

Working on sustainable growth

Sustainability Report 2005

FORTIS 



Profile

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

Fortis's retail banking operations are the market leader in the Benelux region – one of Europe's wealthiest. Building on that leadership, Fortis has developed an integrated, continent-wide network to serve internationally active enterprises. The same, unique skill-set also provides high net worth individuals, enterprises and entrepreneurs with advanced financial services tailored to their specific needs. Fortis's unmatched expertise has made it a regional and in some cases global leader in niche markets like fund administration, export and project finance, shipping and commodities. Fortis successfully combines its banking and insurance skills in growth markets in Europe and Asia, and it leads the market in bancassurance in Spain and Portugal.

Fortis ranks among Europe's top 20 financial institutions, with a market capitalisation of EUR 39 billion (28 February 2006). With excellent solvency, a presence in 50 countries and a dedicated, professional workforce of 57,000, Fortis combines global strength with local flexibility.

Roadmap to profitable, sustainable and controlled growth

Who we are

We are a real financial partner for our customers. A partner who understands what they care about most and who can grow with them.

We are responsible and trustworthy, and can draw on a long and rich leadership history.

We offer our customers smart and pragmatic solutions that get them where they want to be.

And we share that same positive energy with our employees, shareholders and the community.

Where we're going

Fortis aims to be a top European financial institution, while pursuing selective growth in North America and Asia.

Growth strategy:

- Sharpen customer focus and stimulate revenue growth
- Increase profit contribution from outside Benelux
- Grasp non-organic growth opportunities (acquisitions, strategic partnerships)
- Create efficient support platforms

How we'll get there

- Operate under one Fortis brand with a strong identity
- Deepen our relationships with customers by offering them relevant, meaningful and differentiated products and services
- Leverage our sales and distribution capabilities
- Unlock the potential of committed employees
- Focus on leadership development
- Strengthen risk control
- Enhance performance management
- Apply principles of sustainable development



Corporate Social Responsibility

At Fortis we focus on two dimensions of Corporate Social Responsibility:

Sustainable Development

To 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 to realise their objectives. We do this through a combination of philanthropy and volunteer work. Our Foundations are the primary drivers of this commitment.

Key indicators and figures

(in EUR million unless otherwise stated)	2005	2004 ¹
Shareholders		
Net profit	3,941	2,995
Shareholders' equity	18.9	15.3
Total assets (in EUR billion)	729.0	614.1
Assets under management (in EUR billion)	383.2	307.0
Net profit (EPS) (in EUR)	3.07	2.35
Dividend per share (in EUR)	1.16	1.04
Market capitalisation (in EUR billion)	35.0	26.5
Customers		
Total sustainable assets under management ²	1,459.5	7,246
Sustainable investment funds	389	436
Sustainable assets under management – Fortis MeesPierson	445	226
Sustainable assets under management – Fortis Investments ²	236.5	6,637
Fortis Greenbank loans	48.3	43
Renewable energy loans	300	241
Employees		
FTEs ³	54,245	48,259
Headcount ³	57,088	50,842
Total wage bill and other employee expenses	4,291	3,778
Breakdown of full-time (FT) and part-time employees (PT) (as % of total)	FT 83.2 PT 16.8	FT 79.3 PT 20.7
Average number of training days per FTE	4.2	3.5
Women (as % of total)	47	44.4
Women at senior management level (as % of total)	7	6.4
Society		
Income tax paid	1,022.9	554.4
Social community projects (in numbers)	502 (NL), 195 (B)	409 (NL), 198 (B)
Employees involved in projects (in numbers)	2,410 (NL), 511 (B)	2,688 (NL), 466 (B)
Internal environmental management⁴		
Electricity use (in MWh per FTE) ⁵	6.0	N.A.
Other sources (in MWh per FTE) ⁶	6.1	N.A.
Paper use (in tonnes per FTE) ⁶	0.10	N.A.
Business car travel (in millions of kilometres)	150.6	N.A.
Air travel (in millions of miles)	18.7	N.A.

Notes

¹ The financial data for 2004 are not consistent with the data in the 2004 Sustainability Report as these have been re-stated in line with the change to IFRS (International Financial Reporting Standards). To obtain a complete overview of these changes, please refer to the Fortis Annual Report 2005.

² Due to organisational changes, the assets managed in 2005 based on explicit sustainability criteria are only those managed by our new SRI unit within Fortis Investments and no longer the complete European equity portfolio.

³ The 2004 data have been adjusted and are not consistent with the data reported last year.

⁴ N.A. = not applicable due to changes in scope.

⁵ Benelux countries and Turkey.

⁶ Benelux countries.

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Message from the CEO

Dear Reader,

At the end of 2004 we started an ambitious and broad transformation of Fortis. This was a challenging and exciting process for the company and one that has prepared us for a new era of growth. Our results are evidence that our model is working and that we are on track to achieve our objectives.

Clearly, our greatest responsibility as a public company is creating value; this is the most significant contribution we can make to society. But we are convinced that success is also determined by the way we create value and contribute to the communities in which we operate.

We do not want to make a profit at any cost, but aim to make a genuine contribution to our stakeholders' wealth and well-being. This is why Corporate Social Responsibility (CSR) is one of our top priorities. To Fortis, CSR encompasses two interlinked dimensions: sustainable development and community involvement. We are embedding CSR in our daily business practices and in the way we measure our success.

Looking at the results of our employee motivation survey, I am convinced that our staff is proud to work for Fortis because we act as a responsible member of society and take into account the interests of all our stakeholders. This is important feedback, as I view all 57,000 employees of Fortis as ambassadors for CSR. Individually and collectively we are responsible for ensuring that we live up to the promises we make.

In 2005 we made considerable progress in executing our roadmap for sustainable development: Agenda 2006. First and foremost, we focused on strengthening internal awareness and putting in place a number of measures that will help us to accelerate our progress in the future. We have strengthened our group-wide CSR department, which reports directly to Herman Verwilt, our Deputy CEO. This department will initiate and drive policy and will also facilitate further integration of CSR in our businesses.

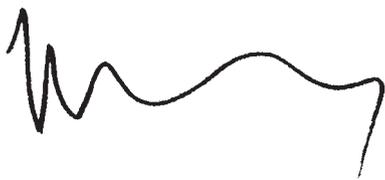
We have, at the same time, continued to incorporate sustainability aspects into our risk management procedures, adopted a sustainability-based credit policy, formulated a defence industry policy, agreed to endorse the Equator Principles, and introduced sustainability performance indicators to help measure the success of individual businesses.



Our Foundations have proved to be a successful concept for contributing to local communities. Fortis Foundation in Belgium recently celebrated its tenth anniversary, and the Foundation in the Netherlands will celebrate its fifth anniversary in 2006. Given the inspiration the Foundations bring to our employees and other stakeholders, we have decided to expand the concept to other countries. In 2006 we are launching Foundations in Luxembourg, France, Poland, Turkey and the United Kingdom.

I hope that you will enjoy reading our second Sustainability Report, which has been prepared using the 2002 Global Reporting Initiative Guidelines. We believe it represents a balanced and reasonable presentation of our organisation's economic, environmental and social performance.

CSR has become an essential qualifier for doing business today. You could say it comes naturally to us, since it is part of the 'Fortis way of doing business'. But we have no intention of resting on our laurels, and we will strive to improve our performance constantly as we proceed with our CSR agenda. We do not operate in isolation; rather, we engage with our stakeholders in shaping our business at every level. We are therefore looking forward to receiving your feedback. Finally, I would encourage you to visit our website at www.fortis.com to find out more about what we are doing.



Jean-Paul Votron
Chief Executive Officer

“Clearly, our greatest responsibility as a public company is creating value; this is the most significant contribution we can make to society.”

Fortis and sustainable development

Our progress on Agenda 2006

Two years ago we defined Agenda 2006 – our plan for establishing a more tangible link between our day-to-day business and sustainable development. This roadmap defined our ambitions, priorities and action for the period 2004-2006. The main points are illustrated in the diagram below.

Having realised all the action points planned for 2004 by the end of that year, we also made considerable progress in 2005. Some of the 2005 and 2006 activity has well-defined deliverables, helping us to distinguish between full implementation and tangible, measurable progress. Other elements of our agenda can be considered as ongoing processes.

Beyond Agenda 2006

Working with Agenda 2006 has proven to be effective. The operational action points it identifies make both our employees and outside stakeholders aware of our priorities. It has helped us to focus and to make tangible progress in many areas.

In 2005, we mainly concentrated our efforts on our internal organisation. In 2006 we will continue implementation of our sustainability agenda and shift our focus to the outside world. Simultaneously we aim to further embed our sustainability values throughout our organisation. This means that, at both corporate and business level, sustainability will be taken on board in an ever more systematic way. We will also expand this agenda to the organisations that have recently joined Fortis, such as Fortis in Turkey.

A priority for 2006 is to define the next stage of our strategy, achieving our ambition to be regarded as one of the leading financial institutions in corporate social responsibility. We will again map out an action plan for several years. 2009 has been chosen as a target year because it is also a milestone in overall Fortis strategy. Defining our sustainability Agenda 2009 will be an intensive process in which we intend to involve several managers and employees, as well as customers, shareholders and representatives from society. We are convinced that this process will prove to be valuable in identifying priorities and keeping our plans tangible and measurable.

Executing Agenda 2006			
Up to 2004	2004	2005	2006
Activities	Central coordination	Development and implementation	
<ul style="list-style-type: none"> Fortis Foundations Principles of Business Conduct Inclusion in sustainability indices Local initiatives and products, like investment funds and savings account Internal environmental care 	<ul style="list-style-type: none"> Agenda 2006 with ambition and key goals Sustainability Statement CS organisation and structure Internal communication Employee Motivation Survey Dialogue on Defence Industry Policy 	<ol style="list-style-type: none"> 1 First Sustainability Report 2 Internal sustainability site 3 Central credit policy on sustainability 4 Defence Industry Policy 5 Performance indicators as part of business plans 6 Intensification of stakeholder dialogue 7 Development of purchasing policy 8 Group-wide investment policy 9 Group-wide environmental statement 10 Alignment with international standards; endorsement of Equator Principles 11 Development of sector policies 12 Expansion of Foundations 	

Key overview of Agenda 2006

Since Agenda 2006 is our roadmap, we elaborate on the progress of each separate item. Below is a brief overview; more detailed information is provided in the chapters that follow.

