

Getting you there.



Corporate Social  
Responsibility Report 2006  
Stepping-stones for  
Sustainable Growth

# About this report

This report aims to provide stakeholders with a complete and balanced picture of Fortis's performance in different areas of Corporate Social Responsibility (CSR) during 2006. It is published on the same day as the Annual Report. The report is structured around different stakeholder categories, allowing easy access to the information stakeholders find most relevant and enabling us to provide a complete overview of the CSR issues we face. It also adds to the comparability of this report with those of previous years. Fortis is seeking to focus on material issues. To that end, the stakeholder structure is combined with the three main themes of our Agenda 2009: Sustainable Supply Chains, Climate Change and Social Inclusion. To help ensure concrete results, each theme is accompanied by an overview of our performance.



The content of this report is selected in accordance with the new G3 guidelines of the Global Reporting Initiative (GRI) to which Fortis applies level B+. We report on the profile disclosures, the disclosures on management approach, at least 20 performance indicators and our report is also externally verified. For more detailed information on our application level of the G3 guidelines, please refer to the Reporting Process and Principles and the GRI Index.

At Fortis we strive for continuous improvement of our growth strategy, our CSR performance and the way in which we report our progress. In addition to applying the G3 indicators, we have also called upon third-party questionnaires, feedback from external dialogues and internal discussion in preparing this report.

This report is available in hard copy or can be downloaded from our website at [www.fortis.com](http://www.fortis.com), where more background information is provided.

## Scope of the report

The units marked in blue are included in this report, 'green units' are partly covered.

US				
Asia				
Rest of Europe				
Benelux	Retail Banking	Merchant & Private Banking	Insurance	Foundations

# Fortis at a glance

## Profile

Fortis is an international provider of banking and insurance services to personal, business and institutional customers. We deliver a total package of financial products and services through our own high-performance channels and via intermediaries and other partners.

Fortis is the market leader in banking and insurance in the Benelux region – one of Europe's wealthiest. Building on that leadership, we have developed an extensive European footprint in the retail banking market, operating through a variety of distribution channels. We offer skill-oriented financial services to companies, institutional clients and high net worth individuals and provide integrated solutions to the enterprise and the entrepreneur. Our unique expertise has made us a regional and in some cases global leader in niche markets, such as energy in North America and fund administration, commodities and transportation worldwide. We successfully combine our banking and

insurance skills in growth markets in Europe and Asia, and we lead the market in bancassurance in the Iberian Peninsula and Malaysia.

Fortis ranks among Europe's top 20 financial institutions, with a market capitalisation of EUR 43 billion at year-end 2006. With excellent solvency, a presence in over 50 countries and a dedicated, professional workforce of 60,000, our company combines global strength with local flexibility.

## Getting you there. Fortis.

How do we deliver sustainable stakeholder value? The short answer is by continuing to build on our core skills and expertise in the Benelux countries and exporting them internationally. But the true key to our success is getting it right for our customers. Everything starts and ends with our ability to help get them where they want to be. We do that by creating efficient financial solutions and building strong relationships with our clients.

## Our vision

In an increasingly complex, yet ever more convergent world, innovation, speed and agility will be as crucial as scale, track record and reach. We will stand out as a professional international financial services brand, recognised for our ability to deliver superior and sustainable stakeholder value by constantly anticipating and surpassing the needs of customers, investors, employees, partners and communities wherever we do business.

## Our mission

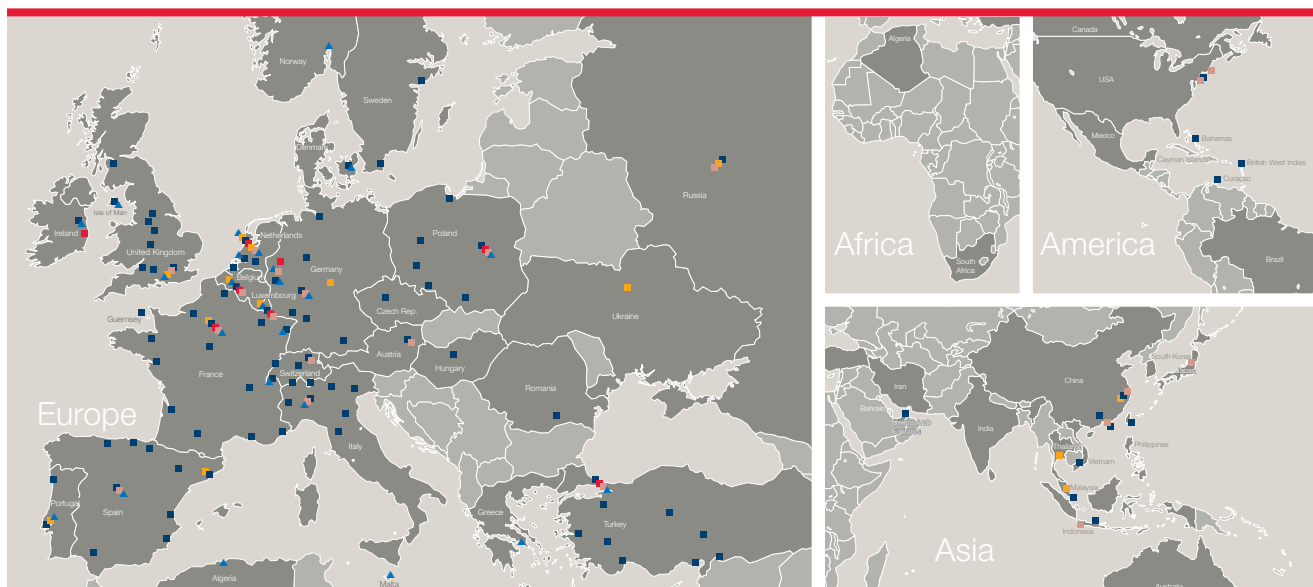
Fortis provides compelling customer solutions creatively.

*One of Europe's most dynamic and sustainable financial services brands, by delivering specialised, innovative and pragmatic customer solutions across a network of channels and by leveraging our operational and entrepreneurial expertise.*

# Where you'll find us

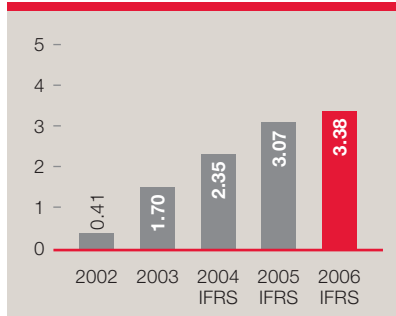
- Retail Banking
- Business Centres, Specialised Financial Services offices and Private Banking offices
- ▲ Merchant Banking
- Fortis Investments
- Insurance

For a more detailed map, see [www.fortis.com/worldmap](http://www.fortis.com/worldmap)

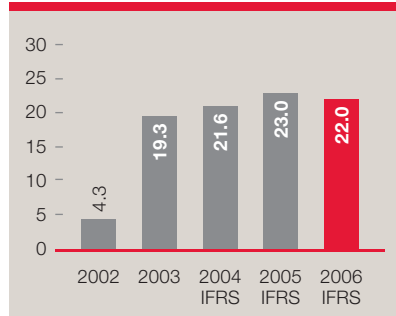


# Indicators

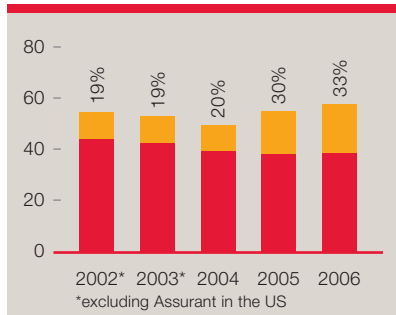
**Net profit per share up 10%**  
(in EUR)



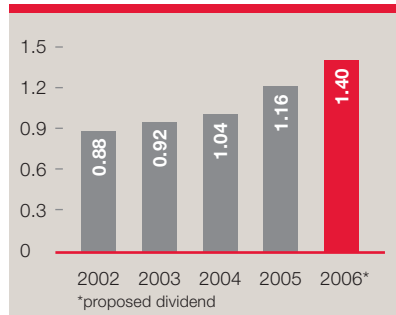
**Return on equity reaches 22%**  
(in %)



**Internationalising workforce**  
(in FTEs, x1,000)

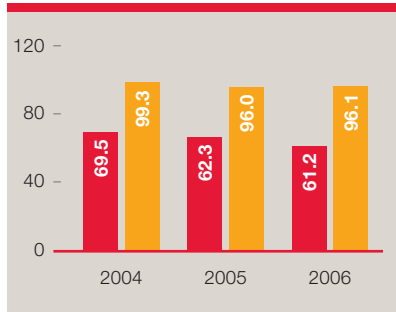


**Growing dividend**  
(in EUR)



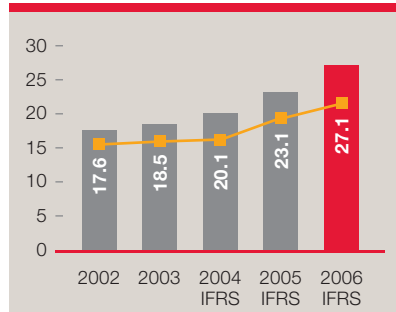
■ In Benelux ■ Outside Benelux as % of total

**Improving financial ratios**  
(in %)



■ Cost/income ratio Bank  
■ Combined ratio Non-life

**Healthy solvency**  
(in EUR billion)



■ Net core capital ■ Fortis's floor




# Table of contents

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<b>Message from the CEO</b>	<b>2</b>
<b>Corporate Social Responsibility at Fortis</b>	<b>4</b>
Finalising Agenda 2006	4
Towards Agenda 2009	5
Sustainable Supply Chains	6
Climate Change	8
Social Inclusion	10
CSR Governance	12
Memberships	12
External Recognition	13
<b>Focus on our Customers</b>	<b>15</b>
Managing Social and Environmental Risks	15
The Equator Principles	16
Sector Policies	17
Sustainable and Responsible Products & Services	21
Sustainable and Responsible Investment	21
Carbon Banking	23
Renewable Energy Financing	26
Sustainable Products	27
Product Quality & Responsibility	30
Access to Financial Services	30
<b>Employees build Fortis</b>	<b>31</b>
Workforce	31
Talent Attraction and Development	32
Diversity	33
Employee Satisfaction	34
Health	34
Social Consultation	35
<b>Caring for our Environment</b>	<b>36</b>
Carbon Neutrality	36
Corporate Environmental Management System	37
Central Purchasing Organisation	39
<b>An Active Role in Society</b>	<b>40</b>
Community Involvement	40
NGO Dialogue	42
Public Sector	43
Sponsorship	43
<b>Sustainable Shareholder Value</b>	<b>44</b>
The Fortis Share	44
Corporate Governance	45
Fortis as a Shareholder	45
<b>Reporting Process and Principles</b>	<b>46</b>
<b>Assurance Report</b>	<b>47</b>
<b>GRI Index</b>	<b>49</b>

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“Today the world is faced with challenges that go well beyond the balance sheet – businesses have a duty and a responsibility to play their part in addressing issues that impact upon society as a whole.”

# Message from the CEO

A desire to deliver results and to exceed the expectations of the market – that is the *raison d'être* of business. But it is by no means the whole story. Today the world is faced with challenges that go well beyond the balance sheet – and businesses have a duty and a responsibility to play their part in addressing issues that impact upon society as a whole. Concerns about climate change, poverty, and the impact of globalisation are real issues – and they are not going to go away. It is in the long-term interests of society that we find effective ways to address these critical challenges, not only to preserve the quality of life today, but to ensure that of future generations. That is why we at Fortis are placing so much emphasis on ‘doing the right thing’ – both as a company and on behalf of our employees and our clients.

The Fortis Corporate Social Responsibility Agenda is a reflection of our ambition to deliver results. In order to increase the impact of our efforts we have decided to accelerate and to focus on three overall themes: Sustainable Supply Chains, Climate Change and Social Inclusion. It is not for philanthropic purposes that we have decided to embrace these issues. On the contrary, we believe that by understanding the dynamics of these areas and by contributing to solutions that matter, we will also improve our position in the market and maximise the value potential of our company for the future. No company can sustain a healthy position in its chosen market if it does not anticipate developments in a broad societal context.

In this report we aim to give a complete and balanced overview of the progress we have made in 2006. Some of the highlights are:

- Further integration of sustainability in the supply chains in which we are involved, for example by the development of new business models for the agri-commodities and shipping sectors, in cooperation with relevant stakeholders such as NGOs.
- We have adopted an ambitious Carbon Neutrality Programme that includes our objective to be CO<sub>2</sub>-neutral ourselves by 2007 and we will increase our commercial activities in carbon banking and climate change-related products.
- The concept of Fortis Foundations is being rolled out internationally.

Perhaps our most significant long-term investment is being made in our people. This is an obvious priority because our people determine the quality of our organisation and the satisfaction of our clients. Our growth and international expansion plans mean that our employee base is becoming more diverse. We believe that our commitment to CSR inspires our employees and is one of the binding factors in our global business. I am very proud of the work of all Fortis staff. Their dedication and high-performance attitude is crucial in catapulting Fortis to a position among the pre-eminent players in the marketplace today.

I believe that ultimately we will only be recognised for our commitment to CSR if we continue to be successful from a financial and strategic perspective. I am pleased to report that Fortis has had another excellent year. We have delivered strong results and we have continued to grow our businesses at home and internationally, organically and through selective acquisitions. Our success over the past two years has given us the confidence to accelerate our growth and to set new financial targets through to 2011.

At Fortis we are optimists by nature. We recognise that there are many challenges in our world today. But we believe in the imagination and power of individuals and of business to find ways of dealing with these challenges. We are committed to taking on this responsibility. As a company with strong growth ambitions, we will continually strive to improve our performance, based on the belief that creating value and making a positive impact on society go hand in hand. We at Fortis are determined to pursue this road and we look forward to continuing to work and interact with you. We hope that this report gives you a good insight into our performance and progress and inspires you in your daily life.



Jean-Paul Votron  
Chief Executive Officer

“We believe  
creating value and  
making a positive  
impact on society  
go hand in hand.”

# Corporate Social Responsibility at Fortis



We believe that the only way to improve our performance in Corporate Social Responsibility (CSR) in a sustainable way is by embedding the essentials of CSR in our core business and organisational processes. This was our focus in 2006 and it will continue to be our focus in the years ahead.

Be it on the level of the relationship with our clients, be it in the area of product and services development, be it even in developing new business models and approaching new markets in new ways, we have learned that looking at our clients and their businesses through a CSR perspective opens up a world of opportunities. This is why we have put our report very much in the context of our client relationships, without underplaying the importance of our other stakeholders.

Our clients and the societies in which we operate allow us to be successful. Our commitment is expressed by an explicit view we have developed in the Fortis Foundations: to contribute to social inclusion, to help vulnerable groups to be included in the economic and social dynamics of society and to be part of the social fabric of society. For us at Fortis, these efforts go hand in hand with our business presence in the community. Successful companies need a healthy society and, at the same time, a healthy society needs successful companies. It is in this spirit of commitment to the societies in which we operate that we are growing our company in a sustainable way.

## Finalising Agenda 2006

In previous reports, we have explained how Agenda 2006 was defined and executed. The Agenda 2006 roadmap described our ambitions, priorities and actions for the

## Fortis identifies two dimensions of Corporate Social Responsibility

### Sustainable Development

For us this means conducting business in a responsible manner; achieving sustainable economic growth while anticipating the legitimate interests of our stakeholders; and taking social and environmental responsibility.

### Community Involvement

This is the active role and responsibility we take in helping local communities realise their objectives. We do this through a combination of philanthropy and volunteer work. Our Foundations are the primary drivers of this commitment.

period 2004-2006. Working with Agenda 2006 has proven to be effective. The operational action points it identified helped to make both our employees and outside stakeholders aware of our priorities. It helped us to focus and to make tangible progress in many areas. All of the action points specified in Agenda 2006, as shown in the graph 'CSR Roadmaps', have been accomplished.



## Our major CSR achievements in 2006

- Implementation of Equator Principles
- Development of sector policies and tools in Shipping and Agri-commodities
- Development of sustainable products such as the Fortis Footprint Calculator, Start Green Fund and Energy Saving Credit
- Endorsement of UN Global Compact and membership of UNEP FI
- Decision for Carbon Neutrality Programme (CO<sub>2</sub> neutral as of 2007)
- Inclusion in Climate Leadership Index
- Development of Corporate Environmental Management System
- Integrity training for employees
- Launch of Fortis Foundations in Luxembourg, France and Poland
- Improvement of Dow Jones Sustainability Index position

## Towards Agenda 2009

Since Agenda 2006 was successful, we have decided to formulate a similar roadmap for the next stage of our sustainability journey. Agenda 2009 will help us achieve our ambition to be regarded as one of the leading financial institutions in CSR.

Agenda 2009 is built upon three themes:

**Sustainable Supply Chains:** by understanding the supply chains in which we and our clients operate, we are able to promote sustainable development in these chains, allowing us to deepen our relationship with our clients and build new and innovative partnerships.

**Climate Change:** by reducing our own environmental footprint, proactively developing products and services related to climate change, analysing our indirect impact and developing business-driven policies, Fortis wants to contribute to a solution for climate change.

**Social Inclusion:** through the work of the Fortis Foundations, we aim to help vulnerable groups fully participate in society. Fortis is also striving to increase the accessibility of our products by developing products and applications that allow everybody to benefit from the financial services we offer.

