hiring | 100% |
| EC 8 Infrastructure investments | NI |
| Environmental performance indicators | |
| EN 1 Weight of materials used | 37 |
| EN 2 Recycled input materials | 37 |
| EN 3 Direct energy consumption | 37 |
| EN 4 Indirect energy consumption | NI |
| EN 8 Total water used | 37 |
| EN 11 Location land in protected areas | NA |
| EN 12 Significant impacts on biodiversity | NA |
| EN 16 Direct and indirect greenhouse gas emissions | 37, 39 |
| EN 17 Other relevant indirect greenhouse gas emissions | NA |
| EN 19 Emissions of ozone-depleting substances | NA |
| EN 20 NOx, SOx air emissions | NA |
| EN 21 Total water discharge | NA |
| EN 22 Total weight of waste | 37 |
| EN 23 Total spills | NA |
| EN 26 Initiatives to mitigate environmental impacts | NA |

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| EN 27 Products reclaimed at the end of the products' useful life | NA |
| EN 28 Monetary value of significant fines | No fines |
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| SO 8 Monetary value of significant fines | No fines |
| PR 1 Improving health and safety impacts across the life cycle | NA |
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Management Disclosure

Our Management Disclosure specifies our sustainability context for understanding our performance in this area. It provides a brief overview of our management approach to each topic of sustainability (see table below).

Economic

It is our core business to provide responsible financial services and solutions and create enduring value for our stakeholders. We are guided by our business principles and corporate values. Apart from the application of Equator Principles, we use Ethical, Social and Environmental filters in our lending decisions. Our responsibility to create wealth and to have real economic impact includes examples such as our Microfinance programme and the capacity building initiatives employed through our Foundation. Moreover, we have launched the first Indian SRI fund in 2007.

Environment

Despite the relatively low impact on the environment of our business operations, we are exploring new ways to decrease our environmental footprint. Currently we are piloting the concept of green buildings (our branch in Ahmedabad is India's first

bank branch operating in a green building). For 2007 we have conducted a zero measurement for environmental indicators, and as of 2008 we will monitor our performance on a yearly basis. Our focus is to decrease waste, improve energy efficiency and minimise business travel. We address our indirect impact on the environment through enhanced risk-management and a recently revised vendor policy that aims to improve the environmental impact of our procurement.

Labour and human rights

We believe that by investing in our people we create the basis for excellence which makes our organisation a trusted and respected business partner. We offer all our employees a working environment based on respect and equality and promote good and healthy working conditions. In line with our values and business principles we support international human rights standards. We believe that the scores on our engagement survey reflect the sincerity of our initiatives.

Society

We are determined to be a driver for change by catalysing socio-economic

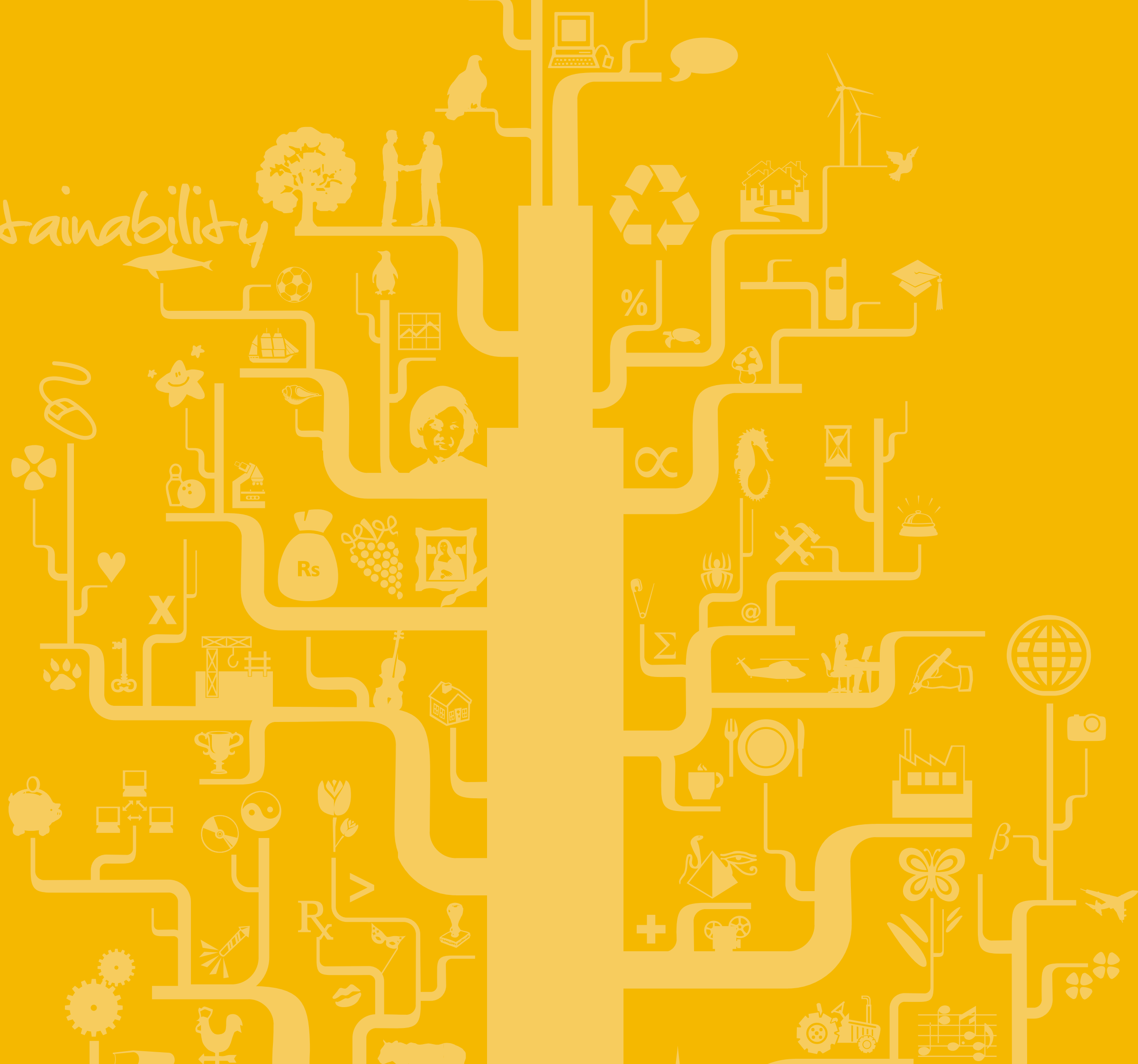
development in a dynamically changing world. Our core business encompasses not just financial but also environmental, social and ethical considerations. Our early focus on philanthropic initiatives has grown into more specific and targeted interventions, particularly towards capacity building and social intermediation. These are executed through the bank, ACES and more recently through the ABN AMRO Foundation India.