- 1 Our first **Sustainability Report** was published in May 2005. After publication, we sought qualitative stakeholder feedback, both externally and internally. It could be concluded that the report was fairly well received. The clarity of our vision was appreciated and the structure and readability of the report were said to be good. However, stakeholders suggested we include more explicit information on dilemmas, targets and performance. They considered the feedback process relevant and regarded it as a good platform for further dialogue.
- 2 A new, dedicated **intranet site** facilitates internal communication on sustainability. We believe that the site contributes to the awareness and involvement of our employees. In addition to this interactive medium, we regularly publish articles in internal journals and management newsletters. Furthermore, sustainability is being integrated more and more into regular training courses and workshops. See page 8 (Internal communication on sustainable development).
- 3 A new **credit policy on sustainability** was approved by the Central Policy Committee in March 2005. This new policy is being integrated into standard credit procedures for new applications and renewals. See page 17 (Risk management and product quality).
- 4 In April 2005, **the Defence Industry Policy** was approved by the Executive Committee. The policy was formulated following internal dialogue among our commercial specialists and legal, compliance and corporate sustainability departments, and external dialogue with the non-governmental organisation concerned. The policy defines weapon systems and activities in which we do not want to be involved. This industry is a good example of one that generates ongoing dialogue and exchange of opinions. See page 17 (Risk management and product quality).
- 5 All businesses have formulated **sustainability performance indicators** (SPIs). The definition and quality of the SPIs vary, partly because of the different characteristics of our businesses and the geographical markets they serve. This is also a result of the strategic transformation process and the varying levels of maturity in the sustainable development of our respective businesses. In the next chapter we go into more detail on progress in the businesses.
- 6 We have a range of **dialogues** with various types of stakeholders. Discussions with stakeholders are at corporate level or in our businesses, depending on the subject, market and expectations. We want to be a reliable partner for our stakeholders by enhancing mutual trust, building relationships, solving problems together and connecting the short and the long term. It is clear that we will never be 'done' with stakeholder dialogues because developing relationships is perhaps one of the greatest opportunities that sustainability offers us. See page 8 (Internal communication on sustainable development) and page 28 (Stakeholder dialogue).
- 7 As regards the endorsement of **international standards**, in October 2005 we agreed to adopt the **Equator Principles**, formally signing them in February 2006. See page 14 (Global Export & Project Finance). We are currently studying possible endorsement of the UN's Global Compact initiative.
- 8 In 2005 a **central purchasing policy** was approved. It defines knockout criteria for product and supplier selection, including environmental standards, child labour and other human rights violations. See page 32 (Making procurement sustainable).
- 9 Under 'Sustainable shareholder value' we explain why we continue to follow our current set of investment policies and have chosen not to define an overall group **investment policy**.
- 10 The chapter 'Internal environmental management' gives information on the **environmental statement** that was approved in April 2006.
- 11 Formulating **sector policies** is an intensive process in which both the commercial side of our business as well as the support disciplines participate. In 2005 we began mapping out policies on the shipping sector and the agribusiness section of our global commodities business. We expect to finalise these policies during the course of 2006. See page 13 (Merchant Banking) and page 15 (Commercial Banking).
- 12 In the chapter 'An active role in society' we describe the activities of our existing **Foundations** and how we are expanding this concept to other countries.

Governance

Our behaviour and decision-making processes are guided by a body of principles, rules and regulations. These include our corporate values, the Principles of Business Conduct, the Fortiomas, the Corporate Sustainability Statement and Agenda 2006.

In 2005 we created the new position of General Manager for Corporate Social Responsibility, in order to step up our sustainability efforts. The Sustainable Development department consists of seven FTEs, with the General Manager reporting directly to the Deputy CEO.

One of the core responsibilities of this department is to develop, coordinate and orchestrate sustainability policy-making in line with our global strategy. As we are a diversified financial institution, we must address the needs of extremely varied businesses and customers. That is why the individual businesses have a fundamental role in developing and implementing policy. This notion of subsidiarity helps to put suitable policies in place at a business level.

The department also has a role in identifying opportunities and issues, and sharing these with the businesses in order to stimulate internal dialogue, agenda setting and allocation of responsibilities. At the same time, we challenge the organisation and try to stretch ambitions and performance. Keen to perform, act as one, going the extra mile and being optimistic by nature are elements of our culture. This means that we do not want to settle for the easy solutions in sustainability: raising the bar inspires people to greater results.

Thirdly, we interact and communicate with our stakeholders. To build relationships and trust, transparency is of great importance. We promote honest and open dialogue on societal issues, but will always respect client confidentiality.



The Corporate Sustainability Steering Group is chaired by the Deputy CEO and consists of ten senior managers from various parts of our organisation. The Steering Group has a bridging and advisory role in embedding sustainability deeper within the organisation. It met three times in 2005, discussing policies that had been prepared and advising on the implementation of proposals. It was also involved in the reporting process. The Corporate Sustainability Working Group has been replaced by dedicated teams in our businesses and horizontal functions, which were set up to formulate objectives and sustainability performance indicators.



I believe in setting concrete targets and focusing on the delivery of results.

We have applied this to Corporate Social Responsibility as well, and it has resulted in the formulation of sustainability performance indicators per business and horizontal function. The interesting thing is that this process makes our people and managers think about CSR in their business context. Initial results are encouraging and have even led to new products and business opportunities.

Herman Verwilst, Deputy CEO

Internal communication on sustainable development

Employee awareness and active involvement by the businesses is crucial to the success of our sustainability strategy. That is why we have intensified our internal communication in this area. Fortis's regular communication channels now provide more frequent coverage of sustainability issues, alongside which we have set up a dedicated communication channel.

Our corporate sustainability intranet site has proved a valuable tool, giving employees information and inspiration. Since the launch of the site in April 2005, it has been visited 62,315 times, indicating Fortis-wide coverage and repeated consultation. In the first few weeks, over 3,000 employees filled in a quickscan to test their sustainability knowledge. Over 200 employees participated in the online survey on the first Sustainability Report. The site also contains an up-to-date news section, policies and Fortis ratings in sustainability benchmarks. And to bring sustainability closer to our day-to-day work, we present business dilemmas for staff to tackle interactively. After the consultation period, senior Fortis experts provide feedback on the cases.

Sustainability intranet site hits

Home page	54,893
Business dilemmas	4,131
Quickscan	3,291
Total	62,315

Dedicated workshops and training sessions have proved to be instrumental in improving awareness and knowledge, with employees giving our efforts high scores in their evaluation.

Besides workshops initiated by the Sustainable Development department itself, we integrate presentations into existing training and (high potential) development programmes. And to introduce new employees to Fortis's CSR stance, the Fortis Bank introduction programmes in the Netherlands and Belgium include a session on Corporate Social Responsibility.

Affiliations with sustainability networks

CSR Europe

Samenleving & Bedrijf (Business & Society), Netherlands

Business & Society Belgium

Dutch Association of Investors for Sustainable Development (VBDO), Netherlands

European Financial Service Round Table

MVO Nederland (public/private CSR organisation)

Structure of this report

We have structured this report around our stakeholders. This reflects the importance we attach to our relationships with our stakeholders and our endeavour to develop an inspired community. Similarly, the Fortis Principles of Business Conduct were formulated to reflect these dimensions of our business. We consider this a logical orientation, because ultimately our relationships determine our performance, our 'licence to operate' and our reputation.

Coverage of the report

USA							
Asia							
Europe							
Benelux	Retail Banking	Merchant Banking	Commercial & Private Banking	Insurance Belgium	Insurance Netherlands	Insurance International	Foundations

■ Included in this report ■ Partly included in this report



Grasping opportunities

One of the features of our corporate culture is the ability to identify business opportunities at an early stage. In Carbon Banking we have emerged as a global leader, and we are probably the world's largest investor in renewable energy. Being one of the first players to meet the needs of the market has not only brought us tangible financial results, it has also allowed us to build stronger relationships with our clients and other stakeholders.



Focus on our customers

The key to our success is getting it right for our customers. Getting them to where they want to be, giving them solutions to protect and grow their assets and delivering superior value: that is how we will be able to make the difference. And that is why we constantly strive to identify and to meet our customers' needs.

In line with this approach, our businesses aim to anticipate customers' needs in the area of sustainability. These needs are different in the various businesses in which we are active and in the geographical areas in which we operate. This means that in some businesses sustainability aspects are a differentiator and play an important part in our client's decision-making process, whereas in others sustainability opportunities are less explicit.

Following an overview of progress made on sustainable development in the various businesses, we will elaborate on risk management and our client acceptance procedures.

Retail Banking

We offer our financial services to retail customers – individuals, self-employed people, members of the independent professions and small businesses – through our Retail Banking business. We operate through a variety of distribution channels in the Benelux countries to deliver service and advice on every aspect of individual banking, saving, investment, credit and insurance. Retail Banking is also active in France and Poland, where we are a niche bank focusing on advice to professionals, business owners and executives. Our extensive retail portfolio in Turkey is served by a full and tailored product offering.

Over the past year we have studied various activities in the field of sustainability in the countries where we are active. This has resulted in a range of products, services and other issues. For instance, our retail branches offer a number of socially responsible investment (SRI) funds that are managed by Fortis Investments. These funds invest exclusively in a restricted universe of stocks as defined by selected sustainable index providers.

The Fortis funds listed in the table invest in equities of companies that are included in the Dow Jones Sustainability Index (STOXX). The so-called Strategy funds offer a mix of equities and bonds. The AlterVision funds are offered by Retail Banking Belgium only. These are not based on the Dow Jones Sustainability Index, but are granted an Ethibel label. In addition to the sustainable investment strategy, these funds include a solidarity feature. Fortis donates part of its income to socially responsible projects. Investment decisions taken by some customers have led to a decrease in the total assets under management compared with 2004.

In December 2005 Retail Banking Belgium introduced a new product that helps consumers save energy and supports government policy. It is a car financing scheme to encourage motorists to cut CO₂ emissions and produce fewer greenhouse gases, by offering them a 10% discount on loans for energy-efficient cars. A similar product for financing energy-efficient housing was launched in January 2006.

In Turkey we have a programme to develop the SME market segment and give SMEs access to loans. Creating jobs, turnover and asset volumes are the primary objectives of this project. Some 430 SMEs had received an average loan of EUR 21,000 by the end of last year. This is part of the European Union's Small Enterprise Loan Programme (SELP).