**Sustainable Supply Chains**   **Climate Change**   **Social Inclusion**

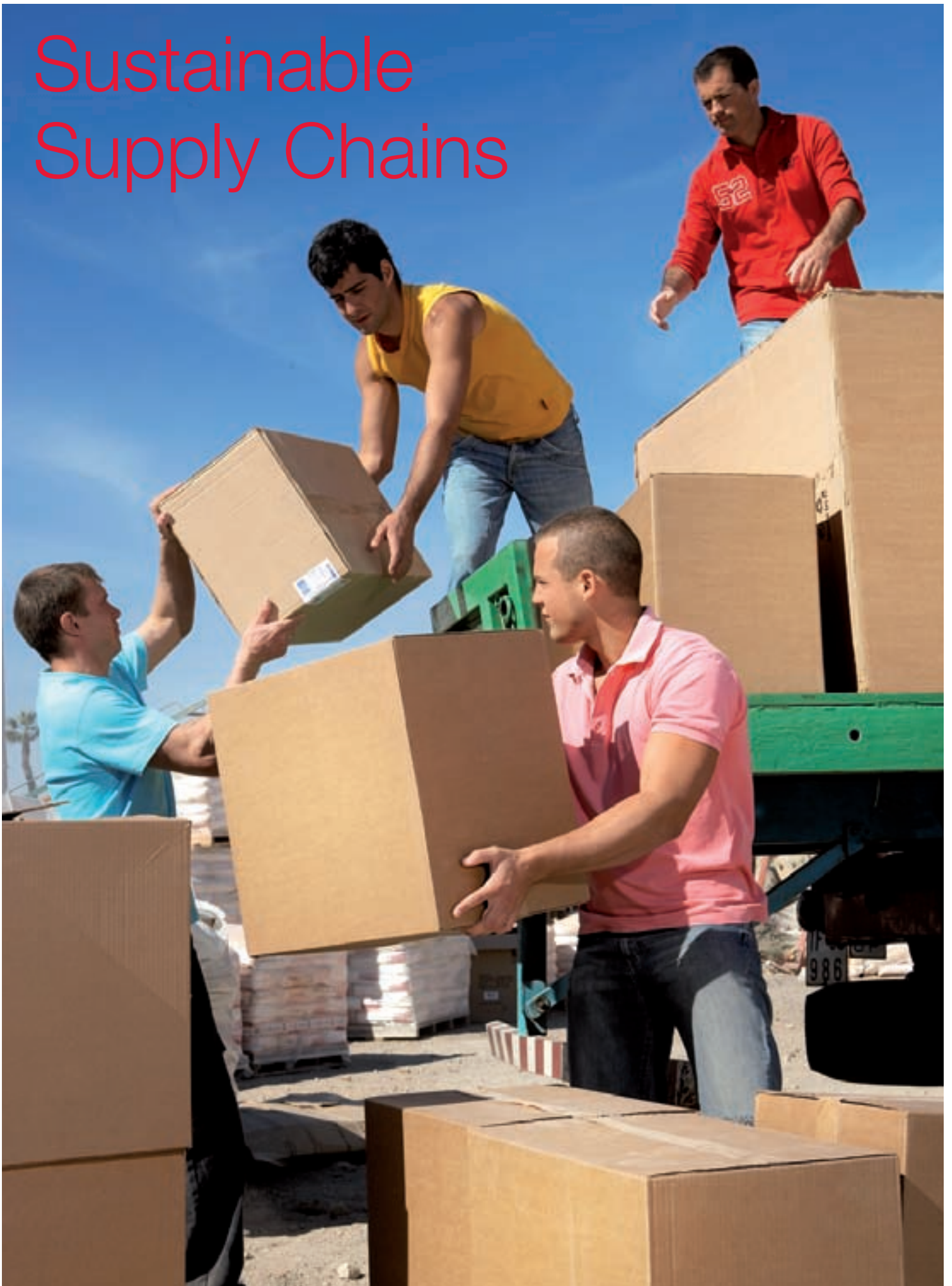


We believe that these three themes capture the most significant and material sustainability challenges that we will face in the coming years. They have been derived from an intensive investigative process in which both internal and external stakeholders have been involved. Our efforts to further embed our sustainability values throughout our organisation will be guided by our dedication to these themes. We have formulated several specific action points but continue to work on defining other measurable priorities and actions that will help us to improve our CSR performance.

## CSR Roadmaps

Agenda 2006 (2004-2006)	Agenda 2009 (2007-2009)
<b>Development and implementation</b>	<b>Focus and acceleration</b>
<ul style="list-style-type: none"> <li>• First Sustainability Report</li> <li>• Internal sustainability site</li> <li>• Central credit policy on sustainability</li> <li>• Defence Industry Policy</li> <li>• Performance indicators as part of business plans</li> <li>• Intensification of stakeholder dialogue</li> <li>• Development of purchasing policy</li> <li>• Further research on Fortis-wide investment policy</li> <li>• Fortis-wide Environmental Statement</li> <li>• Alignment with international standards; endorsement of Equator Principles</li> <li>• Development of sector policies</li> <li>• Expansion of Fortis Foundations</li> </ul>	<ul style="list-style-type: none"> <li>• Building on overall themes               <ul style="list-style-type: none"> <li>• Sustainable Supply Chains</li> <li>• Climate Change</li> <li>• Social Inclusion</li> </ul> </li> <li>• Continue embedding CSR in all parts of the organisation</li> <li>• Implementation of Carbon Neutrality Programme</li> <li>• Development and roll out of specific policies</li> <li>• Further expansion of Fortis Foundations</li> <li>• Formulation and implementation of Fortis Human Rights Statement</li> <li>• Strengthen stakeholder dialogue and communication</li> <li>• Development of sustainable products and services</li> <li>• Actively participate in international debate on CSR</li> </ul>

# Sustainable Supply Chains



By understanding the supply chains in which we and our clients operate, we are able to promote sustainable development in these chains, thereby allowing us to deepen our relationship with our clients and build new and innovative partnerships.

### Sustainable Supply Chains



As a financial institution, Fortis's biggest impact is indirect, through the support we provide to other companies within the different parts of our business. The companies we support are in many cases themselves part of a long value chain and most CSR issues do not lay within the boundaries of one single part of the chain. More and more, companies are becoming aware of and are held responsible for these issues in their supply chain.

The challenges in the area of sustainable supply chains are manifold. Where does the responsibility for the value chain

begin and where does it end? What are the boundaries of our sphere of influence? How can we use this influence to make supply chains more sustainable and to what extent and at what price? The debate on these questions is fundamental and has only just started.

At Fortis we believe that we have to take appropriate actions rather than waiting for some kind of international consensus. We are actively developing policies to deal with CSR issues in the different supply chains in which we are engaged.

### Our performance

Indicator	Performance	Business significance	To do
Equator Principles	Implemented the revised Equator Principles into our project finance organisation Number of assessments: 97	Improved Credit Performance	Expand implementation beyond project finance into other relevant areas of our business
Sector Policies	Developed palm oil sustainability policy, including Agri Core Values Developed sustainable shipping assessment tool	Improved Credit Performance	Implement palm oil policy and roll out policy across other agricultural product areas Screen entire shipping portfolio
Sustainable Investment	Sustainable Assets under Management (AuM): Private Banking EUR 531 million Asset Management EUR 950.5 million	Business opportunities Profit	AuM Private Banking: EUR 1 billion by 2010 AuM Asset Management: EUR 5 billion in the medium term

## Commodities in Indonesia

Being a member of our internal task force for the development of the palm oil sustainability policy has been an extremely valuable experience. It helped me to deepen my understanding of how the production of palm oil affects environmental and social issues. We developed a better understanding of our client's plantation practices and through the initial communication of our Agri Core Values, the client is made much more aware that their actions have a big impact on the environment and the community. At the same time, we are also made aware of the practical difficulties that our clients face in upholding these values, especially given the fragmented nature of the industry and the hundreds and thousands of parties involved in the palm oil community and value chain.

Our meetings with various NGOs have been both interesting and insightful. They were very critical of certain palm oil players in our portfolio. This knowledge has helped us to counter-check issues with our clients and mitigate any reputational risk for Fortis.

Besides the contribution to a more sustainable supply chain, I believe our policy will provide commercial benefits. It deepens our relationship with the client and as we also encourage our clients to source only from suppliers who are environmentally and socially responsible, we are able to tap into our client's supplier base to broaden our network for business prospecting purposes. Our clients are generally very aware and mindful of sustainability issues and recognise the necessity to improve their sustainable practices; in particular it broadens their sales network with the European and American markets.



Angeline Tang, Relationship Manager  
Agri-commodities Singapore

# Climate Change



By reducing our own environmental footprint, proactively developing products and services related to climate change, analysing our indirect impact and developing business-driven policies, Fortis wants to contribute to a solution for climate change.

## Climate Change



Climate change is probably one of the most crucial challenges the world faces today. This challenge comes with high risks for the future that need to be taken on board by everyone in every society. Fortis accepts its part in meeting this challenge. We are proactively responding to these risks and recognise the business opportunities that these challenges bring. For that reason, we have identified climate change as one of our three main CSR themes for the years to come.

Fortis has already taken action on these new business opportunities by offering a broad range of carbon banking services and renewable energy financing. We are dedicated to further expanding these activities in the near future. In addition, Fortis has committed itself to a comprehensive Carbon Neutrality Programme, leading to full carbon neutrality for all our operations as of 2007.

### Our performance

Indicator	Performance	Business significance	To do
Carbon Banking	Trading result EUR 15 million	Business opportunities Profit	Copy our successful Carbon Banking business plan to the US and Asia
Renewable Energy Financing	Outstandings per year-end EUR 425 million Number of projects 23	Business opportunities Profit	Continue to play a leading role in Renewable Energy Financing
Fortis Footprint	Total CO <sub>2</sub> emissions in tonnes 220,000	Efficient usage of resources	Being carbon neutral as of 2007 Reducing our worldwide energy consumption with 10% per FTE by the end of 2010

## Waste-to-Energy

Fortis Bank Milan became an arranger for the EUR 215 million project financing for Lomellina Energia S.r.l. (LE). LE was set up in 1995 to develop, build, own and operate a 19MW Waste-to-Energy power plant with a waste treatment capacity of 200,000 t/p.a. using Foster Wheeler Circulating Fluidised-Bed technology. Project financing will be used to extend to the plant to 44MW and 380,000 t/p.a. and to refinance the existing project finance facilities. The project sponsors are COGEME S.p.A., Foster Wheeler Italiana S.p.A. and ASM Vigevano e Lomellina S.p.A.

Lomellina Energia is the first Waste-to-Energy (WtE) project for Fortis Bank in Italy. Fortis Bank's stake in LE puts the bank on the map of the Italian WtE market and makes it an important contributor to the further realisation of Fortis's profile in the renewable energy market.



# Social Inclusion



Through the Fortis Foundations, we aim to help vulnerable groups fully participate in society. We are also striving to increase the accessibility of our products by developing products and applications that allow everybody to benefit from the financial services we offer.

## Social Inclusion



Fortis is committed to making a tangible contribution to the societies in which it is active and aims to promote the social inclusion of disadvantaged groups. For many years now, this commitment has been expressed through the work of the Fortis Foundations. To help vulnerable groups in society to be included in the economic and social dynamics of society, we furthermore aim to increase the accessibility of the financial services we offer.

In addition to the social inclusion of different societal groups, Fortis also strives to offer its employees an inclusive working environment in which differences in social and cultural backgrounds are accepted, respected and recognised as an important resource, and in which talent is recognised and developed. Each and every employee should be able to reach their full potential.

### Our performance

Indicator	Performance	Business significance	To do
Community Involvement	Budget for donations EUR 3,728,000	Employee Engagement Reputation Improvement	Further expansion of the Fortis Foundations into the countries in which we are active, starting with the UK, Turkey and Ireland
	Number of projects 398		
	Employees involved in projects 3,766		
Diversity	Women at senior management level (in %) 8.2	Alignment of our workforce with the marketplace	Women at senior management level: 9% in 2007 Broaden the concept of diversity beyond gender
Training and Development	Average number of training days per FTE 4.57	Human Capital Development	Continue to increase development opportunities for our people

## Community Involvement

Building on earlier experience, Fortis Insurance Netherlands and Youth Welfare Work Netherlands started a structural partnership in 2006 under the name 'Insured of Youth Welfare'. Youth Welfare Work Netherlands is an umbrella organisation for several institutions that help children and youth develop into healthy and balanced adults and support parents with problems in raising their children. Seven board members from Fortis and the institutions got together to initiate projects in different parts of the youth welfare institutions in which Fortis employees are involved. The partnership focuses on three main themes; youth and sports, education and development and reputation management.

“We took a deliberate decision to embark on a long-term relationship with Youth Welfare Work – a relationship that offers reciprocal benefits. It’s great to see that these initiatives touch a chord with everybody at Fortis. After all, we were all young once and many Fortis employees have children and sometimes even grandchildren of their own, which strengthens their sense of commitment. I often hear how proud they are of our company for reaching out in this way. In a nutshell, Youth Welfare Work and Fortis Insurance have a lot to offer each other.”



## CSR Governance

With the appointment of Lex Kloosterman as Chief Strategy Officer (CSO) to the Executive Committee on 1 October 2006, CSR has become an integral part of the strategic function. In charge of Investor Relations, Economic Research & Public Affairs, Corporate Social Responsibility, Global Branding & Communications and External Affairs, the CSO is primarily responsible for developing the strategic framework that defines the future direction of the company.

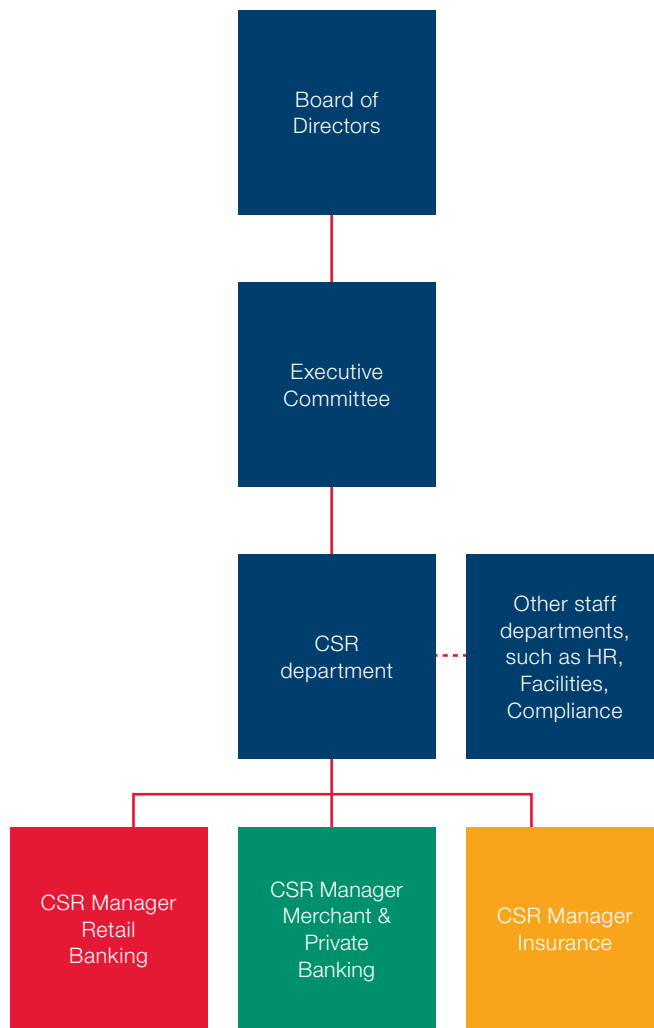
The CSR department is led by a General Manager who reports directly to the CSO. The key responsibility of this department is to develop, coordinate and orchestrate sustainability policies in line with the company's overall global strategy. The department is also charged with identifying business opportunities and issues, stimulating internal dialogue, agenda setting and the allocation of responsibilities. At the same time it challenges the organisation to stretch its ambitions and improve performance and it represents Fortis in external stakeholder dialogues and forums.

To enhance the integration of CSR into the business, CSR managers have been appointed within Fortis's different businesses. In Retail Banking, Merchant & Private Banking and Insurance, these managers are responsible for accelerating the inclusion of CSR in all activities. They formulate CSR business plans for their respective businesses within the framework of the corporate strategy.

Early 2007, we have decided to install a Fortis CSR Advisory Board that will act as a sounding board on key CSR issues and Fortis CSR policies and practices. Through this advisory board, made up of an international forum of respected and highly recognised experts, Fortis aims to gain a broad and deep international perspective of CSR. The board can help to develop strategic advantages to Fortis in the area of CSR. The members will represent the academic world, NGOs, CSR research and the business world.

At Fortis, all behaviour and decision-making processes are guided by a body of principles, policies, rules and regulations. The Fortis Principles of Business Conduct take a central place in this framework. In cooperation with Fortis Human Resources and Compliance, the CSR department will be involved in reviewing and rewriting our principles in 2007, aiming to integrate more explicit CSR principles into our code.

Responsible growth means ensuring strict adherence to rules and regulations at all times. The Fortis compliance function promotes full observance by the company and its employees of laws, rules and standards, and helps to protect our reputation as a reliable partner. The compliance organisation consists of 218 FTEs and is represented at every business level.



## Memberships

CSR is a complex field in which many players from a variety of backgrounds are involved. As an international financial institution, Fortis fulfils the role of intermediary in often long and complex value chains. This is why we consider it beneficial to participate in international networks. This participation allows Fortis to compare our performance with that of our peers; to participate in the development of internationally-recognised guidelines against which our policies and performance are monitored; and to exchange ideas, challenges and opportunities with a diverse group of stakeholders.



### UNEP FI

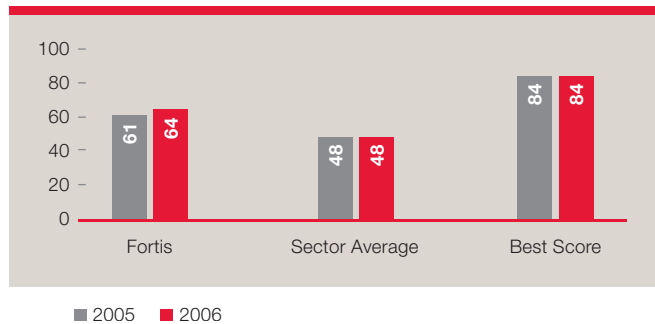
UNEP FI is an international partnership between the United Nations Environmental Program and the more than 160 financial institutions who are signatories

to the UNEP FI Statements. Signatories commit to the integration of environmental considerations in all aspects of their operations. The opportunity to network with other prominent financial institutions, engage with players in the public and private sectors and to share best practices make our membership of UNEP FI a meaningful contributor to our ambition to grow in an environmentally sustainable way.

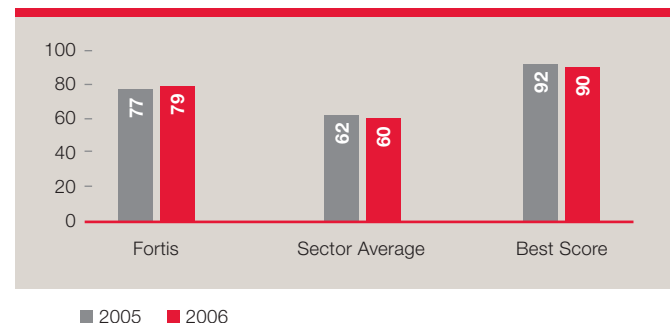


## Fortis's position in the Dow Jones Sustainability Index

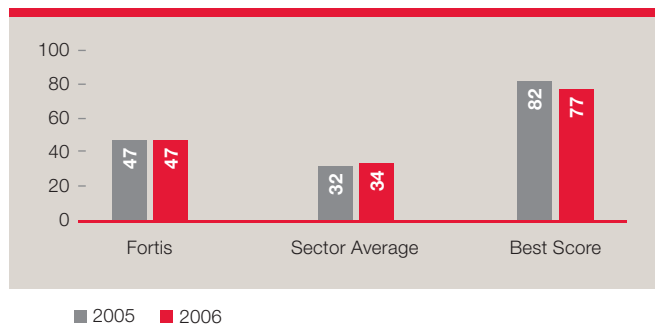
### Total Score



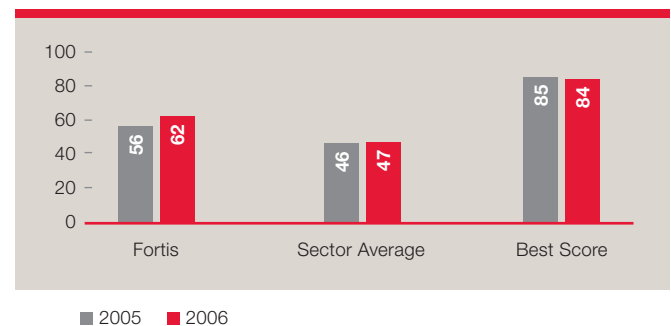
### Economic Dimension



### Environmental Dimension



### Social Dimension



### Global Compact

The UN Global Compact is an international initiative that connects companies with UN agencies and labour and civil society representatives in order to support ten universal principles. By signing and

actively participating in the Global Compact, Fortis further develops its commitment to being a truly sustainable and socially responsible organisation. Membership helps to advance our internal CSR agenda by providing guidelines and an international network. This in turn helps the pursuit of our business growth strategy whilst always bearing in mind relevant sustainability issues.