Product responsibility

We want to enable business growth in a manner consistent with regulatory obligations and the high standards of our values and business principles. Some of the key elements of the Compliance function in ABN AMRO are client acceptance, anti money laundering, Chinese walls, personal account dealing and ensuring adherence to applicable regulations. By applying our own strict guidelines, our aim is to promote sustainability leadership, such that it becomes part of core thinking processes that will lead to enhanced and improved product and service offerings.

| Topic | Materiality | Responsibility | |
|------------------------|--|--|---|
| | | ABN AMRO India (excluding ACES) | ACES |
| Economic | Economic performance, market presence, indirect economic impacts | Business Management Platform | NA |
| Environment | Emissions, energy and business travel | Head Facility Management Services | Head Facility Management Services |
| Labour rights | Employment, training, diversity | Head Human Resources | Head Human Resources |
| Human rights | Non-discrimination, complaints and grievance practices | Head Human Resources | Head Human Resources |
| Society | Compliance, corruption, community | Head Compliance Head Microfinance & Sustainable Development | Head Compliance Head Sustainable Development |
| Product responsibility | Marketing, Communications, Compliance | Business Management Platform | Management Team |

tree of sustainability



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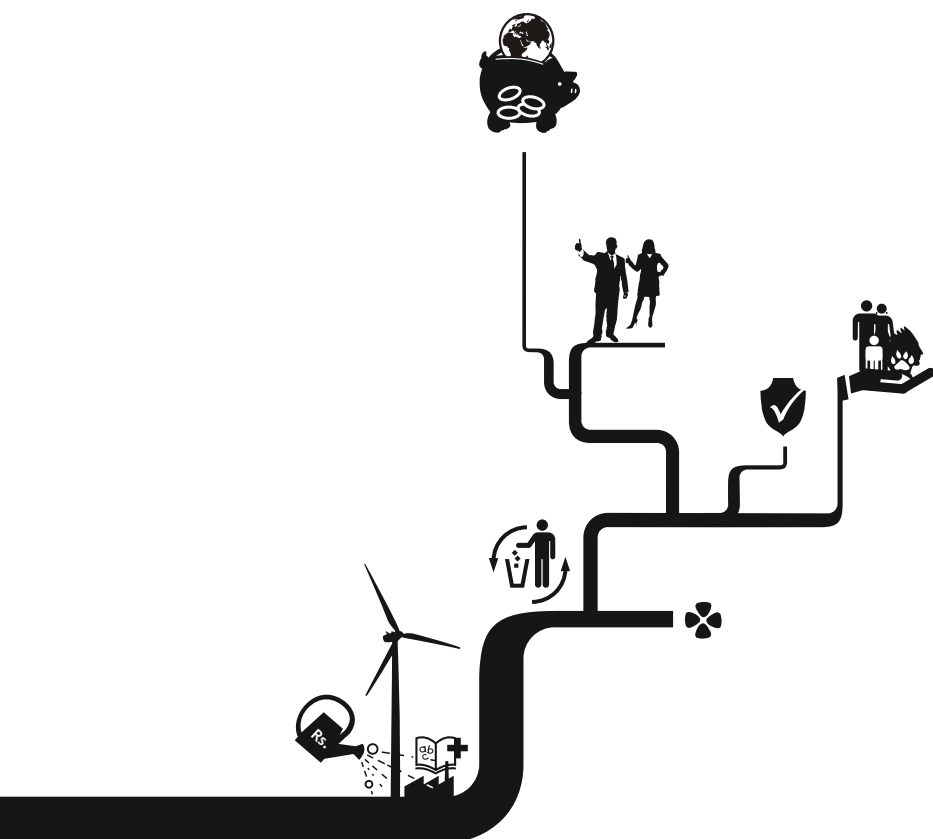
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To know more about our sustainability initiatives, please get in touch with us at:

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