Sustainable development means initiating new products, but optimising processes is equally relevant. We are continually aligning our services and distribution channels with what our

SRI funds

(in EUR million)	2005	2004
Fortis L Fund Strategy Stability SRI Europe	108	123.5
Fortis L Fund Strategy Balanced SRI Europe	171	195
Fortis L Fund Strategy Growth SRI Europe	47	45
Fortis L Fund Equity Socially Responsible Europe	15.5	11.5
AlterVision Balance Europe	44	59
AlterVision Red Cross	3.5	1.8
Total	389	435.8

customers want and expect. In the Benelux countries, for example, we offer integrated, multi-channel accessibility. Our online and telephone banking services provide 24/7 interaction. In Belgium, our 'Selfbank' terminals can be used from early in the morning until late at night. Furthermore, we have increased accessibility for people who need additional support, for example our service for visually disabled customers.

Fortis Investments

Fortis Investments is our asset manager with 16 investment centres in Europe, the United States and Asia, and EUR 105 billion in assets under management. Fortis Investments serves a global base of local investors, both institutional customers and distribution partners.

A key development in 2005 was the acquisition of a 25.1% stake in Versiko AG, a German SRI fund management company. Under the terms of this strategic partnership Fortis Investments has taken on the management of the Oekovision fund, which is one of Germany's largest retail SRI funds. At the end of 2005, the Oekovision fund had assets of EUR 236.5 million.

The Oekovision fund invests primarily in companies which offer solutions to environmental and social problems, such as climate change, waste, and human rights violation. The detailed sustainability criteria of the fund are overseen by an independent committee consisting of 12 social and environmental experts. This committee meets quarterly and decides, on the basis of the sustainability criteria, whether companies proposed by the fund manager are eligible for the investment universe.

Looking forward, Fortis Investments is committed to further investing in building its sustainable investment capability and anticipates considerable growth in this area.

In 2005, Fortis Investments' SRI team was engaged in a number of other areas including support of the Carbon Disclosure Project. This is a global survey held among the world's largest companies on the issue of climate change. The survey is backed by 155 institutional investors representing USD 22 trillion in assets under management. Fortis Investments was also involved in policy development issues such as the Operational and Financial Review (OFR) in the United Kingdom.

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.

Merchant Banking

Merchant Banking is our international wholesale bank. The business combines a wide range of investment banking services to corporate and institutional clients, including financial and capital markets, corporate lending, asset-based and structured finance, private equity, clearing and custody. Our clients have sophisticated financial needs, which the high value-added solutions we develop are able to meet.

In addition to our strong position among investment-grade clients in the Benelux region, we also boast leading global or regional positions and expertise in specific niches like commodity, intermodal (container transport), shipping, real estate, export and project finance. We are geographically diversifying our business by following our core and specialised clients as they expand.

Carbon Banking

Fortis Bank is a front-runner in the emerging carbon market, having successfully traded in European Emission Allowances since 2004. From the beginning of the European Union Emissions Trading Scheme it was apparent to us that the carbon constraint would have significant consequences for a substantial number of our clients, especially those operating in energy-intensive verticals.

Carbon Banking at Fortis covers a broad spectrum of financial services ranging from equity to debt and from trading to administration. See page 14 (Carbon Banking at Fortis). What differentiates us from many other market players is that we are not a pure commodities trader. We focus primarily on delivering added value to our customers by providing CO₂ solutions to their operations.

2005 was a successful year for Carbon Banking. We expanded our business and built a partner network and are now in a strong position to anticipate market growth. Our client base has broadened and we have seen a significant rise in transactions. Fortis trades in all existing carbon contracts, both bilaterally and on exchanges such as ECX, Nord Pool and Powernext Carbon.

European market for carbon trade (in tonnes)

2004	20 million
2005	285 million
2006 (expectation)	500-600 million

Besides the activities mentioned above, we also invest a lot of time in the marketplace itself, for example by contributing to international conferences or entering into dialogue with specific stakeholders. Fortis is considered to be a market leader. This was reflected by the invitation to chair a two-day European Union ETS session at Carbon Markets Insights, an important global carbon event held annually.

Fortis's commitment to the development of the carbon market is also underpinned by its investment in and co-sponsorship of the European Carbon Fund (ECF), one of the first private sector carbon funds. The objective of the ECF is to finance the carbon component of environmentally friendly projects and provide liquidity to the European Carbon Market.

Renewable energy

Fortis plays an important role in financing projects that promote environmentally sound power generation. Our Energy & Utilities Group was one of the first to move into wind farm financing more than ten years ago. With this early advantage, we supported wind farm developers with more than EUR 1 billion syndicated over this period. Wind farm financing has now become a mainstream banking product that is still growing worldwide. Fortis currently has a portfolio of participating interests in wind farm loans totalling upwards of EUR 300 million in over 20 projects located in France, Italy, the Netherlands, Spain, the UK and the US.

In addition to wind farms, Fortis provides loans for other types of renewable energy projects, including hydro, biomass and waste-to-energy projects. The potential for solar power financing is currently being investigated.

Global Export & Project Finance

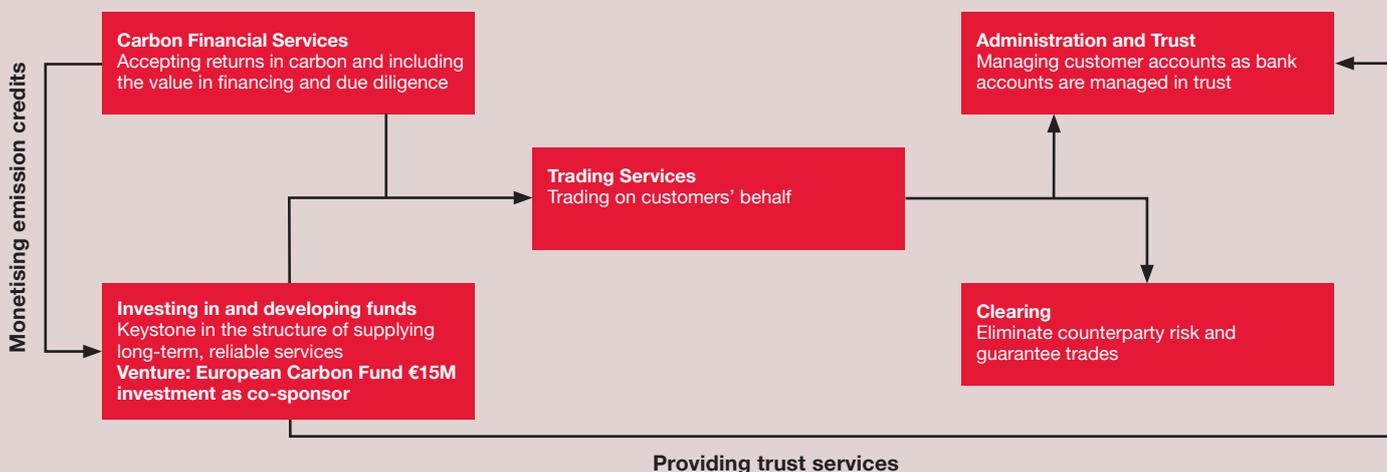
Our Global Export & Project Finance department (GEPF) operates worldwide. The credit risk involved in GEPF is usually partly insured with export credit insurers. In other cases, Fortis cooperates with multilateral organisations like the International Finance Corporation and regional development banks. Our regular credit procedures, as described on page 17 (Risk management and product quality), apply in full to transactions conducted by GEPF. Some projects are carried out in vulnerable areas or involve

complex environmental and social dilemmas. It was in this regard that we agreed to adopt the Equator Principles in October 2005. We conducted a detailed assessment of the predictable impact of the Equator Principles on our organisation and businesses and discussed the results in several meetings. An exhaustive Action Plan aimed at compliance with the principles was drafted and later approved in January 2006. Fortis adopted the principles in February 2006.

The Equator Principles provide environmental and social guidelines in the area of project finance. Using the principles, projects are categorised according to their potential impact, ranging from category A (high impact) to category C (low impact). For A and B projects, the borrower must complete an Environmental Impact Assessment, addressing the environmental and social issues identified in the categorisation process. In the case of category A and category B projects, the borrower – after consultation with the relevant local stakeholders – must then submit an Environment Management Plan to address mitigation, monitoring and management of environmental and social risks.

We created a special Environmental & Social Unit (E&SU) early in 2006. In accordance with our Action Plan, this unit is responsible for setting up and managing all the processes that are needed to work under and comply with the Equator Principles. This involves the creation of an interface for the parties involved and day-to-day support for the commercial desks. Continual monitoring will ensure that adequate consideration is given to the environmental and social aspects of their businesses, in accordance with the Equator Principles. The system is expected to be operational by the end of 2006.

Carbon Banking at Fortis



Development of sector policies

We will continue to develop sector policies and guidelines. Shipping and the agri section within our global commodities group are being studied at the moment. Fortis Shipping is working on the design of a Shipping Sustainability Assessment tool. This tool will enable our staff to rate existing and potential clients and transactions on critical social and environmental dimensions. Besides our own identification of the relevant issues, we will promote dialogue with stakeholders from different perspectives.

Commercial & Private Banking

Commercial Banking wants to be the partner of choice for European-oriented medium-sized enterprises. We offer value-added solutions to these customers via our integrated European network of Business Centres. Our unique 'Act as One' approach means they can arrange all their financial services through a single contact: the Global Relationship Manager.

Private Banking provides integrated, worldwide asset and liability management solutions to private clients, their businesses and their advisors.

Bringing these entities together adds value in two ways. Firstly, it allows Fortis to operate as a European bank for enterprise and entrepreneur alike, differentiating us from our competitors. At the same time, the combination enhances our profitability by exploiting synergies and leveraging Commercial & Private Banking's customer base and product offering.

Commercial Banking

Commercial Banking is convinced that integrating sustainability into our work leads to a deeper understanding of the inherent risks and opportunities for our customers. In 2005 we investigated the relevant sectors for Commercial Banking on the basis of a supply chain analysis. In 2006 the most significant sectors of Commercial Banking worldwide will be identified. Within this context, Commercial Banking intends to develop sector policies over a three-year period. One specific sector policy will be formulated in 2006, with a strong focus on the activities in the Netherlands.