### CSR Europe

CSR Europe is the leading European business network for CSR and its membership comprises over 60 leading multinational corporations. By participating in this network, we are able to exchange

ideas with other organisations concerning the integration of CSR into daily business practices.

### External Recognition

Over the last few years, our CSR performance has been recognised by a number of different external agencies and institutions. This recognition is important because it provides Fortis with guidelines for further improvement and can help enhance our reputation.



### DJSI

In 2006, Fortis was again included in the Dow Jones Sustainability Index. As shown in the graphs above, our overall performance improved in comparison with 2005.

“Fortis's position in the Dow Jones Sustainability Indexes in 2006 improved slightly compared to the previous year. Given the changes in the methodology this performance underlines that Fortis pushed ahead with the execution of its corporate sustainability strategy and embedding economic, environmental as well as social aspects in its core business.”

Marion Swoboda, Senior Equity Analyst  
SAM Research AG



### FTSE4 Good

Following the 2006 FTSE Group review, Fortis continues to meet the CSR criteria necessary to be included in the

FTSE4Good Index. Our inclusion in this index sends a powerful message to our investors and other stakeholders about our commitment to responsible business practices.



### SiRi

In the yearly sustainability research performed by SiRi Company, Fortis improved its score from 65.1 in 2005 to 74.9 in 2006. With this significant improvement Fortis outperformed the diversified financials industry average (47.4).

### Carbon Disclosure Project and Climate Change Leadership Index

In a survey undertaken by the Carbon Disclosure Project (CDP) about the responses of the world's largest companies to the issue of climate change, Fortis has been honoured as 'Best in Class'. In the survey report, Fortis was included in the Climate Leadership Index, an index comprising FT 500 companies. Out of the 500 largest publicly-traded companies in the world, Fortis belongs to the top 50 that show the most comprehensive climate change practices. The CDP survey is carried out on behalf of 225 institutional investors with assets of USD 31 trillion of which Fortis Investments' SRI team is one.

### Nominations for Best CSR Report

Both in the Netherlands and in Belgium, Fortis's *Sustainability Report 2005* was nominated for the Best Annual CSR report. In the Netherlands, the ACC Award was organised by the Dutch Association of Accountants and in Belgium the Instituut der Bedrijfs-revisoren and Business & Society organised the award. Fortis was proud to receive these nominations and saw them as an extra motivation to further improve this year's CSR report.

### Transparency Benchmark

In the Transparency Benchmark, a research initiative carried out by PricewaterhouseCoopers for the Dutch Ministry of Economic Affairs, Fortis was amongst the top ten most transparent Dutch companies.



## Fortis endows Chair of Sustainable Finance

Fortis has endowed RSM Erasmus University in Rotterdam (Netherlands) with a Chair in Sustainable Finance, for a period of two years starting on 1 January 2007. The Chair will be held by Dr Kees Koedijk, Professor of Financial Management at the same university and leading expert on sustainable investment. It will be part of the university's European Centre for Corporate Engagement (ECCE), due to be opened in the near future. Fortis hopes to bridge the gap not just with the world of academic research, but also with the students themselves. We see the Chair as an investment in tomorrow's generation of sustainable leaders and as a valuable source of information that we can use in our customer relations.

"We are very glad that Fortis is prepared to support the school in the important field of sustainable investment. RSM would indeed like to work more closely with the business community on issues that impinge on Corporate Social Responsibility in the Netherlands and elsewhere."

Professor Han van Dissel, Dean of RSM Erasmus University

# Focus on our Customers



Customer focus is a crucial element of Fortis's growth strategy; 'Getting you there' is at the heart of our success. We constantly strive to identify and meet customer needs, and our relationship with our customers takes a central place in our CSR strategy.

Within this relationship are two areas of particular note: the incorporation of key CSR issues into risk management procedures in order to improve our credit performance and the development and offering of excellent sustainable products and services.

## Managing Social and Environmental Risks

Responsible growth requires carefully designed and effective processes for risk management, governance and compliance. We are convinced that, if managed

professionally and proactively, these functions truly help improve the quality of our business and allow us to make balanced, well-informed decisions. Our corporate risk management procedures, as well as legal and compliance activities, are discussed at length in the Fortis Annual Report 2006. As part of our corporate risk management procedures, a body of policies has been developed to manage the social and environmental risks we face in the relationship with our customers.

### Body of principles and policies (not limitative)

General Principles



Specific Business Applications

- Fortis Principles of Business Conduct

- Fortis CSR Statement
- Fortis Environmental Statement
- Fortis Human Rights Statement<sup>1</sup>

- Equator Principles
- Fortis Sustainable Shipping Assessment Tool
- Fortis Agri-commodities Policy
- Fortis Defence Industry Policy

International Standards and Agreements, such as UNEP FI, Global Compact

<sup>1</sup> To be finalised in 2007

## The Equator Principles

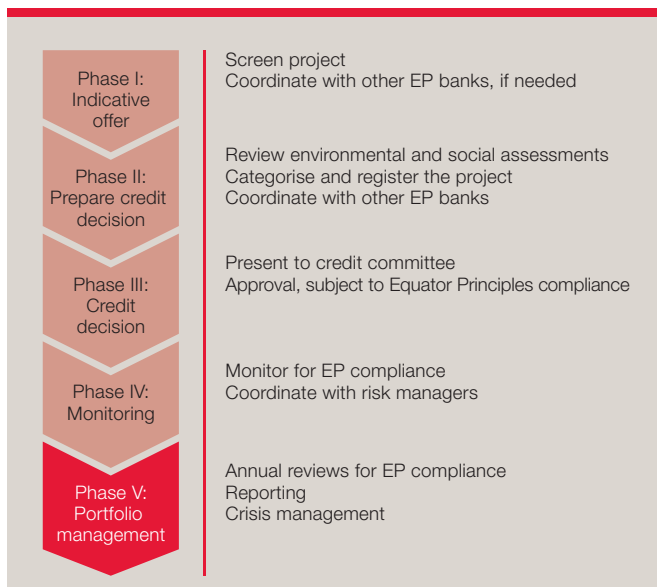


### Sustainable Supply Chains

In 2006, we signalled our intention to put sustainability at the heart of our business strategy for emerging markets, through adopting and implementing the Equator Principles. The Equator Principles are a common framework used by banks to ensure that the projects they finance, particularly in emerging markets, are implemented in a socially responsible manner and reflect sound environmental management practices.

We adopted the Equator Principles in February 2006 and established a dedicated Environmental and Social Unit (ESU) to ensure that our commitments were respected. Implementation focused initially on our project finance activities. Working guidelines were developed with our project finance business unit and we introduced a new credit policy requiring all new project finance transactions to be screened for compliance with the Equator Principles. Compliance with the Equator Principles is now a 'condition precedent' in all of our project finance lending. On 16 July 2006 Fortis was among the first financial institutions to readopt the revised Equator Principles.

### Project cycle Indicative process leading to Equator Principles (EP) compliance



Training has been an essential part of our efforts to implement the Equator Principles. The ESU organised three full-day workshops that were attended by over 70 people involved with our project finance business around the world. A number of shorter awareness-raising events, also attended by around 90 people, were organised in Belgium, the Netherlands and Hong Kong.

From February 2006, when Fortis adopted the Equator Principles, the ESU recorded a total of 97 enquiries and transactions. The ESU provided environmental and social advice for these. Some were not pursued any further, while others are subject to ongoing discussions and may be taken forward in 2007.

The majority of transactions (57) concerned new projects in high-income OECD countries, consisting mainly of energy-related investments and Private Finance Initiatives (PFIs) to develop and maintain public infrastructure. Our Equator Principles guidelines only require that these projects comply with local and national laws, as such standards generally exceed the benchmark standards used in the framework of the Equator Principles.

A further 40 concerned enquiries and transactions in emerging markets, covering a range of sectors including energy, mining and petrochemicals. These included 14 new project finance deals. Under the terms of the new Equator Principles credit policy, all of these projects were approved after being screened by the ESU for compliance with the Equator Principles as a condition for Fortis's participation. The ESU also provided advice and guidance for the remaining 26 files in emerging markets. Some of these concern projects under development, which may be financed in 2007.

### The Equator Principles in practice

High-income OECD countries	
Total files reviewed	57
Of which:	
Approved project finance transactions	55
Emerging markets	
Total files reviewed	40
Of which:	
Approved project finance transactions:	
Category A	6
Category B	8
Consultations and advice:	
Project finance related files	16
Non-project finance related files	10

Under the Equator Principles, each project is categorised according to its environmental and social risk. Category A carries the highest risk. Categories B and C carry lower risk. Category A and certain Category B projects must take special measures to identify and mitigate their environmental and social impact, subject to strict monitoring. Six of the new projects approved in 2006 were assessed as Category A and eight were assessed as Category B.

Adopting the Equator Principles has helped us to integrate environmental and social considerations into our credit decisions for project finance. It has also improved our credit analysis and has helped to increase the awareness of sustainability throughout our Merchant Banking business. This has led to a rising demand for the ESU's services, with the unit serving as a 'sounding board' and source of advice for commercial officers when they are considering new projects.

Looking ahead to 2007, we intend to move beyond project finance and include environmental and social considerations in other important areas of our business. In the course of 2006, our environmental and social unit was consulted with increasing frequency by, for example, our business units dealing with corporate lending and trade finance for commodities. This work will carry on in 2007, as Fortis continues to pursue its goal of joining the top ranks of sustainability-minded financial institutions.

### The Equator Principles in practice

#### Case study

#### Raising awareness across our business lines

The Equator Principles are designed primarily to manage environmental and social risks in project finance, which accounts for just a small part of our business in emerging markets. Although we initially adopted the principles on this basis, almost immediately we became aware of a strong demand for support on sustainability issues in other parts of our organisation involved with emerging markets. An early illustration of this came when commercial officers sought advice on a commodity-related loan to finance a new investment in an existing coke production plant in China. Although the loan could not be defined as 'project finance', it was nevertheless assessed for compliance with the Equator Principles. As awareness of the Equator Principles spread through Fortis Merchant Banking, an increasing number of commercial officers approached the ESU for advice, demonstrating that the principles are an important tool for integrating sustainability across other parts of the business.

### Sector Policies

Our strategic aim to expand on sector policies and tools has focused on two areas: Shipping and Agri-commodities.

#### Shipping



#### Sustainable Supply Chains

In the past few years, awareness of CSR issues in the shipping sector has increased significantly. Issues such as marine and air pollution, crewing and labour conditions and the accountability and transparency of shipping companies have received public attention. The industry responded with a number of sustainability initiatives. Being a leading provider of financial services in the shipping industry, we developed our own sustainability assessment tool.

The tool aims to score our existing portfolio and potential clients and transactions on critical social and environmental criteria. The development process, which included dialogues with some of our clients, industry experts and NGOs, has resulted in a prototyped tool that helps us to identify sustainability issues in our clients' businesses and assess their performance on these issues.

In 2007, we will screen our entire shipping portfolio, using this new assessment tool as a first step towards integrating shipping sustainability issues into the risk management and credit approval processes. This will also provide us with enough data to calibrate our scoring system. CSR awareness is increasing in the shipping industry, which will result in more local and global regulation, as well as self-imposed initiatives. We expect these to have a positive impact on the overall CSR performance of the shipping industry in the coming years. With our sustainability assessment tool, we will play an active role in this process.

Fortis's assessment tool consists of 23 sustainability awareness indicators that lead to one score for each client. The total client score can be divided into three sub-scores; a general score, assessing general issues such as ship-class, policies, monitoring and accidents; a crewing score, assessing the social conditions on the ship; and an environmental score, assessing indicators such as environmental certification, emissions and gas monitoring.

Initial test results are promising. Not only do we believe that this tool helps us make better (credit) decisions but we also found that it assists in increasing client intimacy. It encourages us to ask questions that discuss in depth the dynamics of the client's business and that go beyond the direct responsibility of the person we most commonly converse with, the client CFO, and truly touch the core of our client's business.

## The materiality of shipping

Fortis and shipping	Main sustainability issues in shipping
<ul style="list-style-type: none"> <li>• Leading provider of financial services to shipping industry</li> <li>• High visibility both in the financial services industry and within Fortis</li> <li>• Global office network: Rotterdam, Athens, Oslo, London, New York, Singapore and Hong Kong</li> <li>• Current portfolio of approximately USD 7 billion</li> <li>• Directly involved in financing of approximately 1000 vessels</li> </ul>	<ul style="list-style-type: none"> <li>• Marine pollution and biodiversity Waste, cargo discharge, anti-fouling, invasive species in ballast water</li> <li>• Air pollution and climate change</li> <li>• Crewing and labour conditions</li> <li>• 'Shipbreaking' (including design and construction)</li> <li>• Accountability and transparency</li> </ul>

We shared our ideas with our peers and clients in an address to the renowned Marine Money conference in Athens, in October. The speech, given by the director of Fortis's Global Shipping Group, was very well received. Conference participants considered the initiative to be leadership-oriented and applauded its timing. Marine Money magazine said, "Challenging the audience, he spoke about the bank's commitment to CSR and a bank's role in the maintenance of standards".

### Stakeholder consultation on shipping

An important part of the development of our Sustainable Shipping Assessment Tool was the consultation of a number of external stakeholders. The following parties were included in this process:

- Det Norske Veritas: one of the world's leading shipping classification societies
- Standard Club: a company that insures ship owners and managers for their liabilities to third parties arising out of the operations of ships
- Intertanko: the International Association of Independent Tanker Owners
- Intercargo: the International Association of Dry Cargo Ship Owners
- Ministerie en Inspectie van Verkeer en Waterstaat (the Dutch Ministry for the Inspection of Transport, Public Works and Water Management)
- Koninklijke Vereniging van Nederlandse Reders (the Royal Association of Dutch Shipowners)
- Green Award: an independent foundation certifying vessels that are extra safe and extra clean
- Federatie van Werknemers in de Zeevaart (the Dutch Federation of Maritime Employees)

## Agri-commodities



### Sustainable Supply Chains

Fortis's Commodities Group has made significant progress in improving its approach to sustainability issues. The Agri Department of Commodities has developed a comprehensive policy with regards to the financing of clients involved in all stages of the production of palm oil. After approval early 2007, we will continue working on implementing the policy, ultimately leading to a new business model for the agri-commodities sector.

Sustainability issues in the palm oil sector have received significant public attention in recent years. There has been substantial vertical integration of supply chains across the entire spectrum of agricultural commodities. This means that the institutions that finance agricultural transactions are now closer to the issues that affect those deeper (i.e. closer to origin) in the supply chain. In addition, in 2006 Friends of the Earth published its report *People, Planet, Palm Oil? A review of the Oil Palm and Forest Policies adopted by Dutch Banks* and advised Fortis to develop a sector specific policy. Faced with the above developments, Fortis became aware of the serious concerns regarding the production of palm oil and the sustainability issues involved. Palm oil was considered a good test case for the creation of a coherent sustainability policy, which could in time be translated to other commodities areas. Other institutions and, in particular, some reputable NGOs and the Roundtable on Sustainable Palm Oil (RSPO) had already done work in this field.

Fortis has developed a set of 'Agri Core Values' aimed at creating a uniform code of conduct.

### The materiality of palm oil

Fortis and palm oil	Main sustainability issues in palm oil
<ul style="list-style-type: none"> <li>Commodities boom in the global economy and growing international demand for palm oil</li> <li>Client focus and support on integration of the supply chain</li> <li>Existing industry sustainability initiatives did not match Fortis's client portfolio</li> <li>Current portfolio primarily consists of traders</li> </ul>	<b>Environmental</b> <ul style="list-style-type: none"> <li>Forest clearing and fragmentation: loss of biodiversity, soil erosion, emission of GHG</li> <li>Forest fires: further forest loss, smog and soil degradation</li> <li>Illegal logging</li> <li>Agro-chemical and industrial pollution</li> </ul>
	<b>Social</b> <ul style="list-style-type: none"> <li>Violation of customary land rights: coercion and corruption</li> <li>Limitation of secure livelihoods: loss of forest goods and services, dependence on (low) cash income from plantation labour</li> <li>Health impacts: smog, pesticides, working hours</li> <li>Labour rights: wage levels, freedom of association, forced labour</li> </ul>

### Our Agri Core Values

**Economic responsibility and compliance**

- The client respects national, local laws and ratified international conventions
- The client recognises the need to be transparent
- The client runs operations in a professional, responsible manner or shows improvement in doing so

**Social responsibility**

- The client cares for the safety, health and well-being of all employees
- The client respects human and indigenous rights
- The client cares especially for the well-being of those who are affected by its operations

**Environmental responsibility**

- The client shows respect for biodiversity
- The client supports ecosystem integrity
- The client addresses environmental issues in an appropriate and precautionary manner

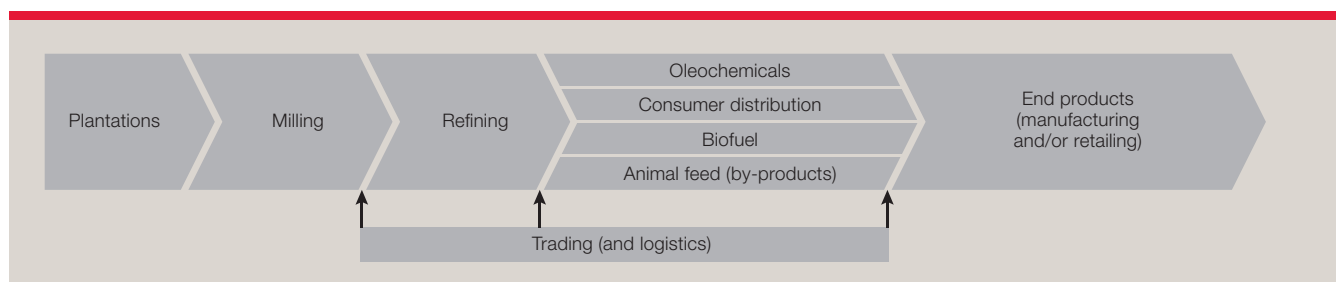
The Agri Core Values have been translated into 13 specific criteria which reflect best practice in sustainability issues in the palm oil supply chain.

Among the most important issues are:

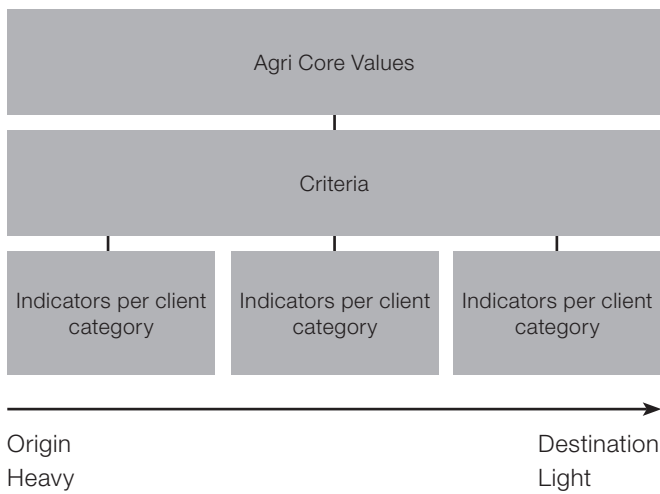
- The 'no burning' and 'no illegal logging' principles and practices
- The preservation of 'high conservation value forest'
- Respect for human rights, customary (land) rights and circumstances of local communities
- Compliance to national conventions and other relevant, international agreements, treaties and ordinances
- Attention to origin of the palm oil flow

These criteria were converted into indicators that will be applied to the various processes of palm oil production throughout the supply chain. We used our specialist knowledge in conjunction with input from NGOs across the world to produce a comprehensive policy. As a result of such broad consultation, some interesting additions were made. In many cases, these highlighted pressing concerns at ground level, for example the use of the herbicide Paraquat on plantations.

### Overview of palm oil supply chain



Fortis's Agri Core Values, criteria and indicators have evolved into the matrix shown below.



The indicators provide a framework for testing the performance and commitment of each client. The indicators roughly reflect either 'hard core' criteria or preferred business practices. The hard core criteria are reflective of those mentioned above. Contravention of these requirements without good reason would indicate clients which the bank would consider undesirable for finance. The preferred business practices are aspirant in nature. They are indicators which we consider to be goals and adherence to them would indicate clients which the bank would be content to finance.

For implementation purposes, the indicators per client categories have been transformed into questionnaires. Our employees handling palm oil clients from all stages of the supply chain can use these questionnaires to produce an appraisal of the client's sustainability credentials.

It is expected that the policy will have been completely implemented by the end of 2007. Our approach to implementation will be, amongst others, to train the employees who deal directly with palm oil clients.

With this policy, we hope to actively contribute to a more sustainable environment in the palm oil supply chain and to better manage our risk and reputation and, as a result, also create more opportunities for clients in projects that are increasingly sustainable. Agri-commodities will start drafting policies for other selected agri products in 2007.

### Stakeholder consultation on palm oil

An important part of the development of our palm oil policy was engagement with various stakeholders. Our approach and set of indicators differentiated for specific types of clients has been discussed with a number of NGOs. The following organisations have been involved in this process:

- World Wildlife Fund (WWF) Netherlands
- WWF Indonesia
- WWF Malaysia
- Sawit Watch
- Tenaganita

The different stakeholders recognised that Fortis is making valuable efforts and is contributing to sustainable development.

### Defence Industry



### Sustainable Supply Chains

Fortis formulated and implemented a policy for the defence industry in 2005. This policy articulates how we deal with the delicate issue of our involvement in this sector. All engagements with companies active in, supplying or promoting the arms industry, as well as every defence-related transaction, are screened by our Compliance department at an early stage. Defence industry-related credit applications are referred to the Central Credit Committee (CCC) – the highest level of credit authority within the bank – for decision-making.

Fortis does *not* want to be involved in financing or investing in the production, trade or any other activity related to 'controversial weapons'. This is a dynamic concept, determined by international laws and consensus and our own developing insights. At present, we consider anti-personnel mines, cluster bombs, nuclear weapons and biological and chemical weapons to be controversial. Since the implementation of our policy in October 2005, no new transactions relating to controversial weapons have been accepted. We have also been engaged with existing clients in expressing our concerns and promoting our opinion that our financing cannot be used for these activities. Fortis considers the termination of an existing relationship as a last resort, especially in our relations with conglomerates that have insignificant interests in controversial weapons.



### The dilemma in the Defence Industry Policy

In 2006 and early 2007, reports on the relations between financial institutions and producers of controversial weapons were published in Belgium. We had several meetings with the NGO responsible for the publication of these reports to discuss, among other things, the implementation of our defence industry policy.

Their main criticism is that we still finance a few companies that are alleged to be involved with controversial weapons. The complexity at this point lies in the fact that it concerns large conglomerates whose main activities are general defence products or the production of civil aircrafts. In cases of direct financing, we control the destination of our money by opting for a project finance construction or by excluding the controversial activities from our financing. In cases of asset management, we have less or no control, so we do not use our own money to invest in these companies. Indirect finance, investments made for third parties, is excluded from our policy. In principle, we cannot decide for our customers that these conglomerates should be excluded from their portfolios. However, if our clients wish to exclude these companies we offer them a 'negative screening' of their portfolio or they can opt for our selection of Socially Responsible Investment (SRI) funds.

Because of the complexity of the defence sector and the alleged involvement of companies with controversial weapons, we have commissioned an independent agency to draw up a list of companies that will support execution of our policy in 2007.

### Burma



#### Sustainable Supply Chains

For many years now, a military dictatorship has been in power in Burma and serious human rights violations are taking place in the country. As early as the beginning of 2003, Fortis publicly distanced itself from the regime and stated that we are fully aware of the situation. We endorsed *Birma Centrum Nederland's* criticism of the regime and confirmed that it is our policy not to finance any projects or activities in Burma. This policy remains rigorously in force to this day.

The events in Burma are of significance to Fortis due to the involvement of one of our clients in the Yadana Pipeline Project. We entered into a dialogue with our client, extensively discussed the issues in Burma and made them aware of our position. This issue received renewed attention at the end of 2005, following a report entitled *Where do you draw the line?* published by the Belgian NGO Network Flanders. Following the publication of the report, we once again reviewed the situation and our position. During this review, we re-entered into dialogue with *Birma Centrum Nederland* and our client and undertook further analysis from our perspective as a financial institution. We concluded that our policy towards Burma should remain unchanged and at the moment we see no reason to rethink the relationship with our client.

We are currently developing a comprehensive Fortis Human Rights Statement. This statement will be finalised in 2007.

### Sustainable and Responsible Products and Services

In addition to having risk management policies in place, the business relevance of CSR has emerged almost literally in terms of commercial opportunities. We have learned that looking at our clients through a CSR perspective opens up a world of opportunities. Developing and offering sustainable and responsible products and services is another important CSR dimension in the relationship Fortis has with its customers.

### Sustainable and Responsible Investment



#### Sustainable Supply Chains

Sustainable investment is of growing importance both within Fortis Investments, the asset manager of Fortis, and within Private Banking, in terms of strategic attention and performance.

### Sustainable Assets under Management (in EUR million)

	2006	2005
Asset Management	950.5	625.5
Private Banking	531	445
Total	1,481.5	1,070.5



“Clients are increasingly demanding investment approaches that not only deliver investment returns but that also take account of social, environmental and governance issues. SRI managers need to go further than simple negative exclusion approaches towards processes that identify those companies that are actually building competitive advantage through responding to sustainability challenges. These companies are rethinking their business models and reorienting their product portfolios.”

Stewart Armer, Head of SRI

### Asset Management

Fortis Investments has a long history of Sustainable and Responsible Investment (SRI) management. This began ten years ago with the launch of *Capital Emploi* (France) and continued in 1998 with the initiation of *Altervision* (Belgium) and the creation in 2002 of the *FLF SRI* range of products (Luxembourg). In 2005, Fortis Investments further increased its commitment to SRI with the acquisition of a 25 percent stake in *Versiko* whereby it took over the management of Versiko's flagship fund *Oekovision* (AuM end 2006 EUR 401 million).

#### Fortis L Funds prove very successful

Two Fortis SRI funds have been ranked among the top five of the best performing Dutch SRI funds over 2006. The Fortis L Fund Equity SRI Europe was the second most successful SRI fund with a return of 17.7 percent and the Fortis L Fund Strategy Growth SRI Europe came in fourth with a return of 12.9 percent.

Fortis Investments aims to be a leading provider of sustainable investment solutions for European retail and institutional clients. In 2006, a dedicated specialist SRI investment centre was set up in Frankfurt comprised of six dedicated SRI specialists. This decision was motivated by our commitment to Fortis's German strategic partner *Versiko* and to the strong market potential for SRI in Germany.

In June 2006, an independent international SRI Advisory Committee was established comprised of five high-level sustainability experts:

- Prof Karl-Henrik Robert (Chair), *Founder of The Natural Step*
- Raymond Van Ermen, *Executive Director of European Partners for the Environment*
- Dr Maritta Koch-Wester, *CEO, The Global Exchange of Social Investment*
- Prof Ethan Kapstein, *Professor of Sustainable Development, INSEAD*
- Robert Rubinstein, *CEO, Brooklyn Bridge*

### A selection of our SRI funds (in EUR million)

	2006	2005
Fortis L Fund Strategy Stability SRI Europe	101.5	108
Fortis L Fund Strategy Balanced SRI Europe	143	171
Fortis L Fund Strategy Growth SRI Europe	45.5	47
Fortis L Fund Equity SRI Europe	57	15.5
AlterVision Balanced Europe	47	44
AlterVision Red Cross Europe	4.7	3.5
Fortis L Fund Bond SRI Europe	3.7	-
Fortis L Fund Equity Environmental Sustainability World	25	-
<b>Total</b>	<b>427.5</b>	<b>389</b>

The role of the SRI Advisory Committee is to counsel the SRI team on key trends in the sustainability agenda relevant to SRI funds and to formally review Fortis's SRI process on an annual basis.

In 2006, two new SRI products were launched. The FLF Bond SRI Euro invests in bonds from countries which can demonstrate high-sustainability standards. The FLF Equity Environment Sustainability World invests in companies whose products help to solve global environmental problems in the following areas: climate change, waste and water pollution. In parallel, Fortis Investments launched an innovative approach to quantifying the environmental benefit per euro invested in the above fund.

Fortis Investments is committed to exercising the voting rights of the companies it holds in all client portfolios. On the basis of a detailed proxy voting policy, European clients benefit from active proxy voting in European, American and Asian markets. For more, see <http://www.sri.fortis.com>.

### Private Banking

Fortis MeesPierson, our private bank in the Netherlands, set up a joint venture with Triodos Bank in 2005. Under the name of Triodos MeesPierson Sustainable Investment Management, this joint venture offers high-quality sustainable asset management services to the clients of both parent companies. Triodos MeesPierson combines Fortis MeesPierson's sustainable asset management knowledge with the sustainability expertise at Triodos. Sustainability research is carried out by Dutch Sustainability Research (DSR), a joint venture of Triodos Bank, pension fund PGGM and Fortis MeesPierson. Financial research and strategy are sourced from the private bank's global investment process.

Dutch investor interest in sustainable investments has grown further over the past year. A recent survey showed that 30 percent of charitable foundations have chosen to invest their funds sustainably while another 30 percent are currently developing a sustainable investment policy. The number of private individuals convinced that sustainable investment can play a role in preserving economic prosperity, as well as protecting the environment for future generations, has also increased.

This trend is reflected in the development of Triodos MeesPierson's Assets under Management (AuM). At the end of 2006, the sustainable assets of Fortis MeesPierson clients totalled EUR 411 million, a 35 percent increase over 2005. The number of Fortis MeesPierson clients that have

chosen sustainable asset management grew by 51 percent to 157. Total AuM of Triodos MeesPierson now stands at EUR 531 million (+17%) for 301 clients (+25%).

The performance of the sustainable equity portfolio was also satisfactory. With a gain of 10.9 percent in 2006, the portfolio outperformed both the sustainable FTSE4Good Index (+7.8%) and the 'regular' MSCI World Index. Over the last three years, the portfolio returned an average of 13.4 percent, in line with the MSCI (+13.5%) and handsomely beating the FTSE4Good (+9.1%).

### Carbon Banking



Climate Change

In order to reach the goals set by the international community to reduce greenhouse gas emissions, the European Union has implemented a system of tradable emission permits: the EU Emissions Trading Scheme (EU ETS). This system places part of the national responsibility for reducing greenhouse gas emissions onto individual companies. From the beginning of the EU ETS in 2005, Fortis realised that this newly-created corporate liability would have significant impact for a substantial number of its clients and that new business opportunities would arise. Over the last years, Fortis has developed into a market leader and pioneer in the European carbon arena.

## Future Leaders Programme

Countries such as India and Gambia can use the help of experienced Dutch entrepreneurs — at least that's the vision of Fortis MeesPierson. Our private bank took a group of their clients to the two countries to participate in developing projects, using voluntary work as relationship management.

In the Future Leaders Programme, organised by Fortis MeesPierson, ten Dutch future leaders (selected students) work together with ten future leaders from a developing country and a number of current business leaders (Fortis MeesPierson clients). The programme aims to invest in the leaders of the future and connect talented students and entrepreneurs in both Europe and developing countries. To date, the programme has been organised twice, in Gambia and India.

The Future Leaders Programme contributed to the project Every Child Reads, an initiative of Pratham Books, an organisation that aims to distribute low-cost books among Indian children but only reaches a very small percentage of the market. Future Leaders developed the concept of a library box in order to enable children to become a member of a regional village library.

The Future Leaders Programme was very well received among Fortis MeesPierson's clients.





“Europe is inspiring the world with its mandatory carbon trading scheme. The scheme has created a liquid market and has ensured that the liability of greenhouse gas emissions is being factored into investment decision making. Most importantly, the scheme is leading to efficient and effective abatement of greenhouse gas emissions globally, even while we are still officially in the practice phase. We can only imagine what the Kyoto Commitment Period starting next year will bring in terms of global carbon market linking and abatement, but it is already clear that the tide has turned and corporations across Europe are taking their responsibilities in combating climate change and sustainable development.”

Seb Walhain, Director Environmental Markets

Fortis differentiates itself from many other market players by not being a pure commodities trader. We have the expertise to deliver added value to our customers by providing a range of CO<sub>2</sub> solutions to their operations, including carbon trust, trading, finance, fund, clearing and escrow services.

Fortis has over 150 customers for its Carbon Banking services. These customers represent a range of industries, including oil and gas, cement, ceramics, iron and steel, refining, pulp and paper and utilities. Their geographical distribution is currently centred in Western Europe but Fortis is rapidly expanding via its Polish business centre and is poised to act in Turkey as and when the country's Kyoto approach is clarified. All services are provided by an interdepartmental team working closely together to facilitate our customer's responses to this increasingly carbon-constrained world. We are committed to maintaining the highest level of service in order to facilitate the reduction of greenhouse gases and continue offering innovative solutions to help achieve low-cost abatement opportunities across the globe.

Fortis is co-sponsor of the European Carbon Fund (ECF). Sponsored by financiers and advised by environment experts, ECF contributes to the financing of projects that help fight climate change by reducing greenhouse gas emissions across the world. The main purpose of ECF is to invest in carbon credits.

Last year was successful for Fortis Carbon Banking. We attracted four traders to strengthen our team and opened offices in Houston, Hong Kong and Singapore. With this expansion, we are the first to offer our services 24 hours a day. In the figure presented below, some of our achievements over 2006 are highlighted.

For 2007, we foresee significant growth. We are expanding our Carbon Banking services in Asia and the US. Despite the US having not ratified the Kyoto Protocol, several states have mandatory greenhouse gas trading schemes, such as the Regional Greenhouse Gas Initiative and the voluntary scheme on the Chicago Climate Exchange. We aim to copy our successful European Carbon Banking business plan to the US and Asia and maintain our leadership position in this emerging market.

### Fortis Carbon Banking achievements in 2006

January 2006	European Carbon Fund awarded 'Most Promising Investment Opportunity' by Point Carbon
February 2006	Structured and executed first-ever Certified Emission Reduction (CER) call option deal
April 2006	Concluded first complete second phase strip transaction from 2008-2012
July 2006	Reached the 100th customer milestone with a record four new customers in one day
August 2006	Transacted and received ownership of issued CERs for the first time
August 2006	Fortis successfully provided one of the largest Carbon Fund Managers in the world with a comprehensive cross-product carbon solution involving trust, escrow, trading and finance This solution covered the world's biggest emissions-reduction purchase deal to date
September 2006	Fortis honoured as 'Best in Class' for its approach to climate change by the Carbon Disclosure Project
October 2006	Executed first spot CER trade
November 2006	Swapped spot EUAs for spot CERs with large listed industrial company

## Impact: a review of the European Emission Trading Scheme

The emissions trading scheme in Europe, the EU ETS, has caused a lot of excitement over the past couple of years. The EU ETS has been closely watched from different angles by parties with divergent interests all holding their breath. EU governments are crossing their fingers that emissions trading will deliver; governments outside the EU are closely watching whether or not it works so they can join in or implement a similar scheme; market players are witnessing the birth of a new commodity; environmental organisations are pressuring decision-makers to further tighten the screw and industrials starting to find their way in incorporating the value of emitting CO<sub>2</sub> in their daily operation and future investment decisions. After more than two years since the official start of the EU ETS, everyone can breathe easier again. The EU ETS has actively helped to reduce emissions and the value of emitting CO<sub>2</sub> has firmly nested in the European economy. In measuring the success of the EU ETS, we use the following criteria: market liquidity, diffusion of the value of emitting greenhouse gases to the EU economy and, probably most importantly, actual emission reductions put down to CO<sub>2</sub> valuation.

### Liquidity of market of emission allowances.

In the beginning of 2005, the EU ETS scored poorly on the liquidity criterion. In January 2005, an average 300,000 allowances were traded daily. Liquidity gradually increased. In January 2006, daily volumes increased to 3.1 million; in January 2007 liquidity increased to 4.9 million per day. As such, the market does much more than simply transfer allowances from companies with a surplus in allowances to companies with a deficit. This implies that emission allowances are not only considered a compliance tool, but are also transacted as financial commodities, putting them on the same level as other commonly traded commodities. Such trading interest is important in establishing the CO<sub>2</sub> value on a broader scale.

### Diffusion of the value of emitting greenhouse gases to the EU economy.

One of the aims of emissions trading is the introduction and internalisation of the value of emitting greenhouse gases in the economy. For the parties participating in the EU ETS, optimising every-day operations while taking into account the value of emission allowances seems obvious. In addition, empirical data demonstrates that CO<sub>2</sub> valuation is translated into power prices and company stock values. Hence, diffusion beyond the scope of the EU ETS already occurs.

### Actual emission reductions attributed to CO<sub>2</sub> valuation.

Changes in emissions due to emissions traded cannot be measured. Year-on-year emission changes can be measured, but they could be circumstantial and the link with emissions trading is scrutinised. In order to evaluate the impact of emissions trading on actual emission levels, actual emissions need to be compared to a

hypothetical situation in which no emissions valuation is used. For the power sector alone, this exercise leads to the conclusion that emissions would have been about 100 million tons of CO<sub>2</sub> higher in 2005 if CO<sub>2</sub> would have had no explicit monetary value. Hence, we conclude that inside the EU, emissions trading is responsible for 100 million tonnes of CO<sub>2</sub> emission reductions, possibly more if industrial emission reductions are also included. On top of the emission reductions inside the EU ETS, emissions trading is also the catalyst for investment in project-based emission reductions under Clean Development Mechanisms and Joint Implementation. So far (time of writing: 23 February 2007), these projects are responsible for emission reductions up to 32 million tonnes of equivalent CO<sub>2</sub> emissions. A further 700 million are in the pipeline and market observers expect project-based emission reductions to reach a total 2,000 million tonnes of CO<sub>2</sub> towards the end of 2012.