A project group will be formed in each region with representatives from commercial staff and disciplines such as risk management, compliance and sustainability. This will be done in 2006 in the Netherlands; other countries will follow in 2007. Policies will be developed with input from multiple stakeholders, both internal and external, and will build upon existing best practices, initiatives and policies.

Private Banking

Through Private Banking, we service high net worth individuals, their families and their businesses, building on long-term relationships. The service we provide incorporates broadly-based expertise. Ethics, values and responsibility



Sustainable investments promote better relationships.

Over the past two years I have seen the number of clients who are interested in sustainable investing increase significantly. The first movers had a somewhat idealistic objective: they primarily wanted to do good. They were followed by mainstream investors, who are interested in sustainability but want the returns to match regular investments. Moreover, they want to understand the criteria for sustainable investment and they appreciate robust research and analysis. I think this is a fair demand and we can deliver on that, not least because of our partnerships with Dutch Sustainability Research and Triodos.

Personally I am really dedicated to sustainable investment. I think it is important because it contributes to improving the quality of life in our world, without losing out on returns. Many of our clients have similar beliefs. I am therefore convinced that not only will the world benefit from sustainable investment, but the relationship we have with our clients will too.

Wim Galleg
Relationship Manager, Fortis MeesPierson

are also key principles in our approach to private banking. Our leading belief is that there is no value without values.

In June 2005, MeesPierson and Triodos Bank established a joint venture for sustainable asset management. Under the name of Triodos MeesPierson Sustainable Investment Management, we can offer clients high-quality asset management services from both parent companies, combining MeesPierson's sustainable asset management knowledge with the sustainability expertise at Triodos. The sustainability research is carried out by Dutch Sustainability Research (DSR), a joint venture of Triodos Bank, pension fund PGGM and MeesPierson.

The joint venture has enabled us to strengthen our position in the fast-growing market for Socially Responsible Investments (SRI). In addition, both partners profit from the economies of scale achieved by asset pooling.

Sustainable assets under management rose to EUR 445 million at the end of 2005, from EUR 226 million (roughly two thirds of which from MeesPierson) at year-end 2004.

Insurance

Our insurance activities are divided into three businesses: Insurance Belgium, Insurance Netherlands and Insurance International.

Insurance Belgium, made up of Fortis AG and FB Insurance, supplies a comprehensive range of life and non-life products and services to private individuals and to small and medium-sized enterprises (SMEs), both through intermediaries and the banking channel. The group life, healthcare and pension offering for large enterprises is delivered by the unit Employee Benefits.

Insurance Netherlands consists of Fortis ASR, a large generalist insurer, and four specialists. Fortis ASR, through intermediaries and increasingly also the banking channel, offers individuals and companies a wide range of life, non-life, healthcare and disability insurance, together with mortgage and savings products.

Insurance International operates in several European and Asian countries, mainly delivering non-life products. It does so primarily, but not exclusively, through joint ventures with local banks.

The very nature of our business and the products and services we offer puts an insurance company at the heart of society itself. Consumer protection and damage prevention are therefore matters that have high priority in the insurance industry and that we regard as key elements of our sustainability policy.

The effectiveness of prevention was recently shown by a scientific study conducted by the University of Amsterdam, which demonstrated the value of reintegration processes. This study involved assessing success in reducing the average amount of time spent off work. Keerpunt, a specialised reintegration services provider in which Fortis ASR has a 50% interest, was part of the study. Keerpunt helps small firms deal with the problem of absenteeism due to illness and reintegration of the long-term sick. On average, it reduces absenteeism among the employees it supports by ten weeks a year. In monetary terms this means that a firm saves EUR 3.40 for every euro it invests. A prompt response when an employee reports in sick benefits all concerned: the employee, the employer and the insurance company. In Belgium we have a similar concept, called Solareh.

We devote a lot of attention to the quality of our service to customers. Fortis AG, for example, is a pioneer in broker training. It was the first company in Belgium to organise basic training for brokers in accordance with legal requirements and to be certified by the Banking, Finance and Insurance Commission (CBFA). The Fortis AG School not only provides theory, but also helps its students start their practical training.

Our insurance businesses have introduced several sustainability solutions. This includes a discount granted on insurance premiums in the Netherlands for environmentally friendly cars – both hybrid vehicles and those with biofuel engines.

During 2005, some changes took place at Fortis's insurance arm which were highly visible to the outside world. In the Netherlands, we launched Fortis ASR as our largest insurance brand. This rebranding completed the second stage of restructuring which commenced in 2003. The name change, however, is more than just a new brand. We see it as a fresh label, a fresh structure and a fresh start. We are ready to take on the challenges in today's market. In Belgium, Fortis AG and FB Insurance became a single entity at the beginning of 2006. This merger helped to achieve economies of scale at system, process and support-function levels. All banking and intermediary distribution channels will retain their distinct identities, commercial policies and product portfolios.

Our insurance companies participate in discussions and developments that influence our industry. An important topic in the Netherlands last year was the completely new health insurance system that was to come into effect in 2006. In Belgium a new law for natural disasters, was introduced. Both our insurance companies invested much time and effort in preparing for these changes, not only within our company but within industry organisations too.

Although Fortis's insurance businesses have regularly considered opportunities for stepping up sustainability efforts, no explicit additional sustainability performance indicators have been defined so far. In 2005 the focus was on creating awareness among senior management and involving them in the steps to be taken in 2006. In the Netherlands, for instance, we conducted a survey among senior management and appointed a dedicated member in the Board of Directors who is responsible for sustainable development.

Risk management and product quality

Responsible growth requires carefully designed and effective processes for risk management, governance and compliance. We are convinced that the professional and proactive contributions of these functions improve the quality of our business and help us make balanced, well-informed decisions. The risk and credit risk function, as well as legal and compliance, come under the responsibility of the Chief Operating Officer. These matters are discussed at length in our Annual Report.

In this Sustainability Report, we confine ourselves to reputational risk, client acceptance and credit risk. Sustainability is explicitly or implicitly part of these processes. Our efforts aim to ensure that we investigate potential issues at the appropriate decision-making moments. For example, if a request for credit gives rise to questions regarding sustainability, we want our account managers and credit officers to identify the issue and explicitly take it into account.

Reputational risk

A strong reputation is crucially important to us because it is the foundation upon which we build our relationships with our stakeholders. Our customers, shareholders, employees and society at large must not lose confidence in our good name. Strengthening our reputation and avoiding reputational risks are inextricably linked to all our activities as they are built on trust. Since we are moving steadily towards a single

Fortis brand across all our businesses, preserving our reputation and brand value is ever more crucial. Living our values and Principles of Business Conduct are the foundation for everything we do. They are the cornerstones of our 'Act as One' philosophy.

Client acceptance

We have a strict policy not to enter into relationships with people or organisations who engage in illegal or unethical 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 and criminal organisations or individuals, and obey the rules concerning money laundering – in letter and in spirit. We also actively develop and monitor policies to detect fraud and money laundering.

Credit risk

Credit risk is the risk arising when a borrower or counterparty is no longer able to repay their debt. Fortis applies strict control procedures within a completely independent credit approval process. Our credit policy is focused on spreading the risks over various sectors, countries and markets. By means of additional statistical analyses and an internal rating system, we possess the information necessary to assess matters such as bad debts, the pricing of risks and the calculation of risk-adjusted returns. The credit organisation operates independently of our commercial organisation. This enables impartial, rational recommendations and balanced decisions, which benefits the quality of decision-making.

When analysing credits, we already consider certain sector and activity-related social and ecological matters in our deliberations. As we operate globally, we set formal conditions for sustainability in fields such as trade and commodity finance, shipping and export financing. We are considering ways of increasing transparency in this regard while safeguarding customer confidentiality.

Summary of Sustainability Performance Indicators

Retail Banking

Promotion of:

- 'Kyoto' products involving clean car loans, insurance and energy credits.
- Accessibility of online banking services for the visually impaired.

Merchant Banking

- Implementation and review of the Equator Principles.
- Development of sector guidelines within Specialised Finance.

Commercial & Private Banking

- Development of one sector policy (Commercial Banking).
- Increase of sustainable assets under management to EUR 1 billion by the end of 2008 (Private Banking).

Insurance Belgium

Development of products, services or concepts like clean car insurance, Garden Pack, offering of sustainable funds and prevention services.

Insurance Netherlands

Increase communication on and awareness of sustainability, specifically energy efficiency and employee vitality.

Insurance International

Further exploration of opportunities.

Compliance

Responsible growth means ensuring that there is strict adherence to our 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 protect our reputation as a reliable partner. Assessment of the implementation of sustainability policies is not yet an explicit part of the compliance mandate. However, the compliance department is working together with the Sustainable Development department to formulate policies and develop appropriate monitoring and control procedures. The compliance organisation consists of a total of 220 FTEs and is represented at every Fortis business.

Customer satisfaction and product quality

Delivering value to our customer is what drives us. However, since we have many different businesses with distinct characteristics, we do not have a single, overall customer satisfaction measurement. Each business measures its own performance and takes appropriate follow-up measures.

Fulfilling our clients' needs starts with developing high quality innovative products. In our Annual Report you will find references to accolades that our businesses have received for their performance and products.

Risk management developments in 2005

- We formulated a sustainability credit policy. This framework document supplements the ethical obligations embedded in our Credit Charter which is the touchstone for developing all of Fortis's credit policies. The new policy will extend the list of sectors, products/services, production methods and circumstances that already automatically receive special consideration for ethical reasons. We are currently integrating the new sustainability credit policy into standard credit procedures, which should ensure that this risk aspect will be examined and evaluated for each credit application or credit renewal. It will also make the commercial function accountable for providing punctual sustainability-related information to the firm so that appropriate decisions can be taken. The sustainability credit policy will evolve to include all relevant initiatives in the field of sustainability.
- We formulated and implemented a policy on the defence industry in 2005. All engagements with companies active in, supplying or promoting the arms industry, and every defence-related transaction, are screened by our Compliance department at an early stage. In doing so, this department applies a strict set of criteria reviewing detailed information on the countries and materials involved. Furthermore, to emphasise the increased scrutiny on this sector, all defence industry-related credit applications are referred to the Central Credit Committee (CCC) for a decision – the highest level of credit authority within the bank.