The market price of an emission allowance is not included as a criterion in the evaluation of the success of the EU ETS. In a well-functioning and sufficiently liquid trading system, the price adapts according to the target. The price of a tonne of CO<sub>2</sub> moved spectacularly, between EUR 30/tCO<sub>2</sub> and EUR 1/tCO<sub>2</sub>. Although criticised by many, this market movement also underlines the success of the scheme. In 2005, CO<sub>2</sub> prices were high, supporting significant reductions in emission. Later, the emission reductions made in 2005 were judged sufficient to cover all needs all the way up to 2007 and a high price was no longer needed. This means that the market indicates that the mission up to 2007, albeit moderate in ambition, has been accomplished. Looking ahead, that ambition can be gradually adjusted to meet the long-term climate target. Bottom line, the EU ETS is a success.

### All sunshine?

Apart from the success story of the EU ETS, there are a number of issues that need to be addressed in order to further improve the functioning of the scheme. An often-heard criticism is that the scheme lacks long-term vision and investors are reluctant to take action as concrete targets beyond 2012 still need to be set. Therefore, a long-term goal needs to be roughly outlined. A 'simple' global mission statement that emissions trading or some other form of economic valuation of emitting greenhouse gases is here to stay should give sufficient certainty to potential investors to include a long-term CO<sub>2</sub> price in investment decisions. Another hurdle is the harmonisation of the allocation procedures. Currently, there are no common rules on how Member States should translate their national target into individual installations. Beyond 2012, allocation procedures need to be harmonised. Auctioning of allowances is often whispered to be an easy way around allocation issues, but benchmarking seems a more likely candidate. Harmonised benchmarking implies that an installation will receive allowances covering the emissions it would face if it were to produce according to the best available practice.

## Renewable Energy Financing



Climate Change

In 2006 we celebrated ten years of renewable financing across Europe and North America. During that period, Fortis Global Energy & Utilities Group provided almost EUR 2 billion of financing for 37 renewable energy projects in ten countries. Today, we are one of the leading banks in the field of renewable project financing, in particular in wind projects. We are also increasingly active in the field of hydro, biomass and Waste-to-Energy (WtE) projects.

It was a successful year for the Global Energy & Utilities Group in terms of activities in the field of renewable energy. We arranged or participated in a total of 23 new deals (of which 20 closed in 2006). The outstandings per year-end 2006 on renewable energy projects amounted to EUR 425 million compared to EUR 349.8 million per year-end 2005.

The majority of deals in 2006 were wind-related. Our scope however remains to cover the broad spectrum of renewable energy financing. In Italy, we financed a EUR 14.8 million WtE project. In 2006, we committed to four additional WtE projects with a total of EUR 100 million. These transactions are expected to be booked in the first half of 2007.

The past year brought us a new role in renewable energy with our participation as an equity investor in Airtricity's Forest Creek wind farm in West Texas in the US. Fortis provided USD 120 million of project equity alongside GE Financial Services and Wells Fargo, for a 125MW wind farm with 54 Siemens 2.3MW turbines.

The Fortis global Carbon Neutrality Programme has increased Fortis's commitment to renewable energy financing in 2007 by enhancing MLA (Mandated Lead Arranger) business, advisory services and debt and equity financing.

## Examples of renewable energy projects through the years

1998	Lake Benton (US) 107 MW Wind farm Arranger and Underwriter
2000	I.V.P.C. 4 (Italy) 283.1 MW Wind Farm Portfolio Arranger and Underwriter
2002	Eurovento (Spain) 201.2 MW Wind Power Project Lead Arranger and Underwriter
2004	Three Wind Holdings (US) 152.4 MW Wind Farm Portfolio Lead Arranger and Underwriter
2006	Beaufort Wind (UK) 430 MW Wind Farm Portfolio Mandated Lead Arranger and Technical Committee Member

Obviously, the level of transactions also depends on the level of activity in the renewables market. Wind energy will continue to dominate the renewable energy landscape and offshore wind will probably grow further. Although marine and solar energy are seeking to achieve commercial scale, it is likely to be a few years before project financing becomes mainstream for such projects. In the meantime however, Fortis is broadening its scope by actively investigating opportunities in bio-diesel, solar and WtE projects.

With the setting up of dedicated Energy teams in Singapore, Hong Kong and Calgary in 2006, we are bringing our industry knowledge, structuring capacity and client coverage skills to regions that offer great potential for renewable energy. In 2007 we will further build on this by opening offices in Sydney and Tokyo.



“No single company or government can solve the environmental problems that are threatening the earth, and thus there is a role to play for everyone. At Fortis we are glad that, through our strong focus on Renewable Energy Financing, we can make a modest contribution to a better and cleaner environment.”

David de Buck, Managing Director Global Energy & Utilities Group

### Natsource LLC

One interesting transaction that concluded in 2006 concerned Natsource LLC. Fortis provided Natsource LLC, one of the largest carbon fund managers in the world, with a comprehensive cross-product carbon solution. Natsource LLC is headquartered in New York with offices located around the world. It provides asset management services, transaction services and advisory and research services in renewable energy and emissions markets. One of the activities of the group is the purchase of Carbon Emission Reduction Certificates (CERs) on behalf of industrial and other investors. Natsource is one of the largest buyers of these assets in the world.

The Fortis carbon trading desk provided liquidity and risk management by purchasing over 1.5 million CERs. Fortis Intertrust set up two custody arrangements to hold the CERs purchased by Natsource on behalf of over 30 investors from the International Bank for Reconstruction and Development (IBRD). One of the arrangements covered the largest greenhouse-gas-emission trades in history, a USD 1 billion deal that will help two Chinese chemical companies reduce emissions. Fortis Escrow provided Natsource LLC with a complex settlement mechanism involving over 40 different paying parties in a variety of geographies. Finally, Fortis Global Energy & Utilities Group provided the company with a Letter of Credit Facility financing in order to purchase CERs from the IBRD.

As fossil fuels become more of a scarce resource, electricity generated from renewable resources will continue to play an important role in our energy generation mix, and the renewables market will remain key for Fortis. With our accumulated expertise in renewables, we look forward to continuing to play a leading role in renewable energy.

### Sustainable Products

Fulfilling our clients' needs starts with the development of high-quality products. We believe that clients will increasingly become aware of sustainability issues and this will raise the demand for sustainable products. Fortis has embraced this business opportunity by offering a range of sustainable products in our various businesses. See the table below for an overview.

#### Start Green Sustainable Innovation Fund I



Climate Change

The Start Green Sustainable Innovation Fund I helps innovative entrepreneurs in the Netherlands who have sustainable new technology ideas and are looking to start their own business (sustainable technostarters). The fund is a joint venture between Fortis, DOEN Participaties and Triodos Innovation Fund, initiated by Fortis Venturing. The objective is to commercialise sustainable technology. Fortis is seeking to maximise returns, benefit the community and contribute to sustainable development.

### Overview of sustainable products

Product	Description
Energy Saving Credit	To encourage energy-efficient building and renovation, Fortis wants to give a helping hand to customers who want to switch to energy-efficient appliances. The Energy Saving Credit, launched in Belgium in January 2006, is a credit facility for longer-term solutions that will reduce the energy bill year-on-year. It has a unique, fixed interest rate of 5.5 percent which is below the rate of other credits. Since its launch 20 percent of 'regular' housing and restoration credits have been transformed into Energy Saving Credits.
Start Green Fund	The Start Green Sustainable Innovation Fund I helps innovative entrepreneurs in the Netherlands who have sustainable new technology ideas and are looking to start their own business.
Footprint Calculator	The Fortis Footprint Calculator is an innovative approach to quantifying environmental benefits in the management of environmental sustainability funds.
Clean Car Credit	In order to help consumers save energy, Fortis is offering a special car-financing arrangement in Belgium to encourage motorists to cut CO <sub>2</sub> emissions and produce fewer greenhouse gases.
Clean Car Insurance	Fortis offers a ten percent discount on car insurance for environmentally-friendly cars, such as hybrid and bio-fuel cars. This product is offered in Belgium and the Netherlands.
Krekelsparen	In Belgium, we offer a saving account called <i>Krekelsparen</i> for which we yearly donate to two partners: Network Flanders and Resau Financement Alternatif.



“Economic growth in the market segments we are targeting is inevitable in the years ahead. High oil prices, lack of fresh water and the heavy burden placed on the environment by industrial materials means that sustainable technology, which can help to alleviate these problems, has and will continue to have considerable economic value.”

Coenraad de Vries and Laura Rooseboom, Managers of Start Green

Many sustainable technostarters face difficulties with putting the technology they develop into practice and turning it into a profitable business. This is partly due to a funding gap. Many good ideas consequently never become reality and the chance to contribute to sustainable development is lost. That is where Start Green provides the solution.

Start Green focuses on initiatives in sustainable technology within the water, energy and ‘bio agri’ sectors. In addition to funding, Start Green also offers expertise in sustainability, business development, management consultancy, recruitment and selection, generation of sales leads, guidance in case of international expansion and an international network of strategic partners. The Fund is aiming to invest in at least ten sustainable technostarters over the next four years.

#### Fortis Venturing

There is a wealth of creative and innovative ideas in our organisation that just need the necessary support to be developed and realised. Fortis Venturing wants to provide this support because it is convinced that the combination of a well-supported innovative idea and a properly-coached entrepreneur can make a difference for Fortis and its customers.

Fortis Venturing targets Fortis employees who come up with innovative concepts that can be developed into a sustainable business plan and finally into an internally originated start-up or venture.



Martin Stutterheim,  
Director of TechnoPartner

“Start Green is a unique initiative in its professional approach to the development of sustainable technology. It is a breakthrough because this is the first time I have seen a dedicated party approaching starters in sustainable technology from a business perspective, including helping them enter the professional circuit. Start Green offers a business solution to environmental problems. The fund promotes the concrete economic potential of sustainable technology among investors and underlines the importance of investments in early-stage technology. It is an ideal combination of doing business and contributing to sustainable development.”

The Start Green Fund has been developed in cooperation with TechnoPartner, a joint initiative of the Dutch Ministries of Economic Affairs and Education, Culture & Science, through which the Dutch government aims to stimulate entrepreneurship in technology. TechnoPartner encourages and supports innovative pioneers that want to start a business based on a technological invention. TechnoPartner aims to improve the climate for technostarters by providing funds, knowledge and experience and by motivating investors and knowledge institutions to invest in the pioneers of the future.



## Fortis Footprint Calculator

### Fortis Footprint Calculator



#### Climate Change

The Sustainable and Responsible Investment (SRI) team of Fortis Investments has launched an innovative approach to quantifying environmental benefits in the management of environmental sustainability funds: the Fortis Footprint Calculator. It is the first calculator to be able to translate a household's environmental footprint into monetary terms.

The calculator is designed to help people understand the environmental impact of their daily life. Using the calculator, they are asked a series of questions about their consumption patterns. Their answers reflect their personal lifestyle and determine their environmental footprint. This footprint, or the damage they are doing to the environment, is then converted into monetary terms (EUR). The questions are focused around the themes Energy, Transportation, Food, Water and Waste. Solutions are then offered to improve the environmental footprint in each of these categories.

This new approach has been developed jointly by Fortis Investments and Trucost and builds on the increasing recognition that investors regard environmental impact a cost. Initiatives such as the Carbon Disclosure Project, which is backed by investors with over USD 31 trillion of Assets under Management, have promoted the need for

### Increasing awareness of SRI among clients and employees

In November 2006, Fortis Retail Banking Belgium put our range of SRI funds in the spotlight and launched a number of new SRI products. Before the actual introduction of the funds, an extensive survey among approximately 150 of our offices was carried out, in which both our clients and our employees were involved. The survey sought to increase awareness around SRI and ensure client needs and preferences. The results were considered in the marketing of these new products. This method of introduction for new sustainable products has proven to be very effective. In the first two months only, EUR 28 million of SRI funds and EUR 52.8 million of structural SRI products were sold. In 2007, a survey will be performed among the Belgian youth to investigate their views on sustainability and to develop products that match their preferences.

environmental impact to be expressed in financial terms, thereby enabling proper assessment of how companies are managing their own environmental footprint.

The calculator focuses on the three largest areas of environmental impact of a typical household: greenhouse gas emissions, water consumption and waste disposal. The calculator can be found at <http://www.footprint.fortis.com>.

## Product Quality and Responsibility



### Sustainable Supply Chains

We take product quality very seriously. We stand for our products and are approachable on product contents and for product information. Client questions or complaints are dealt with within our separate businesses. Every business strives to deal with complaints in a constructive and proactive way.

We have a strict policy not to enter into relationships with people or organisations that engage in illegal activities or are suspected of doing so. The acceptance of new customers takes place with due care and attention. We protect our company against misuse as well as criminal organisations and individuals, and we obey the rules concerning money laundering – in letter and in spirit. We have actively developed a policy to detect and monitor fraud and money laundering.

In 2006, our Compliance department developed and executed an integrity training course for all employees, which is further explained in the chapter 'Employees build Fortis'.

## Access to Financial Services



### Social Inclusion

Fortis aims to make our financial services accessible to everybody and to that end, we follow a multi-channel approach in the distribution of our products and services.

In this way, each customer has the freedom to choose the way they want to be in contact with Fortis. Our online and telephone banking services provide 24/7 access for fast and easy solutions and with our specially designed offices we continue to offer personal advice on all our products and services.

In order to increase access to our services for every single customer, we pay special attention to the vulnerable groups in the societies in which we are active. A study by the *Belgische Confederatie voor Blinden en Slechtzienden* (BCBS) has helped determine the needs of the visually disabled and Fortis is taking the results of this study into account in the development of new products. In September 2006, the Digipass Comfort Voice was introduced to allow visually-disabled customers to access Fortis's internet banking services. Digipasses were offered free of charge. In addition to this new technology, we continue to distribute bank statements in Braille. Fortis also considers the needs of the physically disabled in the design of all of its offices.

Fortis has started a microfinance pilot in one of its home markets (NL) to allow starting entrepreneurs who would not qualify for regular credit approval to start their business. This pilot is being managed from a social inclusion perspective, one of our key strategic CSR themes.

In November 2006, we received a MAPIC award for the retail concept of its German subsidiary Fortis Credit4me. MAPIC is an international market for retail real estate that brings the key players in this industry together every year in Cannes, France. We were awarded for our simple and transparent service offering and our focus on well-defined customer needs.



Jos Baeten,  
CEO, Insurance Netherlands

“We have to open  
our windows!”

Over the course of 2006, there has been a lot of public discussion about a number of our insurance products. The discussion focused on the transparency of risks and costs. One example is the discussion in the Netherlands on the so-called *Woekerpolis*. Fortis acknowledges that in the past it has lagged behind when it comes to cost transparency. We understand that we need to provide complete openness about the products we offer. We are changing our business model and 2007 will be the year of 'Focus on our Customers'. All our new products and processes will be tested from a customer perspective. Client panels will be organised and we will apply the concept of mystery shopping, where an external party is hired to experience our procedures as our clients do. Fortis realises that today's society asks us to be transparent and inform our customers differently to how we did in the past. However, it is of no use to try and apply today's standards to the past. If we find that we did not live up to the expectations according to the standards and laws of that period, we will take this responsibility. For the future, we are dedicated to reducing costs, being more open and focusing on our customers. And we will push the advisors that sell our products to do the same.

Another issue that received public attention during the year is the waiting times for personal injury insurance claims. Fortis realises that victims need to devote all of their attention to their physical and mental recovery. We therefore want to make the necessary financial procedures less time consuming and as effective as possible. Fortis signed the Code of Conduct for Handling Personal Injury Claims in December 2006. This code describes how personal injury claims can be handled as smoothly and quickly as possible.

# Employees build Fortis



Fortis is striving to become the preferred employer in the financial services industry and to deploy its human capital as efficiently as possible. Our ambition is to strengthen Fortis's competitive advantage in the market by developing a human resources strategy and a culture that helps our people accomplish the company's goals.

## Workforce

Fortis has 59,747 employees (56,886 FTEs) worldwide. Our banking businesses count for 53 percent of our staff, our insurance businesses for 23 percent and 24 percent can be found in support functions. Over 2006, Fortis hired 9,318 people and 6,219 employees left the company. This amounts to a net hiring of 3,099 employees, reflecting our strategic aim to grow organically.

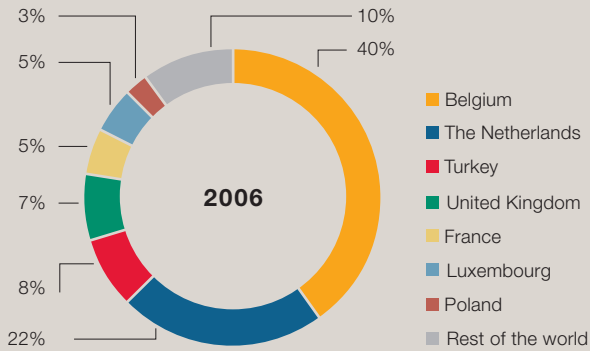
Fortis's aim is to become more international and the following numbers show we are successful in achieving this aim. At the end of 2006, 33 percent of our FTEs were based outside Benelux, compared to 30 percent at the end of 2005. The number of expats increased from 185 in 2005 to 282 in 2006. The number of senior managers with non-Benelux nationality grew from 13 percent in 2005 to 18 percent in 2006 and among the newly recruited senior managers, 46 percent had non-Benelux nationality.

## Total number of employees

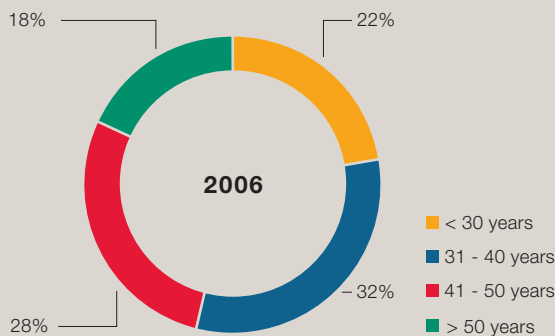
Country	FTEs 2006	FTEs 2005	Headcount 2006	Headcount 2005
Belgium	23,056	22,778	24,225	23,908
The Netherlands	12,382	12,434	13,487	13,540
Turkey	4,775	4,654	4,775	4,654
United Kingdom	3,826	3,497	4,095	3,746
France	2,811	2,820	2,850	2,859
Luxembourg	2,730	2,602	2,905	2,766
Poland	1,424	1,016	1,445	1,045
Rest of the world	5,882	4,444	5,965	4,570
<b>Total worldwide</b>	<b>56,886</b>	<b>54,245</b>	<b>59,747</b>	<b>57,088</b>

**Workforce**

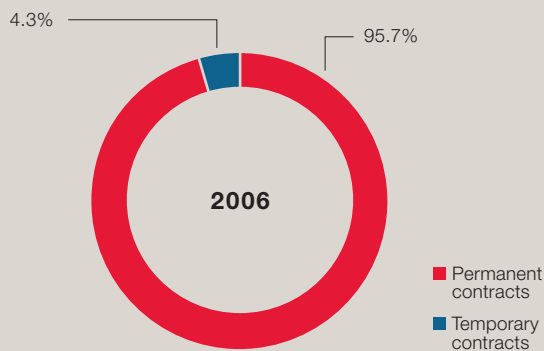
**Breakdown per country (Headcount in %)**



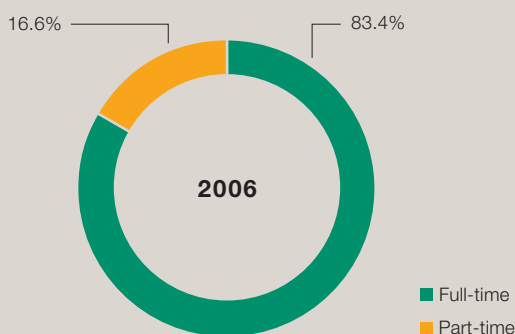
**Age breakdown (Headcount in %)**



**Permanent vs temporary contracts (Headcount in %)**



**Part-time vs full-time (Headcount in %)**



**Talent Attraction and Development**

**Talent Attraction**

Fortis is increasing its exposure and reputation in specific labour markets around the world. Our aim is to attract top talent and at the same time maintain a high profile in local markets. We are not just looking for the smartest individuals but also for people who fit our diverse culture. By creating an increasingly mobile and varied workforce, we successfully reflect the diversity of the customers we serve.

**Training and Development**

Fortis strives to create top-performing teams. By actively encouraging staff to 'Develop Yourself' and 'Be Mobile', we help them realise their full potential and motivate them by constantly presenting them with new challenges.

Number of training days (average per FTE)	4.57
Training costs	EUR 121 million

**Management Development: Leadership for Growth**

We believe that Fortis's culture of performance, talent and mobility is an important differentiator in the financial industry. Our performance culture encourages accountability for results and recognises outstanding performance.

It has been a remarkable year for Leadership for Growth (L4G), our dedicated development programme that fosters our management culture of strong leadership. The overall score was 4.39 on a scale of 5, which is an excellent result for this type of intensive and transformational programme. In 2006, a total of 1,514 Fortis managers attended the L4G sessions. For 2007 49 sessions are scheduled, followed by 20 sessions in 2008.

**CSR Awareness Training**

One of the ways we are integrating CSR into the entire organisation is by including CSR components in regular training sessions and (high-potential) development programmes. During these programmes a significant amount of time is spent on CSR issues. To introduce new employees to Fortis's stance on CSR, we pay specific attention to new employees and the young people in our organisation. Introduction programmes in the Netherlands and Belgium include a session on CSR and in 2006, all new management trainees participated in a CSR awareness training.

### Fortis Integrity Training

The Fortis Principles of Business Conduct offer guidance for actions and decision-making in order to safeguard our reputation as a reliable business partner. These principles are intended for all employees, everywhere in the world. Fortis considers it crucial that every employee adheres to these principles. In order to renew attention to these principles and to enhance awareness among employees of compliance risks, Fortis Compliance developed the Fortis Integrity Training programme. This training programme has been completed by 37,000 employees in 11 different languages.

Fortis Integrity Training focuses on five important compliance themes: Confidentiality, Client Acceptance, Duty of Care, Conflict of Interests and Insider Trading. The training is based on recognisable situations in the day-to-day activities of Fortis employees from various parts of the organisation.

The Fortis Integrity Training is offered to employees via E-learning on both the Fortis intranet and the internet so they can follow it at a moment that suits them. Using this method, a large number of employees have been reached.

### Diversity



Social Inclusion

Fortis values the difference each individual brings and regards these differences as an asset. We encourage our people to think and act differently, to be themselves and to contribute their individual skills. In order to fully capture the power of diversity within the organisation, Fortis has developed a 2005-2007 Diversity Action Plan.

This plan initially focused on gender diversity, and ambitious targets were set for the balance of men and women at management level. We started with awareness, networking, communication and reporting initiatives. In 2006 tailor-made diversity action plans were created for each of the businesses: mentoring projects, women networking circles, pilots in flexible workplace solutions, active search for female candidates for vacancies and screening of HR policies on gender diversity. Meanwhile we continued organising our diversity awareness workshops. Also in 2006, Fortis signed the *Chartre de Diversité* in Belgium and co-organised the GenderMix Conference with four other leading employers at the University of Leuven. Best practices in gender diversity were shared with nearly 200 men and women.

	Female	Male	Female as % of total
Senior Management	22	245	8.2%
Management	727	2,922	19.9%
Middle Management	4,904	9,589	33.8%
Lower Management	2,345	2,588	47.5%
Employee	20,123	16,282	55.3%
<b>Total</b>	<b>28,121</b>	<b>31,626</b>	<b>47.1%</b>

Hay scales for levels other than senior management have not yet been fully implemented.

### Fortis Integrity Training

The Send company is a good customer of Rebecca. She learns that Send wants to expand its activities and move into a new market. If Send goes ahead, it will have a major impact on the business of one of Fortis's other customers, the Bricker company. Both Bricker and Send are listed companies.

### What would you do?

- I tell the Bricker account manager about it. He is a reliable colleague of mine.
- This is customer-specific information which I cannot share with anyone else. I therefore do nothing with this information.

Rebecca Rosen, Corporate Banker, New York





## The business rationale of diversity at Fortis

“At Fortis we truly believe that a workforce that reflects the diverse group of clients we serve and the communities in which we operate makes us stronger as a company. The marketplace is constantly changing and it is of major importance that we adapt our workforce to fit those changes. We align our diversity strategy with the Fortis growth strategy and the challenges in the marketplace.”

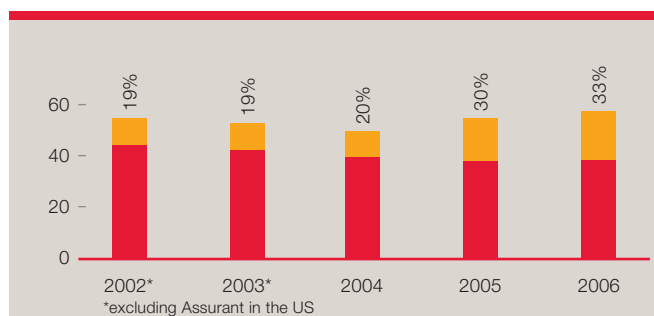
Lynne Rutherford, Director Talent Management

In 2006, we studied how to broaden our scope of diversity. We strive to create a truly inclusive community, a community of mutual understanding that respects and values differences of all people on all levels of our organisation. It is of major importance to Fortis that diversity and inclusion is embedded in every single aspect of our organisation and is actively managed. Our Corporate Diversity Officer is dedicated to this task on a full-time basis. She is supported by the Diversity Steering Committee. In order to assure commitment across the entire organisation, 22 Diversity Ambassadors have been appointed in the different Fortis businesses. Furthermore, ‘Encourage Diversity’ has been included in the criteria of the yearly performance review of all Fortis managers in order to ensure that it is truly a part of everybody’s day-to-day activities.

### Local Hiring

Fortis’s growth strategy includes a strong focus on the customer and an ambition to grow outside the Benelux region. In order to understand and anticipate our customers’ needs outside our traditional home markets, we try to match employee backgrounds to the profile of our customers. To achieve this match, Fortis strives to hire local people as often as it can.

### Internationalising workforce (in FTEs, x1,000)



■ In Benelux ■ Outside Benelux as % of total

### Employee Satisfaction

Studies show that the success of companies is strongly related to employees’ motivation levels. Motivated and satisfied employees perform better and produce better

results. They are less absent, stay with their employers longer and enjoy themselves more. In other words, Fortis achieves its success with a group of motivated employees who feel committed to and proud of working for the company.

To assess employee motivation levels, Fortis conducts an Employee Motivation Survey (EMS) each year. The EMS enables Fortis to receive employee feedback on a regular basis in order to ensure continuity of action and continuous realignment with both corporate strategy and employee needs. In 2006, the third annual EMS was completed, with responses from almost 39,000 employees; 70 percent of our workforce. This is a record response rate (EMS 2004: 55%; EMS 2005: 51%).

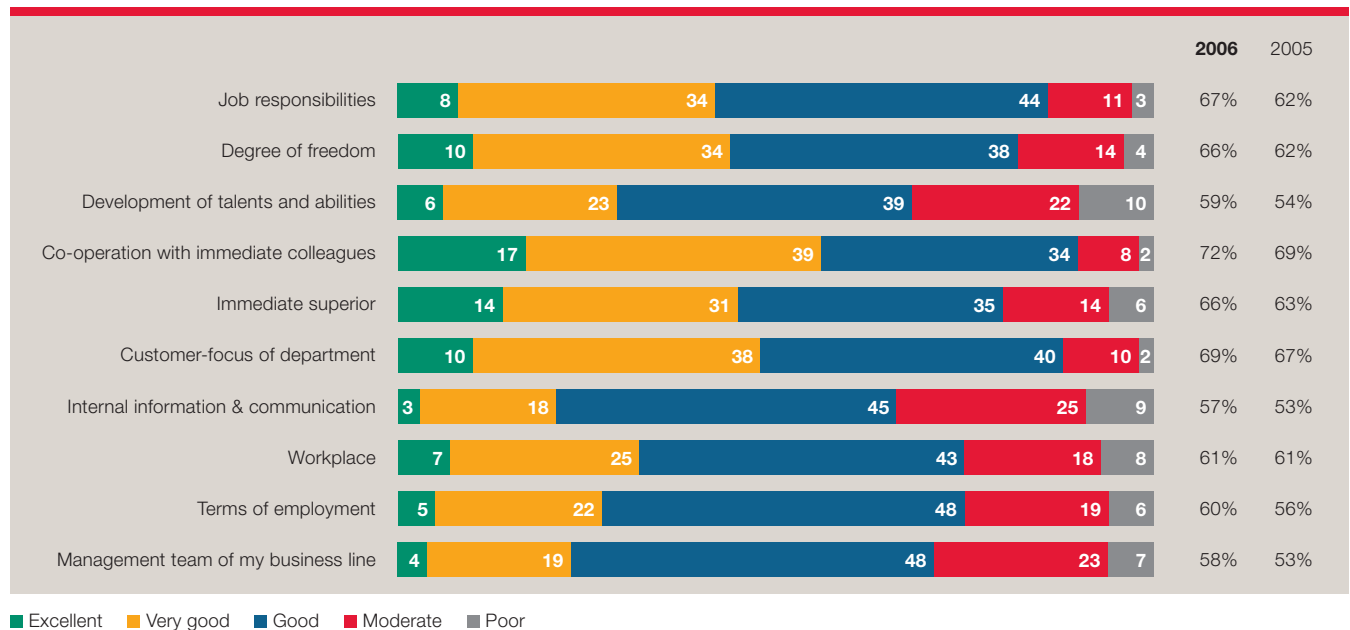
Our employees proved to be considerably more satisfied in 2006 with almost all work-related topics; in particular, cooperation with immediate colleagues, departmental customer focus and their job responsibilities. Their loyalty to Fortis is still high and they are strongly involved with Fortis’s changeable business. Respondents reported themselves to be less satisfied when answering questions on the Fortiomas ‘Drive Performance’ and ‘Act as One’. These results allow the businesses, local entities and HR to further refine action plans based on the previous year’s results and to set new priorities. The results of the 2006 EMS were made available to all employees in February 2007. Each business will be encouraged to take action on the areas for improvement and to actively involve staff in this process.

In an international benchmark study among major banks and insurance companies in seven European countries, carried out for Fortis by MarketResponse, Fortis employees overall feel more motivated than their peers in other companies.

### Health

Fortis’s ambitious growth targets can only be achieved if our people are in good shape. We have therefore identified three key focus areas in which improvements are required in order to realise our ambitions:

### Results Employee Motivation Study



- We want to improve the employability of our aging population of employees
- We want people to eat more healthily in order to reduce the number of employees who are dealing with obesity
- We want to increase the number of employees that participate in sports and physical exercise

In order to live up to these challenges, a comprehensive health programme called 'BRAVO' has been developed by Fortis Bank Nederland over the course of 2006. The programme focuses on five topics; Movement, Smoking, Alcohol, Food and Relaxation, and different activities have been organised to create awareness among employees and achieve real improvements in their health. An example is the establishment of fitness centres in the three major locations of Fortis Insurance Netherlands. Although the programme was developed in the Netherlands, as part of the implementation plan, projects are also being arranged across the entire Fortis organisation.

Via the BRAVO programme, we are also aiming to further reduce absenteeism rates. Absenteeism is an expensive problem that Fortis has been dedicated to reducing over the past years. Good results have been achieved to date. Absenteeism figures are highly dependent on the local definitions and highly culture-dependent. The definitions are not harmonised across our organisation, that's why we present separate figures for each country.

#### Absenteeism

	2006	2005
Netherlands	3.7%	4.1%
Belgium	3.3%	3.3%
Luxembourg	2.9%	-
Turkey	1.5%	2.4%

### Social Consultation

We attach great importance to smooth and effective consultation with works councils and unions. It is our ambition to inform employee representatives of plans in detail and at an early stage, in order to enable them to fulfil their role adequately.

For cross-border and cross-company reorganisation plans, the social consultation process starts at the European Works Council level. Senior management up to and including the CEO and COO inform the council about the strategy and the social impact with regards to their area of responsibility. From there, the process of consultation cascades down to local bodies in the businesses and countries involved.

In 2006, there were presentations to the European Works Council on a variety of subjects. The restructuring of the organisation was an important topic in which the council has been involved. The first concrete plans on smart-sourcing have also been presented.

The European Works Council is largely made up of members from the Benelux countries, who account for the vast majority of the seats. The remaining representatives come from France, Germany and Ireland, and in 2006, two representatives from Poland joined the council. The council is also hoping to include people from countries that do not currently have their own representatives. In a country like Turkey, social consultation is not in common practice as it is in most Western countries. It is our intention to open up the European Works Council to as many of the countries in which Fortis is active as possible.

# Caring for our environment



Our focus on climate change has resulted in the decision to launch a global Carbon Neutrality Programme. This is a great and promising step for the organisation. Fortis is firmly dedicated to this decision and the measures that will follow.

We made environmental commitments and drew up an Environmental Statement in 2005, applicable to Fortis's internal operations and business activities. This statement can be found at [www.fortis.com](http://www.fortis.com).

## Carbon Neutrality



### Climate Change

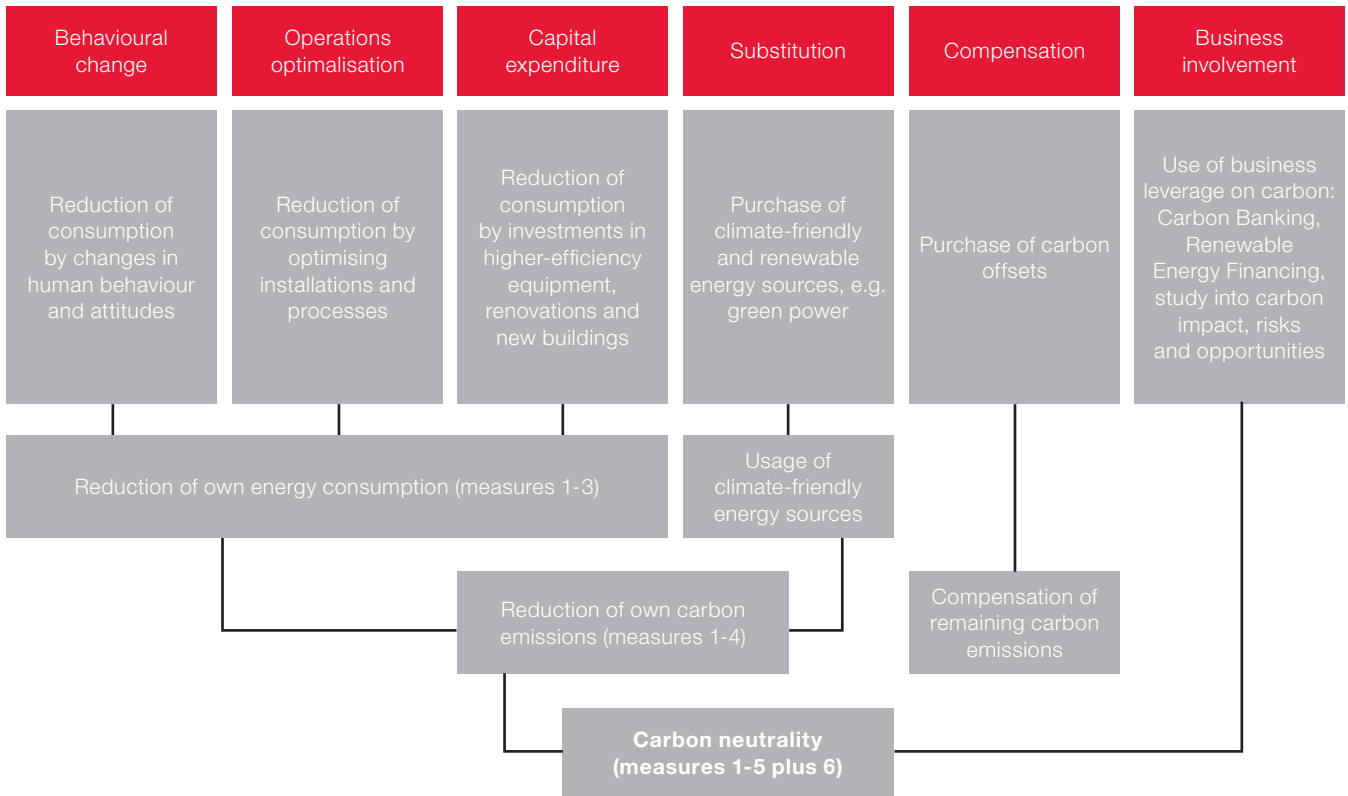
In December 2006 our Executive Committee committed Fortis to carbon neutrality on a global scale, through a comprehensive programme that was launched in January 2007. With this multi-year and multi-million euro programme we want to reconfirm our commitment to being an environmentally sustainable financial service provider as illustrated by our Environmental Statement and UNEP FI membership. We intend to establish Fortis's position as a climate leader and first-choice provider of environmental financial products.

The concept of carbon neutrality is displayed in the following figure, showing the six measures the company plans to take:

- In order to net out Fortis's carbon impact, we will start by reducing our own emissions (measures 1-3). It is important to start with our own housekeeping in order to be a credible partner in encouraging others to contribute to the fight against climate change. To achieve a ten percent reduction in our energy consumption per FTE, we are combining an increase in awareness among our employees on a global scale with investments in technical solutions.
- The second step is the use of climate-friendly energy resources (measure 4). Fortis will switch entirely to high-quality green electricity in Belgium in 2007 and in the Netherlands and Luxembourg in 2008.
- We will offset the remainder of our global in-house emissions with the purchase of carbon offsets, using our in-house Carbon Banking desk (measure 5).
- The area in which we can make important gains in reducing our carbon impact is, of course, our core business and that's why various business implications are part of our integrated programme (measure 6). We will increase our carbon banking and renewable energy financing commitments as of 2007. Besides expanding the parts of our business that directly affect climate change, Fortis will be among the first banks to investigate the overall carbon impact, risks and opportunities related to its global lending, insurance and investment activities.



### Carbon Neutrality at Fortis



### Corporate Environmental Management System



Climate Change

Our commitment to carbon neutrality is not possible without continuous improvement of our environmental performance. In this regard a Corporate Environmental Management System (CEMS), based on ISO 14001 was developed in 2006 under supervision of our cross-border sustainability task force. For 2007, the CEMS implementation is planned for the Benelux countries and Turkey. In 2008 the scope of the CEMS will be extended to Poland, UK and France.

The CEMS is a comprehensive system based on the plan-do-check-act method, that will enable Fortis to establish greater consistency in its internal environmental programmes. An important part of CEMS is the monitoring of our environmental performance. In 2006 a new data system was introduced which should improve the reliability and consistency of the data in the future. After all, an efficient monitoring system is essential to provide a baseline for improvement of the environmental performance.