Employees build Fortis

Workforce

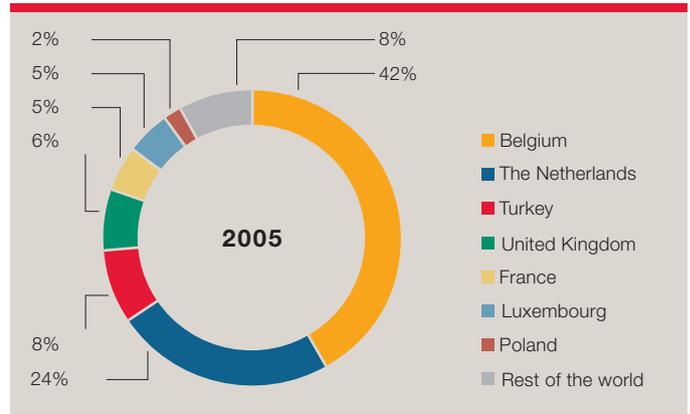
Our employees are key to our success. Fortis's policy is aimed at increasing their commitment to the company. Our Principles of Business Conduct form the basis for the relationship between the company and its employees and between individual members of staff.

Structure

Fortis has 57,088 employees (54,245 FTEs) worldwide. About 70% of all our employees work in the Benelux countries. Our banking businesses count for 76% of our staff, compared to 24% in our insurance businesses. To serve our customers even better, we have adjusted the mix of the workforce in favour of client-facing roles. Net hiring, excluding acquisitions, amounted to 700 people in 2005.

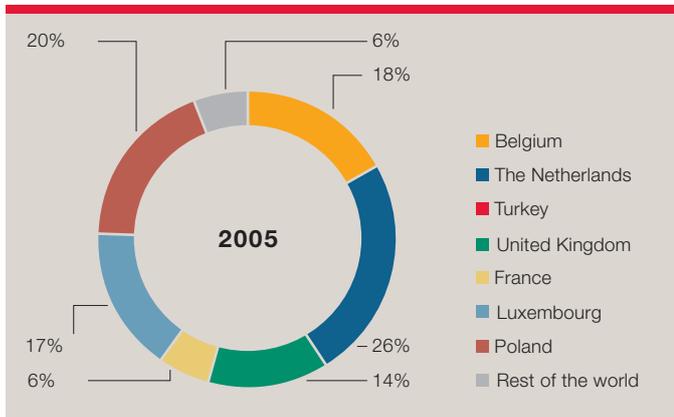
Total number of employees

Headcount (in %)



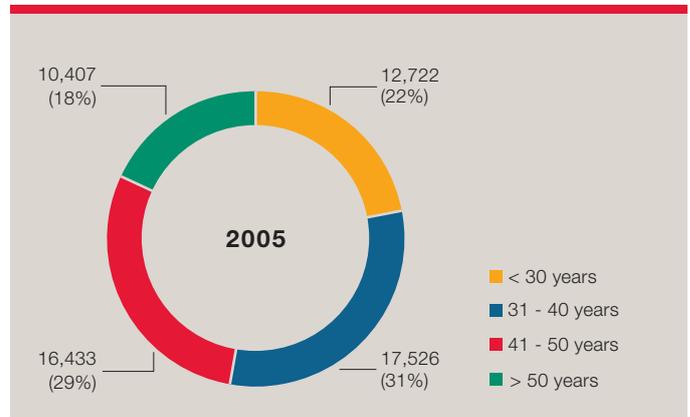
Part-time employees

(in %)



Age breakdown

Headcount (in %)



Total number of employees

Country	FTEs 2005	FTEs 2004*	Headcount 2005	Headcount 2004*
Belgium	22,778	23,974	23,908	25,048
The Netherlands	12,434	14,416	13,540	15,619
Turkey	4,654	7	4,654	7
United Kingdom	3,497	1,086	3,746	1,072
France	2,820	2,605	2,859	2,660
Luxembourg	2,602	2,580	2,766	2,742
Poland	1,016	887	1,045	916
Rest of the world	4,444	2,704	4,570	2,778
Total worldwide	54,245	48,259	57,088	50,842

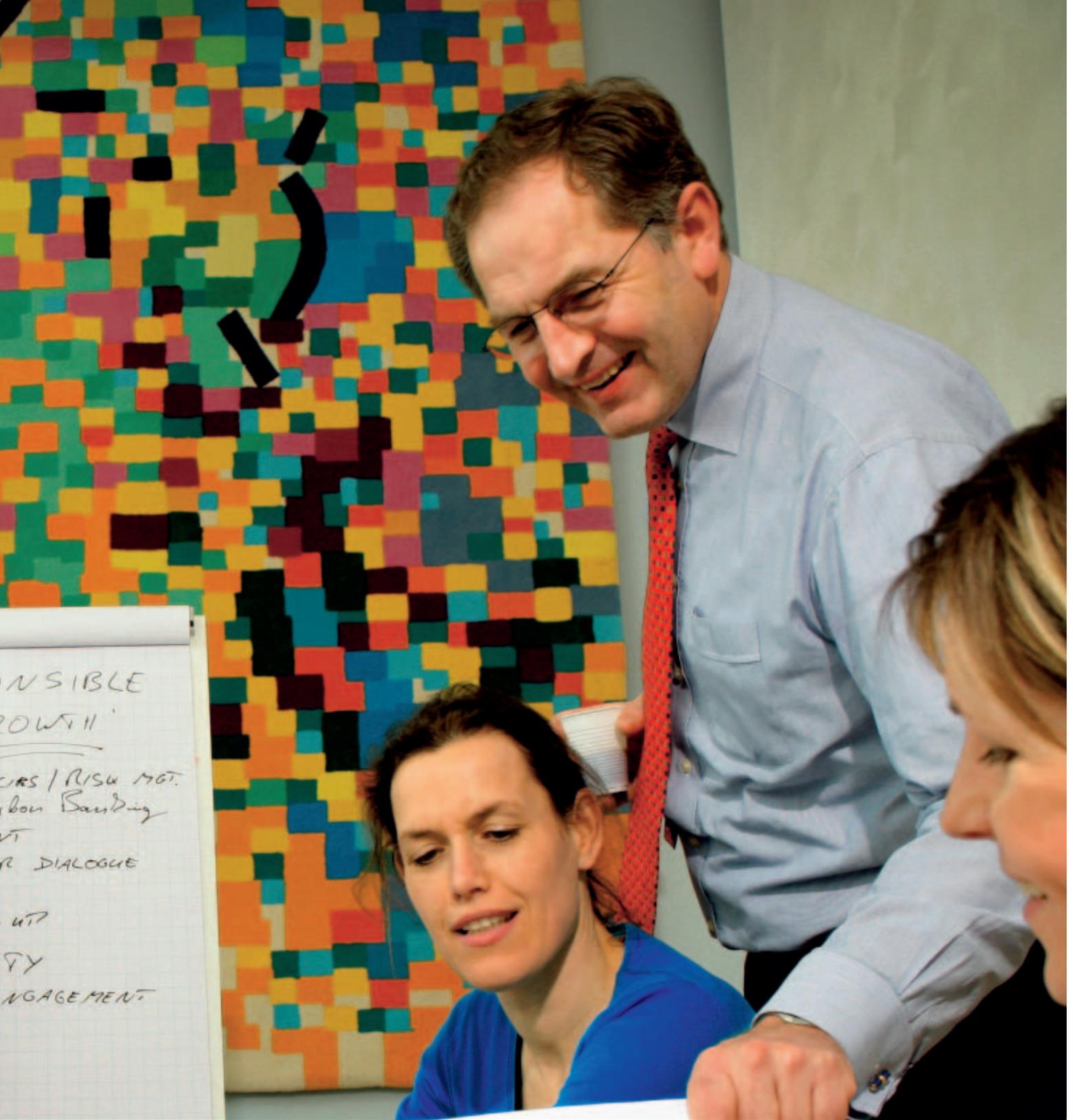
* The 2004 data have been adjusted and are not consistent with the data reported last year.



Engaging our people

Fortis has set ambitious goals to grow its business, its geographical footprint and its financial results. We will seek to improve our performance in sustainable development and community involvement in the coming years. To achieve our goals, we have to perform at our best, both as individuals and in teams. We can take on this challenge only if we are committed to investing in the development and training of our people. Engaging our people in building even stronger relationships with all our stakeholders is one of the essential elements of the 'Fortis way of doing business'.







The position of Turkish women in professional life is quite paradoxical.

Only a third of all women of working age are in employment, which is low by European standards. At the same time, however, women are empowered to an extent that surprises some Europeans. They are strongly represented in the service sector – especially financial services. Over 50% of the employees of Fortis in Turkey are female, with women occupying around 35% of posts at branch-manager level and above. Not many people might have expected this, but I think we score pretty positively within Fortis on gender diversity.

Selda Kalleci, Executive Vice President of HR Fortis Turkey

Diversity

Fortis wants to take full advantage of the strength of diversity. Having a diverse workforce contributes to our growth strategy, competitive strengths and ability to build relationships. Eighteen months ago the Executive Committee appointed a Corporate Diversity Officer, to ensure that good intentions are being translated into actions and progress. A Diversity Steering Committee was also installed, and at the beginning of 2005 ambassadors were named throughout our organisation.

Improving gender diversity is our primary priority; specifically, we have set ourselves the target of having 9% of senior management positions held by women by 2007 and 25% by 2012. At the end of 2005 this figure had increased from 6.4% to 7%. To realise our targets, we pay ample attention to gender diversity at all levels. This is how we are building a pipeline for future success.

Our 2005-2007 Diversity Action Plan is clustered around recruitment, succession and promotion; management training; mentoring and coaching; flexible workforce solutions; networking; creating awareness; communication; and reporting.

In 2005, our focus was on creating awareness, network facilities, communication and reporting. We initiated internal dialogue in the form of workshops and networking events with some 1,000 employees from the Benelux countries. In most of our priority areas we are making tangible progress, but it is too early to expect big results – diversity cannot be achieved overnight.

Our primary objective now is to have our diversity progress translated into business diversity actions. For 2006 we plan to step up our efforts and design pragmatic plans, instructions, guidelines and targets, applying them in countries outside the Benelux region as well. At the same time, we want to explore the next stage of diversity. This means that we will research how we can best expand our work beyond gender issues to include nationality, ethnic origin, culture and so on.

Development and training

An important aspect of employee development is having a wide range of training opportunities on offer. In 2005 the average number of training days per FTE increased by 20% from 3.5 to 4.2.