#### Energy consumption

Our carbon neutrality programme has defined an important goal for energy consumption: reducing worldwide operational and business travel-related energy consumption by ten percent



“We consider climate change as probably the most important challenge facing the world and business leaders. Fortis has already developed highly-visible business opportunities in carbon banking and renewable energy financing. We want to expand this experience into a thematic approach, leading to full carbon neutrality for all our operations as of 2007.”

Lex Kloosterman, Chief Strategy Officer

per FTE by the end of 2010. In order to reach this goal, we commit to a substantial effort for the coming years.

In 2006, we exchanged awareness-raising actions across borders to encourage employees to take practical measures through different communication channels (eco-mails, posters, intranet) and workshops. For 2007, we have planned awareness campaigns. In order to have measurable impact and achieve continuation of behaviour based on energy savings for the longer term, we will develop custom-made programmes based on the empowerment method. This method is ultimately driven by the individual's belief in their capability to influence events.

In 2006, three branches, two in Belgium and one in Luxembourg, and one corporate building were designated as 'energy test sites'. Sustainability criteria for construction will be incorporated in the tender. Additionally, we will start in 2007 with identifying technical energy-efficiency measures, for example through engineering site audits to consider cost-effective investments. These investments should result in measurable energy savings.

### Mobility

The first step in decreasing the negative effects of mobility is to reduce the need for transportation by using tele- and video conferences and teleworking from home and satellite offices. The second step is to look for alternatives for transportation. We encourage the use of public transport. In 2006, Fortis Belgium organised a 'mobility market' in various buildings, with information about all alternatives to individual car use, including the possibility to sign up for carpooling. The intranet regularly informs employees about changes in public transport and other related topics. Some bicycle sheds have been enhanced. A multimodal accessibility map has been produced for main buildings in Belgium and Luxembourg.

A significant number of Fortis employees work in Brussels. In order to inform them about all transport alternatives to reach the capital city of Belgium, Fortis organised 'mobility markets' in its three main buildings to which 9,000 employees were invited. The major public transport companies sent representatives to answer questions and to help employees find the best commuting solution. Representatives from a cyclists' association and from the national carpooling organisation also presented their services. Besides documentation and brochures, participants received cycling jackets and free metro tickets.

### Buildings

Total energy use <sup>1</sup>	2006
GWh	690
MWh/FTE	12.1
Electricity <sup>2</sup>	
GWh	273
MWh/FTE	6.3
CO <sub>2</sub> emission in tonnes	92,000
CO <sub>2</sub> emission in kg/FTE	2,150
Other sources <sup>2</sup>	
GWh	248
MWh/FTE	5.8
CO <sub>2</sub> emission in tonnes	52,500
CO <sub>2</sub> emission in kg/FTE	1,220

### Mobility

Business car lease <sup>3</sup>	2006
Millions km	84.8
CO <sub>2</sub> emission in tonnes	11,000
CO <sub>2</sub> emission in kg/FTE	290
Air travel <sup>3</sup>	
Millions km	52.7
CO <sub>2</sub> emission in tonnes	7,500
CO <sub>2</sub> emission in kg/FTE	195

<sup>1</sup> The figures were extrapolated to total Fortis FTE (56,886)

<sup>2</sup> Electricity and other sources: Benelux countries and Turkey (42,943 FTEs)

<sup>3</sup> Benelux countries (38,168 FTEs)

### Waste

Fortis's waste management policy focuses on avoiding the creation of waste. In the Benelux countries, we separate reusable waste from unusable residual waste in most of our corporate buildings. Separation is applied to at least paper, cardboard, cartridges and toners. Moreover in Luxembourg and the Netherlands coffee cups, metal and plastic bottles are recycled, and in the Belgian head offices are expected to follow suit.

Paper consumption	2006
Tonnes	5,300
Tonnes per FTE	0.14

The numbers concern Benelux countries.

Water use (drinking water)	2006
m <sup>3</sup>	736,700
m <sup>3</sup> per FTE	19.3

The numbers concern Benelux countries.

“Friends of the Earth is delighted about Fortis’s decision to achieve full carbon neutrality in its worldwide operations. Being the first Dutch bank to opt for carbon neutrality, we congratulate Fortis with this important first step toward becoming a climate-friendly bank. With this decision, Fortis acknowledges that banks play a major role in the fight against climate change. We hope other Dutch banks will follow Fortis’s example.”

Donald Pols, Climate Campaign Leader Friends of the Earth



## Central Purchasing Organisation



### Sustainable Supply Chains

Our purchasing activities are controlled by our Central Purchasing Organisation (CPO). In 2005, the CPO developed a CPO sustainability policy which can be found on our website. This policy, which is an integral part of our company’s overall purchasing policy, was implemented in 2006. All new purchasing contracts and contract renewals over EUR 125,000 include requirements for suitability with criteria such as environmental standards, child labour and other human rights violations. We also reserve the right to have suppliers audited.

### FSC Paper in our offices

Our Central Purchasing Organisation made an important step in reducing the environmental impact of our paper consumption. In 2006, it decided to move towards one standard of office paper for our global organisation. It is very complicated to measure the environmental impact of a certain type of paper, since many different factors are involved. After an intensive process, in which external stakeholders were involved, Fortis developed its own method for measuring the environmental impact of different types of paper which has been used in the selection process for suppliers. As a result the deliveries of standard white copying and letter paper in the Netherlands and Belgium in 2007 will be certified by the Forest Stewardship Council (FSC). Luxembourg will follow later in the year.

## Fortis Bank Luxembourg obtained the ‘Quality Label for Environmentally Correct Waste Management’ in 2006 and 2007

Thanks to different consciousness-raising initiatives on waste prevention, separate waste collection and monitoring waste disposal streams in corporate buildings and branches, Fortis Bank Luxembourg was nominated for this environmental label in 2006 and this label is ensured for 2007.

**SuperDrecksKëscht® fir Betriber** is an initiative of the Ministry of the Environment and the *Chambre des Métiers* and supports companies in establishing an accurate waste management plan. This relates to the appropriate collection, sorting and storage of waste, the search for adequate means for re-use and recycling, the prevention of waste production as well as compliance with legal regulations.

“We are very pleased that our Fortis colleagues in Luxembourg showed behavioural change on environmental matters. Thanks to the development of our CEMS and improved monitoring tool, we can make the measurable impact more transparent.”



Hilde Monserez, Chief of Logistics  
Fortis Bank Luxembourg.

# An Active Role in Society



In our view, CSR means more than just providing top-class financial products to satisfied clients and being a responsible and attractive employer. Fortis's commitment to society is expressed, among other ways, through the work of the Fortis Foundations, dialogues with NGOs, our relationship with the public sector and our sponsorship activities.

## Community Involvement



### Social Inclusion

Through our Foundations, we aim to contribute to social inclusion of disadvantaged groups in the societies in which we are active, with a focus on youth, through a combination of Fortis staff voluntary work and philanthropy. The fundamental idea behind the Fortis Foundations concept is involvement in local communities.

Fortis Foundations were formally established in Belgium in 1996 and in the Netherlands in 2001. We are convinced that our goals can only be achieved if we successfully expand our commitment to the societies in which we operate. With this in mind, in 2006 the concept of the Fortis Foundations was rolled out beyond Belgium and the Netherlands. Foundations were established in Luxembourg and later in France and Poland. We are currently working on establishing Foundations in the UK, Turkey and Ireland.

Each Fortis Foundation must comply with a global framework defined at group level, defining the scope, governance and general principles for selecting local partners and projects. The global objective of fighting against social exclusion through philanthropy and volunteering activities of staff members can be adapted and further fine-tuned on a local basis. Furthermore, funding and other activities are locally defined and executed. In order to secure alignment with the global concept, the CSR department organises and chairs regular meetings with the representatives of all the Foundations, aiming to share best practices and develop new projects. A new logo was developed in 2006 and will be used by all the Foundations in order to ensure global branding.

The fact that the support to the local partners and projects is not limited to money, but also includes time of the volunteers and other gifts in kind such as old computers, makes it difficult to express the level of support as a percentage of Fortis's assets or revenues.

## Figures for the Fortis Foundations

Budget for donations (excluding salaries, office space and basic administration costs)	EUR 3,731,000
Volunteers involved in projects	3,766
Number of projects	398
Number of FTEs in Foundations	17

The above numbers concern Benelux countries.

### Fortis Foundation Netherlands

Fortis Foundation Netherlands engages over one fifth of our Dutch employees in social projects by supporting their volunteer activities and by initiating community investment projects. Our employees contribute to these projects using their expertise and enthusiasm to support people and social organisations. On an institutional level, the management of Fortis Bank committed itself to high schools and Fortis Insurance cooperates with Youth Welfare Work (see case p.11). From cooking for homeless youth to offering professional advice and support for social organisations, from a day out with mentally disabled children to personal mentoring programmes for students with learning problems, our projects are as diverse as Dutch society itself, with a focus on youth in vulnerable positions.

Fortis Foundation Netherlands celebrated its fifth anniversary in 2006. Different activities took place to celebrate this milestone, starting in April when 350 Fortis employees helped prepare 600 VMBO students for the next step in their career. During the year, several community breakfast sessions were organised to bring representatives from social organisations, government bodies and businesses together. By building these sorts of bridges, we were able to help youth in difficult circumstances. Another outstanding event of the year was the creation of Master Class Community Involvement, in which the MBO monitor was made available to different organisations to enable the measurement of the impact of their social investments.

### Impact: the MBO Monitor

The Fortis Foundations not only exist to show our good intentions and enhance our reputation. Fortis wants to make a real contribution to the societies in which we participate. In order to maximise this contribution, it is important to gain insight into the impact of our projects. To achieve this, Fortis Foundation Netherlands developed the MBO Monitor; a tool to measure the results of social activities for Fortis and for the social organisations Fortis works with. The MBO Monitor was developed in cooperation with Professor Lucas Meijs, Professor of Voluntary Work, Civil Society and Business at the Rotterdam School of Management/Erasmus University Rotterdam. In the work of our Foundations we always aim to achieve a win-win situation. This tool helps us determine if we have succeeded. The tool has been made available to other organisations working in the field of community investment.

### Fortis Foundation Belgium

As a pioneer in the field of corporate philanthropy, Fortis Foundation Belgium (FFB) is actively continuing to fulfil its commitment to community involvement, striving to develop this both internally and externally, throughout the country. Ever since it was first established, the Foundation's objective has been to fight against social exclusion in three different areas: socially vulnerable children, young people in difficulty and solidarity between generations.

With this as a background, FFB continues to expand its main activities, financial support and internal voluntary work. In 2006, the budget was shared between various types of activities:

- Financial support was given to 216 associations this year, in the three areas covered by the Foundation
- The non-profit association *Clés pour la jeunesse/ Leefsleutels*, which provides activities in the field of prevention through the development of training courses for Young people, received annual support
- The development of voluntary work among staff members through 'Solidarity Days' and 'Solidarity Teambuilding' programmes

The creation of a new 'Help Programme' specially created to stimulate and encourage current and former members of staff who are involved in associations in a private capacity and to help them in their support.

In 2006, Fortis Foundation Belgium also launched an information campaign intended to increase awareness of the Fortis Foundation Belgium and its commitments. A national survey was conducted by Ipsos, at the request of FFB, that was designed to establish a picture of the corporate sponsorship situation in Belgium.

## Meeting for the Future

In addition to giving financial and in kind support to the local community through employee involvement, Fortis Foundation Belgium promotes the debate on corporate philanthropy by organising an annual event 'Meeting for the Future', a congress with over 300 participants from different backgrounds: politicians, academics, business leaders and association representatives. At this year's event, a theme with which all corporate foundations are dealing was discussed: Should companies communicate about what they are doing for the local community, or not? And why? During the event Count Maurice Lippens, our Chairman of the Board of Directors, made an appeal to the political scene in Belgium to create a legal framework for corporate donations.

### Fortis Foundation Luxembourg

Fortis Foundation Luxembourg (FFL) was established in April 2006 and started activities by supporting five projects. FFL supports social projects financially or by other means that are introduced by Fortis employees or pensioners. The pre-condition is that the employees or pensioners are volunteers within the association for which they request support. Projects, given the number of employees crossing the border to work in Luxembourg, cover the 'Grande Region' area and do not exclude projects in other countries.

### Fortis Foundation Poland and France

Fortis Foundation Poland was established in November 2006. The choice has been made to focus on supporting orphanages, young people in difficulty and older people. Fortis France decided to launch its Foundation in late 2006 after conducting a survey among its employees in order to better understand their wishes and interests. The results of the survey confirmed employee interest for the new Foundation.

### Other Foundations

The creation of the Fortis Foundations in Turkey and the UK was planned in 2006, but has been slowed down and postponed to 2007. Difficulties with legal issues in Turkey and a change of management in the UK were the reasons for this delay.

### NGO Dialogue

Fortis maintains contacts with a wide group of stakeholders. Our customers, employees and shareholders – as the most directly involved stakeholders – are our central consideration. Building relationships with them is one of the core processes within our organisation that determines our success.

We also have a broad group of societal stakeholders with whom we interact. They include regulators, authorities, industry associations, unions, non-governmental organisations (NGOs) and local communities.

In principle, we enter into dialogue with all parties that have a genuine interest in our organisation. However, it is important for us to examine and define the boundaries of our

## Project Foundation Luxembourg

The non-profit association Friends of Gambia, created in 2002, is building an orphanage for 30 to 50 children in Gambia, hereby actively supported by the activities organised by a team of employees of Fortis Bank Luxembourg. The primary objective of the association is to meet the elementary needs of the local population in Gambia and to enable them to meet their proper needs in the future. FFL took part in the financing of the transport of a container with collected supplies (bicycles, clothing, mattresses, etc.) towards Gambia and granted leave to an employee to ensure the monitoring and the coordination of the project on the spot.

Examples of achievements of the association:

- Seven containers have been sent from Luxembourg to Gambia, containing clothing, shoes, school furniture, office supplies, rucksacks, computers, bicycles, etc
- Supplies for maternity hospitals and bandages, medicines, operating tables, crutches and wheelchairs for different hospitals in Gambia
- Organisational support for schools and furniture (e.g. old computers of FBL)
- Teaching IT, French and English to adults
- Creation of several small shops so that the local population could meet its proper needs
- Sponsoring programme of 210 students

responsibility. We cannot and will not act as a substitute for or take on the role of government and regulator. On that basis, we set priorities in our contact with stakeholders. Through dialogue, we are able to maintain and build up our relationships and hope to cultivate mutual respect. Dialogues with NGOs become especially interesting when they deal with issues that impact our core businesses. This helps us to continually improve our organisation and optimise the services we provide.

We have regular meetings with NGOs on social and environmental issues. In 2006 we executed a more structured approach to these dialogues and had more frequent and better aligned discussions. We took a more proactive stance in approaching NGOs, resulting in a genuine interest from both sides towards learning and cooperation.

At corporate level we discussed the situation in Burma with *Birma Centrum Nederland*. In addition, we had various meetings with Friends of the Earth with regards to their Banks and Climate Change campaign. With Network Flanders we discussed their approach of the financial industry and the developments with regard to the defence industry.

With regard to the development of sector policies and statements, we consulted various NGOs with expertise in specific fields. Please refer to the paragraph on sector policies (pages 17-21) for more detailed information.

## Public Sector



### Social Inclusion

Our company is able to operate by virtue of the economic, legal and social infrastructures of the countries in which we do business. While benefiting from these infrastructures, at the same time we contribute to their existence. A tangible contribution is obviously the taxes we pay. In 2006, Fortis paid income taxes totalling EUR 1,030 million.

Maintaining good and constructive relationships with regulators is essential to our business. Mutual trust and transparency are crucial to these relationships. We share a common goal with regulators, namely the quality and transparency of social, financial and economic structures. That is fundamental to the prosperous and sustainable development of the economy.

In a letter to the Dutch government, written in December 2006, chairmen of leading Dutch multinational companies urged the government to pay more attention to environmental policy making. Count Maurice Lippens, Chairman of the Fortis Board of Directors, signed the letter. The captains of industry expressed their concern about the lack of attention to sustainability issues in the national political debate.

## Sponsorship

Fortis primarily uses sponsorship to meet its objectives for improving awareness of our brand and developing our brand image. In principle, we only enter into long-term commitments and do not sponsor projects with an obvious political, religious or philosophical bias or projects that serve only individual interest.

In the Netherlands, we sponsor activities in the fields of sports (football and running) and entertainment (musicals). In Belgium, we are involved in team sports (football, basketball and volleyball) and a broad mix of cultural events (music, film and arts). We have an active sponsorship programme in Luxembourg with commitments in sports and music. In Turkey, Fortis is the title sponsor of the Fortis Turkish Cup. All of these activities underline Fortis's values including performance, team spirit and accessibility. In addition to these sponsorship activities, we also develop our own events and hospitality opportunities in order to support our businesses and to thank our customers for their loyalty and trust in Fortis.

Wherever possible, we combine a sponsorship programme with a good cause. The Fortis Marathon Rotterdam, for example, offers a platform for a broad range of cause-related initiatives that we help to set up and support. An example is the Fortis Charity Challenge, in which four organisations use this platform, challenging each other to raise as much funds as possible. During the 2006 edition of the Fortis Marathon Rotterdam, *Nationaal Fonds Sport Gehandicapt*, World Cancer Research Fund, Red Cross and Dirk Kuyt Foundation collected over EUR 120,000. We also strive to link our sponsorship activities to the objectives of the Fortis Foundations by developing activities to help talented young people living in difficult social circumstances.

The Fortis Ambassadors concept involves Fortis employees in our sponsorship activities. It gives them the opportunity to watch cultural performances or attend sports events at discounted rates or to actively participate in sponsored events as volunteers or competitors. By doing so, our employees are true ambassadors for the company while enjoying the benefits of sponsored activities. All this helps to make them proud of the company they work for.

# Sustainable Shareholder Value



Ensuring that our business is profitable and that we provide a good return on the capital invested in our company is our primary responsibility.

## The Fortis share

Fortis was created in 1990 by the cross-border merger – Europe's first – between the Belgian insurer AG Groep and the Dutch bancassurance group AMEV/VSB. Our overall legal structure was regularly adapted in the ensuing years to enable us to manage our cross-border operations efficiently and to allow private shareholders in Belgium and the Netherlands to continue to invest in Fortis. This culminated in the current, innovative governance model, headed by a Belgian (Fortis SA/NV) and a Dutch (Fortis N.V.) parent company, shares in which have been linked to form the Fortis share. Fortis shares function as ordinary shares in every respect, including the associated voting rights and dividend entitlement. At the end of 2006 the number of outstanding Fortis shares carrying voting rights and entitled to dividend was 1,303,133,005.

Each Fortis share carries a single vote at the shareholders' meeting of both Fortis SA/NV and Fortis N.V. Fortis shareholders are thus entitled to attend and cast their votes at the General Meetings of both companies. The two shareholders' meetings basically deal with the same matters. The Articles of Association specify that certain resolutions have to be taken by both meetings if they are to be enacted.

## Investor relations

Our Investor Relations (IR) team is responsible for financial communication with existing and potential shareholders - both retail and institutional – and rating agencies. We want to provide our investors with information and ensure that this information is easily and equally accessible. Therefore, we publish quarterly results, organise investor roadshows across the globe and hold an annual Investor Day for professional investment analysts.