Our strategic growth objectives, the outcome of Employee Motivation Surveys and the Fortis Vision on People project all called for a new programme: 'Leadership for Growth'. Some 3,000 managers will go through the Leadership for Growth programme over a period of three years. In 2005, the top 250 Fortis executives worldwide were the first to join the 3.5 day session. The programme is designed to transform the leadership style and approach of the most senior Fortis managers in order to boost the performance of the organisation and achieve our goals for 2009.

It aims at a shift in behaviour and culture, leading to the desired results and 'One Fortis'. The translation of Fortis's strategy into employee behaviour is expressed by the Fortiomas, which are the recurrent theme of the programme.

Enabling success

Our growth strategy and our ambition to operate as one company under one flag have major implications for our management and employees. To support our workforce in delivering a high value performance, Human Resources has rolled out 14 Fortiomas. These are metaphors and visual guidelines for employees and leaders on how we behave and work together at Fortis. The Fortiomas will be the cornerstone of all Fortis learning programmes.

The Fortiomas are grouped into four themes:

- We are keen to perform: drive performance, deliver results, stimulate entrepreneurship.
- We are optimists by nature: driven by passion, show courage, be positive.
- We always go the extra mile: develop yourself, focus on client, be mobile, set the example.
- We act as one: encourage diversity, team spirit, act as one, communicate the story.

Employee satisfaction

In 2005 we held an overall Employee Motivation Survey (EMS) for the second time, among 49,501 employees (43,000 in 2004). Whereas in 2004 the survey focused on Europe and Asia Pacific, in 2005 Switzerland, Turkey and the US were included as well. The survey had a response rate of 51%, compared with 55% in 2004.

Respondents reported an improvement on last year with regard to opportunities to develop their talents and

competences. They also saw an improvement in internal information provision and communications, and in the customer focus of their own departments. Staff rated the management teams of their own business lines more highly as well. Despite the improvements, though, these areas will remain points of attention. The survey showed that working relationships with other employees, the workplace, degree of freedom and terms of employment could still be improved.

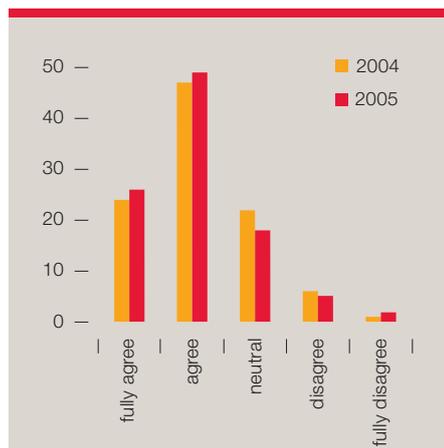
These conclusions allow Human Resources, the businesses and local entities to further refine the action plans that ensued from the first EMS, and also to set new priorities. The subjects mentioned above are referred to as 'breakthrough areas' in our Human Resources strategy for 2006-2009. That is the reason for conducting an EMS each year.

Health

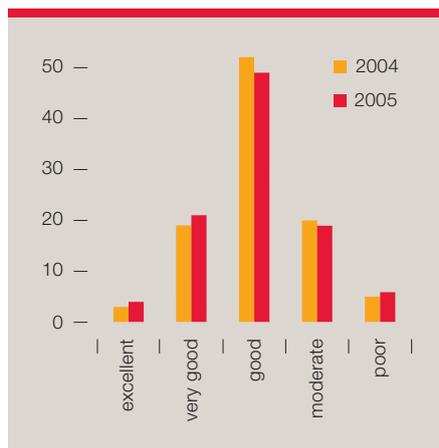
We are focusing on preventing and reducing absenteeism. A lot of the work that needs to be done in this area in the various countries is a local matter, given the differences in legal and cultural contexts. However, our organisations in Belgium and the Netherlands are exploring ways to share best practices and to improve cross-border learning. In this respect, we see opportunities for various issues, such as improving and harmonising RSI prevention and problems, health promotion measures such as fitness programmes, the quality of food provision, and the distribution of health information – even providing advice on bird flu.

The Dutch banking industry signed a covenant in 2001 which set targets in relation to absenteeism due to illness, permanent incapacity for work, work pressure and RSI. The results published in 2005 showed that Fortis had achieved the largest reduction in absenteeism due to illness over the four year period. We estimate the savings resulting from the measures to reduce work-related absenteeism at more than EUR 25 million.

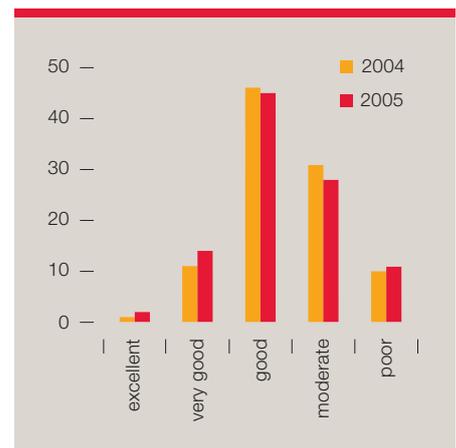
Strongly involved with ups and downs of Fortis (in %)



Fortis as an employer (in %)



Development of talents and abilities in general (in %)



In Luxembourg a 'Health Promotion Day' is organised on an annual basis. Information stands on alcohol, stress, smoking and nutrition are staffed by professionals, and advice is available on health, diets and sports. In addition, yearly anti-influenza vaccination is organised for all employees and a complete medical check-up is offered to employees aged 45 to 55. Activities such as these contribute to the vitality and productivity of our workforce.

Although differences in legal and cultural context in the various countries makes it difficult to compare sickness absence, we can conclude that sick leave figures remained stable in Belgium and improved in the Netherlands (notably within our insurance business) in 2005.

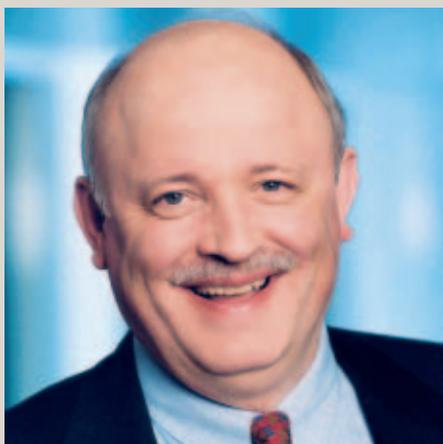
Social consultations

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

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

In 2005 there were presentations to the European Works Council on many subjects, including the growth strategy, Fortis's financial results, several acquisitions and strategic alliances, the new organisational structure of the 'horizontal functions', and the concept of 'smart-sourcing'. The word smart-sourcing stands for redesigning certain similar activities in various countries. These are then concentrated in one Fortis company in a country which is more competitive in those particular activities than other countries where Fortis is active. The first concrete plans for this will be presented to the council in 2006.

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, Ireland, Spain and the United Kingdom. The council is hoping to soon include people from countries that do not currently have their own representatives, but which do employ hundreds, and in some cases thousands, of Fortis staff. Although this applies particularly to Poland and Turkey, Portugal and Switzerland are two other countries that employ enough staff to earn them seats. In a country like Turkey, social consultation is not common practice as it is in most Western European countries. It is our intention to open up the European Works Council to the Fortis workforce in all of these countries. This process could start by them sending observers to the meetings.



We are in the people business.

I am convinced that good people make a good company and excellent people make an excellent company. The emphasis of Fortis on leadership development will definitely add value to the company. The leadership course was really helpful as a learning experience and the internal networking was great. It reflects what the Fortiomas are about: performance, development, courage, passion and team spirit. The Fortiomas provide us all with a great framework to build an excellent company. Our customers, our shareholders, we ourselves – we will all benefit.

Dennis Ziengs, CEO of Fortis Insurance International Asia

Sustainable shareholder value

The Fortis share

Ensuring that our business is profitable and that we provide a good return on the capital invested in our enterprise is our primary responsibility. As part of our objective to grow in a responsible manner we want to make sure that we achieve our objectives in a way that does not store up troubles for the future. In addition to solid compliance and risk management processes, our commitment to corporate social responsibility contributes to 'responsible growth'.

In December 2005 Fortis received the 'Best Investor Relations by a Belgian company' award from IR Magazine. The award was given on the basis of a survey of over 500 institutional investors and analysts. This recognition comes as a fitting finale to a year in which Fortis's senior management and Investor Relations spent a great deal of time and effort on communication with investors and analysts. It was a year in which Fortis set out its growth strategy at two well-visited Investor Days, adopted new IFRS rules and increased activity relating to various acquisitions.

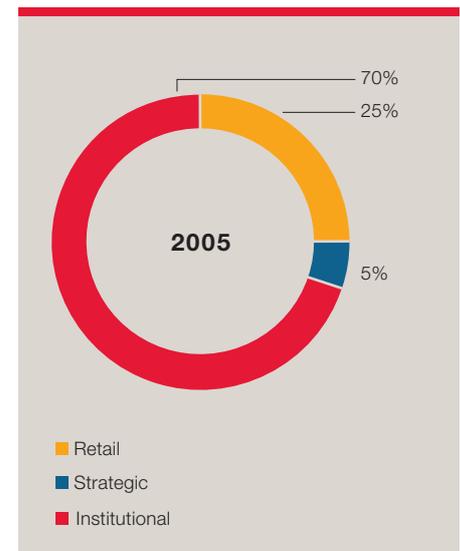
Not only did the Fortis share outperform the market, we also returned total dividends (including a new interim dividend) of EUR 2 billion to our shareholders. Looking at our strong financial performance in 2005, the Board of Directors will propose a cash dividend of EUR 1.16 – up 12% – to the Annual General Meetings of Shareholders on 31 May 2006.

Corporate governance

Balancing entrepreneurship with risk management and control – that 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 the company's development.

For more information on our corporate governance, please see our Annual Report, our website (www.fortis.com) and our Governance Statement. These deal with our structure as an international group with two parent companies at the top, the Belgian Fortis SA/NV and the Dutch Fortis N.V. They also cover the independence and remuneration of the members of the Board of Directors, as well as the responsibilities of the Audit Committee, the Risk and Capital Committee, and the Nomination and Remuneration Committee.

Type of shareholders



Fortis as an institutional investor

Investment activities within Fortis are spread across a number of entities, which we refer to as 'asset management units'. Investment activities take place either with respect to the assets managed on behalf of Fortis clients, banking customers and insurance policyholders, or with respect to proprietary funds.

In due observance of sound governance principles, accountability for investment policies – including whether or not voting rights are exercised – lies with the asset management units. The Executive Committee does not set detailed voting policies, as these could lead to conflicts of interest (or the appearance thereof) between Fortis asset management units and other Fortis entities.

Guidance from the Executive Committee to its asset management units therefore consists of three basic principles. Fortis asset management units should:

- act in accordance with Fortis values and with general principles of business conduct applicable at Fortis, and with all specific rules and best practices applicable to institutional investors in the country or countries in which they do business;
- communicate to the Company Secretary their voting policies;
- communicate to the Company Secretary any major issue they anticipate in the annual or extraordinary shareholders meetings of Benelux companies where they cast their votes.

Such communication shall only take place after the voting behaviour has been determined in accordance with the prevailing voting procedures within the relevant asset management unit and irrevocably passed on to the proxy voting service provider, or after votes have been otherwise irrevocably executed.

Fortis Verzekeringen Nederland attaches great importance to the publication of both its policy and its actual voting at the general shareholder meetings of Dutch listed companies. Please refer to its website at www.fortis.nl/Ondernemingen/stemverantwoording.

Sustainability indices in which Fortis is included

Dow Jones Sustainability Index - World
 Dow Jones Sustainability Index - STOXX
 FTSE4Good Europe 50 Index
 FTSE4Good Global 50 Index

For sustainability ratings of Fortis, please refer to our website.

An active role in society

Community involvement

Fortis has been committed to making a contribution to society since our establishment in 1990. We are convinced that our business goals can only be achieved if we take into account the interests of all our stakeholders and expand our commitment to the societies in which we operate. With this in mind, the existing concept of the Fortis Foundation is to be rolled out beyond Belgium and the Netherlands. Luxembourg was the first country to take up this challenge; France, Poland, Turkey and the United Kingdom will follow in the course of 2006 with the establishment of local Fortis Foundations.

Although funding, governance and activities will be locally defined and executed, each Fortis Foundation will comply with a global framework which describes the scope, governance and principles for selecting local partners and projects. The development of young people (aged 0-18) and the voluntarily involvement of Fortis staff are central aspects of our Foundation concept in all countries. Each Foundation will be a separate legal entity, chaired by a senior manager of Fortis. The boards will also include non-Fortis members.

Fortis Foundation Belgium

Fortis Foundation Belgium (FFB) celebrated its tenth anniversary in 2005. It was an appropriate moment to reflect on the achievements and the importance of the Belgian Fortis companies' investments in Belgian society – a sustainable commitment.

FFB, a private foundation, is involved in corporate philanthropy, based on the principles of solidarity. Its objective is to fight social exclusion. Priority areas are socially vulnerable children, young people growing up in difficult circumstances and solidarity between generations. Activities include financial support, volunteer work by Fortis employees, and the promotion of debate and dialogue with representatives of society around the theme of corporate philanthropy.

Financial support remains one of the principal activities of the foundation. In 2005, we supported 195 projects with a total of EUR 1.3 million (the 2005 financial year runs from November 2004 to December 2005). After ten years of highly recognised work, in 2006 the board increased the annual budget from EUR 1.5 million to EUR 2 million, emphasising the importance Fortis management attaches to the work of the foundation.

The Solidarity Days, the Solidarity Team Building activities and the 'We can help you to help' volunteer work programmes continued to arouse the interest of many Fortis volunteers. In 2005, 511 employees made their efforts and talents available for the benefit of various local associations. An internal survey among Belgian employees confirmed their satisfaction and enthusiasm for these activities and their strong desire to continue.

The promotion of debate on the role and place of corporate philanthropy in Belgian society remained on our agenda in 2005. A practical guide inspired by the Fortis Foundation Belgium experience was made available in order to help other companies in their consideration of similar philanthropic activities. FFB's annual 'Meeting for the Future' tackled the subject of innovation: 'Enterprises: donate, you will innovate'. More than 300 people attended the event. During the day, speakers gave examples of new initiatives and developments in European corporate philanthropy, Belgian legislation, political developments and the role of the media.

Fortis Foundation Nederland

Fortis demonstrates its involvement in Dutch society by encouraging its staff to volunteer for social projects. This involvement is put into practice by Fortis Foundation Nederland (FFN), which provides support in the form of organisation, advice and funding.

FFN strives to use the talents and skills of Fortis corporate entities and staff as effectively as possible. Our aim is to ensure a maximum impact on social groups and social organisations, while developing the abilities of Fortis staff, increasing their company pride and integrating Fortis into the local community.

FFN increasingly focuses on providing support for young people's institutions and students at VMBO vocational training schools. To this end, Fortis staff give workshops for young people on subjects such as personal entrepreneurship and applying for jobs. They also act as tutors or work in other ways with youth welfare organisations as part of a team.

In 2005, more than 2,410 Fortis employees helped a few hundred social organisations in the Netherlands. FFN is celebrating its fifth anniversary in 2006.

During these past five years, almost 13,000 volunteers have worked in the community through the Foundation. FFN plans to continue supporting vulnerable youngsters in the years to come.

Annual reports of the Foundations

The Foundations in Belgium and the Netherlands publish their own annual reports. The reports elaborate on the activities of both Foundations, giving many examples of partnerships. They include stories from the partners themselves, describing cooperation with the Foundations and the Fortis contribution from their own perspective. We hope you will take the time to read these reports, which can be found at our website www.fortis.com.

Fortis Venturing

The aim of Fortis Venturing is to develop an innovative idea into a sustainable business concept, a business plan and, finally, an internally originated start-up or venture. This could then become a stand-alone company funded fully or partially by Fortis Venturing or a spin-off integrated within a Fortis business.

To maintain its position as one of the leaders within 'service innovation', Fortis Venturing works in close partnership with interested Fortis businesses, but also with strategic suppliers, partners or clients. Over the past year Fortis Venturing became actively involved in stimulating innovation within other multinationals and governmental bodies. The specific role of Fortis Venturing depends on the required level of involvement and responsibilities. It may act as a consultant, sparring partner, project coach, facilitator, networker or investor.

One of the ventures initiated in 2005 is the Start Green fund. Start Green is a fund for start-ups that aims to catalyse sustainable business technology ideas into proven business cases. It will invest in entrepreneurs and technical innovations in the fields of bio-agribusiness, sustainable energy and water management. The fund is a joint venture of DOEN Participaties, Triodos Innovation Fund and Fortis Venturing. The three partners build synergies based on their experience in sustainability, developing business models, and coaching entrepreneurs. They can also provide access to an extensive network. In 2006 Start Green will join the tender for the TechnoPartner Seed Facility programme of the Dutch Ministry of Economic Affairs. If supported by the TechnoPartner Seed Facility programme the fund will be officially launched in mid-2006.

Public sector

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, we at the same time contribute to their existence. A tangible contribution is obviously the taxes we pay. In 2005, Fortis paid taxes totalling EUR 1,002.9 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 the regulators, namely the quality and transparency of social, financial and economic structures. That is fundamental to the prosperous and sustainable development of the economy.

Stakeholder dialogue

A financial institution maintains contacts with a wide group of stakeholders. Our customers, employees and shareholders – as the most directly involved stakeholders – are our central consideration (see page 8 'Internal communication on sustainable development' and the chapters 'Focus on our customers', 'Employees build Fortis' and 'Sustainable shareholder value'). Building relationships with them is one of the core processes at 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. All these stakeholders have different agendas, which at times can be conflicting.

In principle, we enter into dialogue with all parties that have a genuine interest in our organisation. However, because Fortis is a financial player, some outsiders ascribe to us influence or power that we do not have. It is therefore important for us to examine and define the bounds of our responsibility. We cannot and will not act as a substitute for or take on the role of governments and regulators. On that basis, we set priorities in our contacts with stakeholders. Through dialogue we are able to maintain and build up our relationships and hope to cultivate mutual respect. This helps us to continually improve our organisation and optimise the services we provide.

We have regular meetings with NGOs on environmental and social issues. In 2005, we discussed our policy on the defence industry with Netwerk Vlaanderen and the developments in the palm oil industry with Friends of the Earth. These contacts have provided valuable input on how we can anticipate relevant developments and translate these in our business.

Human rights is typically a subject that is being discussed with NGOs. Netwerk Vlaanderen published a report titled 'Where do you draw the line?' in November 2005. We had a meeting with Netwerk Vlaanderen to discuss this report and to inform it about the action we plan to take in 2006. We believe that respect for human rights as described in the 1948 Universal Declaration of Human Rights is a precondition for a sustainable society. As stated in our Principles of Business Conduct, we recognise our responsibility for promoting the upholding of human rights in all cases where we, as a private company, are able to make a meaningful contribution.

Bribery and corruption, in any form whatsoever, are unacceptable. We do not wish to be associated with such practices in any way. While these principles already apply throughout our organisation, we intend to draw up detailed guidelines.

Sponsorship

Fortis primarily uses sponsorship to meet the objectives set for improving our brand awareness and developing our brand image. In principle, we only enter into long-term commitments and will not sponsor individual activities, dangerous sports or any activity with a religious or political slant.

In the Netherlands we sponsor activities in the fields of sports (football, golf, 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,

arts). Fortis was the main sponsor of the festivities organised in 2005 to celebrate the 175th anniversary of Belgium's independence and 25 years of federalism. We have an active sponsorship programme in Luxembourg with commitments in sports and music. All of these activities underline Fortis values like performance, team spirit and accessibility.

Fortis recently signed an agreement with the Turkish Football Federation to sponsor the Turkish Cup. It is Fortis's ambition to be a pioneer in its sector in Turkey, both in terms of social activities and of banking services.

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. We also strive to link our sponsorships to the objectives of the Fortis Foundation by developing activities to help talented young people living in difficult social circumstances.

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



Multiplying a successful concept

We are committed to the communities in which we do business. For many years now the Fortis Foundations in Belgium and the Netherlands have proven to be an inspiring and effective way of contributing to society. Following the success of these Foundations, in the course of 2006 we will establish Fortis Foundations in five new countries: Luxembourg, Turkey, the United Kingdom, France and Poland. A strong local approach within the framework of a global vision demonstrates our commitment to the community.



Internal environmental management

Recognising the importance of protecting the environment means that we want to manage our direct environmental performance. But given our international presence, we have to anticipate national legislation and the local requirements in different countries. Our internal environmental management is therefore primarily organised on a local level. We have, however, also identified a need to establish greater consistency and conformity in our internal environmental policy.