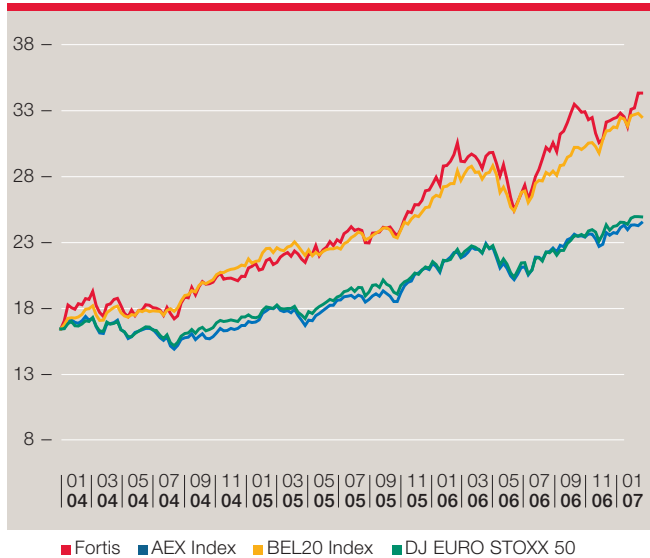
In 2006, Fortis again received the award 'Best Investor Relations by a Belgian Company' from IR magazine.

As from 2007 we aim to organise analyst meetings on CSR, as a joint effort of the Investor Relations team and the CSR department.



## Share performance

### Fortis share price performance compared with Euronext indexes



## Dividend

We revised our dividend policy because IFRS rules create more volatile results. For that reason, and as part of the long-term financial goals we set out in 2005, we have adopted a policy of paying a stable and growing dividend, taking account of our solvency, profitability and growth objectives.

The Board of Directors will propose a cash dividend of EUR 1.40 per share to the Annual General Meeting of Shareholders on 23 May 2007. As an interim dividend of EUR 0.58 per share was paid on 15 September 2006, the final dividend will amount to EUR 0.82 per share.

We began to pay an interim dividend in 2005. The amount of the interim dividend has been set as a matter of policy at 50 percent of the full-year dividend for the previous year. The interim dividend will be announced on publication of the half-year results.

## Corporate Governance

Balancing entrepreneurship with control and risk management is what good corporate governance means to Fortis. It implies organising our businesses and activities for growth and long-term sustainable success, while effectively keeping sight of and managing the risks that come with that growth. The Fortis Board has a crucial leadership role in guiding Fortis to success through responsible and efficient decision-making in the face of dilemmas encountered during the course of its development.

Corporate governance is a subject that has been at the core of a continual stream of new laws, regulations and best-practice guidance in different countries, and at the level of international organisations and institutions. Fortis is a Belgian-Dutch group to which the Belgian and the Dutch codes of corporate governance apply. At Fortis, however, corporate governance means more than simply complying with a code. As a financial services institution, we believe that a strong culture of corporate governance and responsible behaviour and decision-making is fundamental to the way we do business. We therefore keep a very close eye on best practices and we constantly develop and improve our own governance framework in accordance with these best practices. Please refer to our Annual Report 2006 and the Fortis Governance Statement ([www.fortis.com/governance](http://www.fortis.com/governance)) for more details.

## Fortis as a Shareholder

Investment activities within Fortis are spread across a number of entities. These activities take place on behalf of clients or with respect to proprietary funds. In due observance of sound governance principles, accountability for investment policies – including whether or not voting policies are exercised – lies within the different entities.

In early 2007 we restructured our organisation, introducing the function of Chief Investment Officer at the level of the Executive Committee. In 2007 Investments will start looking at how we can profit from our investments at group level. As a bank and an insurer, we provide financial services in both sectors – and that requires a cross-sector view on our assets. This broad view will allow us to take a more systematic and dynamic approach to analysing investment potential, one of which does not produce adverse risk effects. With an investment portfolio of EUR 190 billion, this represents a solid opportunity.

One of these opportunities lies in considering signing the Principles for Responsible Investment (PRI). The PRI is a UN-backed framework that provides a menu of possible actions for incorporating environmental, social and governance issues into mainstream investment decision making and ownership practices. Signing represents a very real commitment to the Principles, demonstrating support from the top level of leadership of the whole investment business.

# Reporting Process and Principles

## Report structure, criteria and selection of issues

This is our third CSR Report. This report shows our progress in the area of Corporate Social Responsibility and reporting over 2006. Like previous reports, this edition uses a stakeholder structure which demonstrates how we interact with internal and external stakeholders. To show our focus on material issues, we have combined this stakeholder structure with a presentation of our three main strategic themes; Sustainable Supply Chains, Climate Change and Social Inclusion.

We've used the G3 guidelines as our reporting criteria. In addition, we have called on third-party questionnaires, feedback from dialogues and internal discussion and strategy to decide on the content for the report.



The G3 guidelines have different application levels. We apply an application level B+. We report on the profile disclosures, the disclosures on management approach, at least 20 performance indicators and the report is externally assured. For further details on the application of the G3 guidelines, please refer to the GRI Index.

Report Application Level	C	C+	B	B+	A	A+
<b>G3 Profile Disclosures</b> OUTPUT	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5-4.13 4.16-4.17	Same as requirement for Level B		
<b>G3 Management Approach Disclosures</b> OUTPUT	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
<b>G3 Performance Indicators &amp; Sector Supplement Performance Indicators</b> OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.	Report Externally Assured	Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.	Report Externally Assured	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	Report Externally Assured

## Reporting boundaries

This CSR Report covers our entire organisation unless otherwise indicated. The report includes quantitative and qualitative data about the calendar year 2006. We also describe relevant actions taken in the first part of 2007. Joint Ventures are only included in the non-financial information if we hold more than 50 percent of the shares and have management control.

## Information systems and quality of data

Fortis has no overall information system for Corporate Social Responsibility. For environmental data, we have developed a new data system as part of our Corporate Environmental Management System which covers the Benelux and Turkey. The global energy data for 2006 are based on an extra-

polation. We are working to report more accurate energy data in next year's report. For other information, our primary sources are corporate systems, such as our financial reporting system, and the Global Data Warehouse for human resources information. For other relevant indicators that are not covered by existing systems, we use local information systems and ask specific questions.

To get the most relevant and up-to-date information, we have interviewed several representatives from our different businesses in order to provide us with anecdotal evidence and data. We also worked with an editorial board to test our findings and obtain additional organisational input.

While we have made progress in data gathering by developing an Corporate Environmental Management System, we recognise the need for more standard information systems. We are also working on global coverage of systems that do not yet represent our entire organisation.

## External assurance

We asked KPMG Sustainability to provide limited assurance on the information in this report. The report itself, including the identification of material issues, is our responsibility. KPMG is responsible for developing and carrying out an appropriate programme of work as described in their assurance report and reporting their conclusions. KPMG's assurance report can be found on pages 47-48.

## Disclaimer

This report is intended for information purposes only. It aims to provide an overview of our current status with respect to Corporate Social Responsibility only. Policies, procedures, expectations and ambitions may change over time. All policies and procedures we refer to are intended for internal use. This document, including all policies, procedures, statements, expectations or ambitions referred to herein, is not intended to vest any independent right, claim or course of action in our clients, shareholders, employees or other parties' relations, nor to create any liability whatsoever.

Next to our own statements, we have included some external parties' opinions about our institution or our cooperation. We thank these stakeholders for their contributions which we appreciate, but obviously we cannot take responsibility for their statements.

This report only covers limited aspects of Fortis. To obtain a more complete picture of the company, please consult our Annual Report, other corporate publications and the information available on our website: [www.fortis.com](http://www.fortis.com).

# Assurance report

## To the readers of the Fortis Corporate Social Responsibility Report 2006.

### Introduction

We have been engaged by Fortis to review the Fortis Corporate Social Responsibility Report 2006 (further referred to as the Report). The Report, including the identification of material issues, is the responsibility of the Executive Committee of Fortis. Our responsibility is to issue an assurance report on the information in the Report.

### Context and scope

In the Report, Fortis describes its efforts, progress and plans in relation to sustainability. Our engagement was designed to provide limited assurance on whether the information in the Report is fairly stated.

'Fairly stated' means that the report properly reflects the information contained in the underlying sources such that it is consistent with the source information. We do not provide any assurance on the feasibility of Fortis's targets, expectations and ambitions.

### Standards and criteria

We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE 3000): *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board. Amongst others, this standard requires that:

- the assurance team members possess the specific knowledge, skills and professional competencies needed to understand and review the information in the Report, and that they comply with the requirements of the IFAC Code of Ethics for Professional Accountants to ensure their independence;
- when providing limited assurance, which is a lower level than reasonable assurance, a negative form of conclusion is used.

There are no generally accepted standards for reporting sustainability performance. Fortis applies its own internal sustainability performance reporting criteria, which are derived from the G3 Sustainability Reporting Guidelines of the Global Reporting Initiative as detailed on page 46 of the Report.

### Work undertaken

Our review included the following activities:

- a risk analysis based on the AccountAbility 5-part materiality test in order to obtain insight into the relevant sustainability issues for the Report. Input for the risk analysis included:
  - a media analysis and internet search covering sustainability issues for Fortis in the reporting period;
  - a review of key commitments in the 2005 Sustainability Report;
  - the GRI financial sector supplement;
  - a review of the contents against other CSR reports in the financial sector;
- a review of the underlying principles of information management and the reporting criteria used in drawing up the Report;

- interviews with relevant staff at corporate and business level responsible for the information in the Report in The Netherlands and Belgium;
- a review of internal and external documentation such as minutes of meetings, reports, and intranet sources;
- a review of the underlying systems and procedures used to collect and process the reported information, including the aggregation of data into the information in the Report;
- a review of the reliability of the quantitative and qualitative information in the Report based on sampling;
- a consistency check to ensure that the Report includes information on the key commitments and targets in the 2005 Sustainability Report.

During our investigation we discussed the necessary changes in the Report with Fortis and determined that these changes have been adequately incorporated into the final version.

### **Conclusion**

Based on the above work, we conclude that the information in the Report does not appear to be unfairly stated.

### **Commentary**

Our investigation also identified a number of areas which are important for improving reporting in the future but do not affect the conclusions presented above. Issues which require attention are the following:

- Further work is required to ensure that new CSR- related credit policies are fully embedded in the working procedures at all levels in the organisation and across all geographical regions. We recommend installing an internal assurance mechanism to monitor whether the organisation is working according to these new policies which should include reporting to management and enable reporting to stakeholders.
- The method for reporting the 2006 global energy data is based on extrapolation to cover around 30% of the FTEs in countries outside Benelux and Turkey. In order to be able to monitor and report more accurate data in relation to the new target of 10% reduction in energy per FTE in 2010 we recommend the collection of actual data from additional countries together with improvements in the data validation processes at country and corporate level.
- Fortis has undergone considerable expansion in the last 12 months and its strategy indicates that further expansion outside the Benelux will continue. We recommend Fortis to pay specific attention to CSR management, including policies and commitments, for newly acquired businesses and report on these.



W.J. Bartels RA (Director)  
Amsterdam, 23 March 2007  
KPMG Sustainability B.V.

# Global Reporting Initiative index (G3)

## Strategy and analyses

1.1	CEO statement	2-3
1.2	Key impacts, risks, and opportunities	4-11

## Organisational profile

2.1	Name of organisation	Cover
2.2	Products and services	Cover
2.3	Operational structure	AR
2.4	Location headquarters	Cover
2.5	Countries located	Cover
2.6	Nature of ownership and legal form	44
2.7	Markets	Cover
2.8	Size of operations	Cover
2.9	Organisational changes	AR
2.10	Awards	13-14

## Reporting parameters

3.1	Reporting period	46
3.2	Previous report	4-5, 46
3.3	Reporting cycle	4-5, 46
3.4	Contact person(s)	Cover
3.5	Process report content	46
3.6	Scope	Cover, 46
3.7	Scope limitations	Cover, 46
3.8	Basis for reporting on joint ventures	46
3.9	Data measurement techniques	46
3.10	Re-statements	NR
3.11	Reporting changes	46
3.12	Standard Disclosures	49-52
3.13	Policy external assurance	46-48

## Governance, Commitments, and Engagement

4.1	Governance structure	12
4.2	Chair of the highest governance body	AR
4.3	Independent members	AR
4.4	Mechanisms for shareholders and employees	44-45
4.5	Compensation highest governance body	AR
4.6	Processes to ensure conflicts of interest are avoided	PoBC
4.7	Expertise highest governance body	12, AR
4.8	Internally developed statements	15
4.9	Procedures of the highest governance body	AR
4.10	Performance highest governance body	AR
4.11	Precautionary approach	15-21
4.12	Externally developed principles	12-14
4.13	Memberships in associations	12-14
4.14	List of stakeholder groups	18, 20-21, 42-43, 46
4.15	Identification and selection of stakeholders	18, 20-21, 42-43, 46
4.16	Approaches to stakeholder engagement	18, 20-21, 42-43, 46
4.17	Key topics through stakeholder engagement	18, 20-21, 42-43, 46

*The Fortis CSR report follows the Global Reporting Initiative G3 guidelines. This section contains an overview of the profile disclosures, the disclosures on management approach and the performance indicators.*

*PoBC Included in the Principles of Business Conduct*

*AR Included in the Annual Report 2006*

*NI Not Included*

*NR Not Relevant*

<b>Disclosure on Management Approach</b>	<b>Materiality</b>	<b>Responsibility</b>	<b>Objectives and performance</b>	<b>Policy</b>	<b>Training</b>	<b>Monitoring</b>
Economic	Economic Performance Market Presence Indirect Economic Impacts	Executive Committee	AR 4-14 31-32	AR	Not required	Not required
Environment	Energy Transport	Facility Management	38-39	36-37	32/33	38
Labour Practices	Employment Labour Relations Occupational Health and Safety Training and Education Diversity and Equal Opportunity	Human Resources	31-35	31-35	32/33	33
Human Rights	Investment and Procurement Practices Non-discrimination Freedom of Association and Collective Bargaining	Human Resources Facility Management	35 39	35 PoBC	32/33	35 39
Society	Community Corruption Public Policy Anti-Competitive Behaviour Compliance	Fortis Foundations Compliance	40-43	40-43 PoBC	32/33	41
Product Responsibility	Product and Service Labelling Marketing Communications Customer Privacy Compliance	Business managers Compliance	30	30 PoBC	32/33	-

**Economic performance indicators**

EC 1	Direct economic value	AR
EC 2	Financial implications due to climate change	8-9, 23-29, 36-37
EC 3	Coverage benefit plan obligations	AR
EC 4	Financial assistance received from government	NI
EC 6	Locally-based suppliers	NI
EC 7	Local hiring	34
EC 8	Infrastructure investments	9, 26-27

**Environmental performance indicators**

EN 1	Weight of materials used	NR
EN 2	Recycled input materials	NR
EN 3	Direct energy consumption	38
EN 4	Indirect energy consumption	NI
EN 6 (add.)	Initiatives on energy-efficient or renewable energy	36-39
EN 8	Total water use	38
EN 11	Location land in protected areas	NR
EN 12	Significant impacts on biodiversity	NR
EN 16	Direct and indirect green-house gas emissions	36-38
EN 17	Other relevant indirect green-house gas emissions	NR
EN 18 (add.)	Initiatives to reduce greenhouse gas emissions	36-39
EN 19	Emissions of ozone-depleting substances	NR
EN 20	NOx, SOx air emissions	NR
EN 21	Total water discharge	NR
EN 22	Total weight of waste	38
EN 23	Total spills	NR
EN 26	Initiatives to mitigate environmental impacts	8-9, 23-29, 36-37
EN 27	Products reclaimed at the end of the products' useful life	NR
EN 28	Monetary value of significant fines	NR

**Social Indicators****Labour Practices and Decent Work**

LA 1	Breakdown of total workforce	31-32
LA 2	Employee turnover	31-32
LA 4	Employees covered by collective bargaining agreements	NI
LA 5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	NI
LA 7	Rates of injury, occupational diseases, lost days, and absenteeism	35
LA 8	Risk-control programmes regarding serious diseases	NR
LA 10	Training per employee category	32
LA 13	Gender breakdown of governance bodies	33
LA 14	Ratio of basic salary of men to women	NI

**Human Rights**

HR 1	Significant investment agreements that include human rights clauses	NI
HR 2	Screening of suppliers on human rights	39
HR 4	Incidents of discrimination	NI
HR 5	Incidents of violations of freedom of association and collective bargaining	NI
HR 6	Child labour	NI
HR 7	Forced or compulsory labour	NI

**Society**

SO 1	Impact on communities	40-43
SO 2	Number of business units analyzed for risks related to corruption	PoBC
SO 3	Employees trained in organization's anti-corruption policies and procedures	33
SO 4	Actions taken in response to incidents of corruption	NI
SO 5	Public policy positions and participation in public policy development	43
SO 8	Monetary value of significant fines	NI

**Product Responsibility**

PR 1	Improving health and safety impacts across the life cycle	NR
PR 3	Product information and labelling	27-30
PR 5 (add.)	Customer Satisfaction	15-30
PR 6	Marketing communications	PoBC
PR 9	Monetary value of significant fines	NI

**Financial Sector Supplement Indicators (Social)**

CSR 1	CSR policy	4-14
CSR 2	CSR organisation	12
CSR 3	CSR audits	47-48
CSR 4	Management on sensitive issues	PoBC
CSR 5	Non-compliance with regulations	NI
CSR 6	Stakeholder dialogue	18, 20-21, 42-43, 46
INT 1	Internal CSR policy	4-14
INT 2	Staff turnover and job creation	31-32
INT 3	Employee satisfaction	35
INT 4	Senior management remuneration	AR
INT 5	Bonuses fostering sustainable success	NI
INT 6	Female-male salary ratio	NI
INT 7	Employee profile	31-32
SOC 1	Charitable contributions	40-43
SOC 2	Economic value added	AR
SUP 1	Screening of major suppliers	39
SUP 2	Supplier Satisfaction	NI
RB 1	Retail banking policy	NI
RB 2	Lending profile	NI
RB 3	Lending with high social benefit	NI
IB 1	Investment policy	21-23, 45
IB 2	Customer policy	15-30
IB 3	Transactions with high social benefit	21-30
AM 1	Asset management policy	21-23, 45
AM 2	Assets under management with high social benefit	21-23
AM 3	SRI oriented shareholder activity	45
INS 1	Underwriting policy	NI
INS 2	Customer profile	NI
INS 3	Customer complaints	30
INS 4	Insurance with high social benefit	27

**Financial Sector Supplement Indicators (Environmental)**

F1	Policies applied to core business lines	15-21
F2	Screening of environmental risks	15-21
F3	Threshold(s) for risk assessment	15-21
F4	Monitoring aspects raised in risk assessment process(es)	15-21
F5	Addressing risks and opportunities	15-21
F6	Audits of risk systems and procedures	NI
F7	Interaction with stakeholders about risks and opportunities	17-21
F8	Engagement with companies in portfolio	17-21
F9	Assets subjected to screening	21-23
F10	Share voting policy	45
F11	Assets under Management with right to vote shares	45
F12	Value of products and services	21-30
F13	Value of portfolio	AR



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