In 2005 we focused on two things: preparing a group-wide environmental statement and developing a corporate purchasing sustainability policy.

Environmental statement

Developing an environmental statement that applies to our entire organisation presented us with several challenges. The statement has to be general enough for global use, yet specific enough to be meaningful. Furthermore, it should identify corporate ambition, yet be realistic about what local management can deliver.

We therefore started formulating the statement by taking stock of the practices within our businesses, identifying best practices and researching the status quo in our industry. The environmental specialists at our Facility and Purchasing organisation played an important role in facilitating internal dialogue and identifying opportunities and risks. The Corporate Sustainability Steering Group discussed the draft statement, which was then approved by the Executive Committee in April 2006. You will find the statement on our website (www.fortis.com/sustainability).

Environmental task force

A special task force has been set up within our Facility Management organisation to step up our environmental efforts. This is a cross-border team which was established to design a management system and facilitate the exchange of best practices. Participating countries are represented by a facility manager. Initially, the scope of the task force will be the Benelux countries and Turkey, but this is to be expanded to the rest of the world in the coming years. In 2005 the task force conducted an inventory in the Benelux countries of best practices on energy, water, mobility, waste management, environmentally friendly offices and raising awareness among employees. In 2006 the task force will begin developing a Fortis Environmental Management System, based on ISO 14001, covering the Benelux countries and Turkey to start with. This will lay the foundations for a more systematic approach on which we shall be reporting in the years to come.

Making procurement sustainable

Our Central Purchasing Organisation (CPO) developed a CPO sustainability policy in 2005. This has now been approved and will be implemented in 2006. It will become an integral part of our company's overall purchasing policy, applying to the whole of Fortis. All new contracts and contract renewals for purchases over EUR 125,000 will be assessed for suitability according to the criteria defined in the policy. These include certain knockout criteria regarding, for example, environmental standards, child labour and other human rights violations. In case of doubt, we will ask for additional information to be provided. We also reserve the right to have our suppliers audited.

Our commitment regarding internal operations

- In our internal operations we pursue best practices on energy, water and resource efficiency, waste management, mobility and emissions.
- In terms of procurement, we strive to gradually reduce the environmental impact on purchased goods and services by implementing minimum standards.
- To support the ongoing improvement of our environmental performance, we are developing an Environmental Management System.

Reducing energy consumption

By improving energy efficiency, we will help reduce our environmental impact and at the same time lower our costs.

There are several initiatives under way to improve our energy efficiency. In Belgium, we have an energy working group that manages the consumption of the two largest groups of buildings, which account for about one third of our entire Belgian energy consumption. In the Netherlands, we have investigated opportunities to expand the use of free cooling (using naturally available cold air) to more buildings. An awareness programme aims to encourage employees to take practical measures in order to limit energy consumption.

Energy use

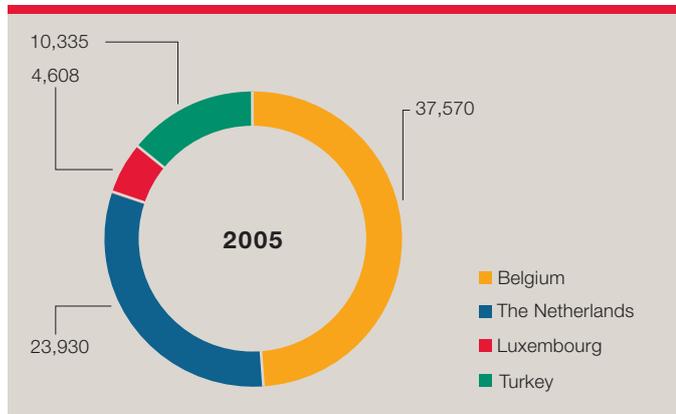
	MWh	MWh/FTE	CO ₂ emission in tonnes
Electricity ¹	229,493	6.0	76,443
Other sources ²	208,561	6.1	43,747

¹ Benelux countries and Turkey

² Benelux countries

Electricity use - CO₂ emissions

(in tonnes)



Limiting waste and water use

Avoiding the creation of waste is an important first step in waste management. Wherever possible, we separate reusable waste from unusable residual waste. Local conditions obviously determine the possibilities that exist for this kind of separation. One of the questions is whether separated waste can be picked up cost-efficiently and processed by third

parties. In most of the large offices in the Netherlands, waste is collected separately at the source. Separation involves paper, cardboard, biodegradable waste, coffee cups, metal, and cartridges and toners. The recycling level is almost 100%.

Paper use

	Tonnes	Tonnes per FTE
Benelux countries	3,490	0.10

Smalle chemical waste

	Kilograms	Kilograms per FTE
Benelux countries	13,974	0.41

Small chemical waste includes batteries, cartridges, toners and light bulbs.

In our main building in Luxembourg, rainwater tanks with a capacity of 1,500 m³ provide water for cooling towers, garden hose pipes and sanitary facilities. This equipment helps to prevent any wastage of drinking water.

Water use

	m ³	m ³ per FTE
Benelux countries and Turkey	594,082	15.6

Devoting greater attention to transportation

In Belgium we have a mobility manager who gathers mobility data and advises on optimising employee commuting. We have continued to encourage the use of public transport and teleworking in the past year.

In 2005 we were able, for the first time, to aggregate data on the total number of business kilometres driven in leased cars in the Benelux countries. This amounts to 150.6 million kilometres (19,575 tonnes CO₂).

Our business air travel records show that employees based in the Benelux countries flew 18.7 million miles last year. This represents carbon-dioxide emissions of 4,161 tonnes (based on 0.223 kg CO₂ per mile: the average of long, medium and short haul, as stated in the GHG indicator of UNEP).

Reporting process and principles

Report structure and selection of issues

This is our second Sustainability Report. Corporate Social Responsibility and its reporting constitute an ongoing learning process at Fortis, one in which we are always looking for ways to improve.

We believe that identifying the relevant issues and performance indicators is best achieved in dialogue with internal and external stakeholders and other interested parties. As with last year's report, we based our selection of topics for this year's report on the GRI 2002 Guidelines and the supplement for the financial services sector. Third-party questionnaires, such as from rating agencies, feedback from dialogues and internal discussions were also taken into account.

We have used the same stakeholder structure as in last year's report because we believe this clearly reflects our priorities and enhances transparency regarding the relationships with our stakeholders. We expect our reporting to improve in clarity, focus and accuracy over time as a result of our experiences and stakeholder contact.

Reporting boundary

This report covers our entire organisation unless indicated otherwise. It includes quantitative and qualitative data about the calendar year 2005 as well as some relevant actions taken in the first part of 2006. Whereas our banking business is organised by type of activity and operates worldwide, our insurance companies are organised geographically. We based our report on this structure and, where necessary, clarify the consequences for managing our businesses and gathering data. Joint ventures are only included if we have more than 50% of the shares and management control.

Information systems and quality of data

There is no overall information system for Corporate Social Responsibility that is comparable to the management information system used to obtain financial information for the annual report. Management information systems and data gathering processes are still being developed. Our primary sources of information are corporate systems, such as our financial reporting system and the Global Data Warehouse (human resources). Only for those indicators that we deemed relevant, but were not covered by an existing system, did we use local information systems and ask specific questions. We invited representatives from the various businesses to provide us with stories and dilemmas and used these for writing the report. Besides these contacts, we worked with an editorial board to test our findings and obtain additional organisational input.

When information is not available on a global scale, we state that explicitly. For example, not all human resources data can be extracted from our Global Data Warehouse. We have therefore gathered some quantitative information from various regions and aggregated this separately. Also, our in-house environmental indicators are not available in one system, so this year we are only able to include data on the

Benelux countries and Turkey. The data included have been derived from various sources. These give the best overview available, but we recognise that further work is required to ensure complete and comparable global data for our key indicators.

Assurance engagement

We asked KPMG Sustainability to provide assurance on this report in order to offer readers limited assurance on the information given. 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 36-37.

Because it was this year that we started to implement new corporate sustainability policies under Agenda 2006, we opted for limited assurance on the report. We felt this would provide the most added value both internally and externally. For next year's report we plan to discuss the scope and level of assurance with internal and external parties.

Disclaimer

This report has been produced 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.

This report only covers limited aspects of Fortis. To obtain a more complete picture of the company, please read our Annual Report, other corporate publications and the information available on our website www.fortis.com.

Assurance Report

To the readers of the Fortis Sustainability Report 2005

Introduction

We have been engaged by Fortis to review the Fortis Sustainability Report 2005 (hereafter 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. We have been engaged 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*', drawing from emerging best practice and principles within international assurance engagements. Among other things, 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 Sustainability Reporting Guidelines of the Global Reporting Initiative as detailed on page 34 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 2004 Sustainability Report;
 - the GRI financial sector supplement;
 - a review of the contents of the first draft of the Report against other reports in the financial sector.

- a review of the underlying principles of information management and reporting used in drawing up the Report;
- interviews with relevant staff at corporate and business level responsible for the information in the Report in Belgium and the Netherlands;
- 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 2004 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 contained 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. As the related limitations are adequately explained in the Report they do not affect the conclusions presented above. Issues which require attention are the following:

- Compared with 2004, the scope of the Report has been extended to operations outside the Benelux countries. However, the Report does not yet provide comprehensive information on the sustainability performance of Fortis as a whole. We recommend that Fortis step up its efforts to ensure complete and consistent reporting across all businesses and countries in 2006.
- We recognise the commitment of top management to sustainability as demonstrated by the approval in 2005 of new sustainability policies for credit and the defence sector and, more recently (February 2006), the signing of the Equator Principles. We recommend that Fortis give high priority to ensuring the implementation of these policies across all relevant business areas in 2006, including their incorporation into internal procedures, provision of training and support for front-line staff, and the development of a monitoring and compliance system for both internal and external reporting.
- Fortis has used the best available information in preparing the Report. However, the collection of human resources and environmental data from the businesses is still on an ad-hoc basis and the internal controls over these data are limited. We recommend that Fortis improve the definitions for these indicators as well as the monitoring and reporting systems (and related internal controls) to enable it to report more complete and comparable data in the future.



W.J. Bartels RA (Director)
Amsterdam, 28 April 2006
KPMG Sustainability B.V.

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

The table indicates where information on the various topics can be found.

A = Annual Report

AM = Asset Management

GS = Governance Statement

N = Not reported as data are considered not relevant or are not available

P = Profile

W = Website at www.fortis.com

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