

FORTIS

Solid partners, flexible solutions

Inspired
Community

Sustainability Report 2004

Inspired Community

Fortis wants to be a reliable partner for its stakeholders by enhancing mutual trust, building relationships, solving problems together and connecting the short and the long term. Developing relationships within and outside Fortis to create an inspired community is perhaps the greatest opportunity that corporate sustainability offers us.



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Profile

Fortis is an international financial services provider active in the fields of banking and insurance. The company offers its private, business and institutional customers a comprehensive package of products and services through its own distribution channels, in cooperation with intermediaries and through other distribution partners. Its multi-channel distribution strategy gives Fortis the flexibility to meet its customers' needs for optimum availability and user-friendliness.

Fortis occupies a leading position in all market segments in the Benelux countries. It offers internationally operating companies throughout Europe an integrated network and provides wealthy individuals and businesspeople with advanced services based on a unique set of competences. Fortis's expertise in niche markets such as shipping, commodity, export and project finance and fund administration has made the company a regional or world leader in these areas. Fortis also successfully combines its banking and insurance expertise in growth markets in Europe and Asia and leads the markets in Spain and Portugal.

Boasting a market capitalisation of EUR 26.5 billion and total assets of EUR 571 billion, Fortis ranks among the twenty largest financial institutions in Europe. Its sound solvency position, broad risk spread and ambitious, professional workforce of 51,000 enable Fortis to combine global strength with local flexibility to provide optimum support to its customers.

Objectives

Fortis has two core competences – banking and insurance – which will enable it to expand in its new home market, the enlarged European Union. It will pursue selective expansion in Asia and North America. Fortis aims to rank among the top European financial institutions and intends to achieve this goal through organic growth, supplemented with selective acquisitions and strategic partnerships.

Against this background, Fortis has decided to strive for accelerated growth while adhering to strict cost control. It aims to achieve average organic growth of net operating profit before realised capital gains of 10% per annum for the period 2005-2009 and to double to 30% the contribution to profits generated outside the Benelux countries in 2009.

Fortis will report its results under the new IFRS accounting principles as from financial year 2005. These principles are expected to lead to greater volatility in results. With this in mind, Fortis will in the course of 2005 re-evaluate two of its long-term objectives defined in 2000, i.e. to achieve growth of net operating profit per share of at least 12% and to produce return on equity of at least 15%. Fortis has already amended its third objective – to aim for a dividend payout ratio of 40-45% of net profit. As from financial year 2005, Fortis will aim to pay a stable, growing dividend, taking into account its solvency, profitability and growth objectives.

Key figures

(in EUR million, unless otherwise stated)

	2004	2003
Shareholders ¹		
Net operating profit	3,197	2,247
Net profit	3,358	2,197
Net equity	14,365	11,894
Total assets	570,648	523,250
Assets under management	321,936	305,960
Dividend per share (in EUR)	1.04	0.92
Customers		
Total sustainable assets under management ¹	7,246	
Sustainable investment funds ¹	436	66 ³
Sustainable assets under management MeesPierson ²	163	97
Sustainable assets under management Fortis Investments ¹	6,637	
Loans Fortis Groenbank ²	43	60
Loans renewable energy ¹	241	258
Employees		
Number of employees in FTEs ¹	48,258	64,454
Number of employees in FTEs ²	34,435	35,967
Number of employees in headcount ¹	50,846	
Number of employees in headcount ²	36,649	
Total wage bill and other employee expenses ²	3,143	3,081
Breakdown of full-time and part-time employees (as % of total) ²	FT: 79.3 PT: 20.7	
Breakdown of leaving employees by category ²		
Total	4,576	
Voluntary	2,039	
Involuntary	338	
Natural wastage	2,198	
Total trainingdays Fortis Bank ²	84,637	
Women at different levels (in %) ² :		
Total headcount	44.4	
Senior Management	6.4	
Middle Management	15.9	
Trainees	40.5	
Workforce divided by age in % of total ²		
< 30	17.5	
31 – 40	27.8	
41 – 50	33.5	
> 50	21.2	
Sick leave (in %) ²		
Fortis Bank Belgium	3.2	3.5
Fortis Bank Netherlands	4.3	5.0
Banque Générale du Luxembourg		
Fortis ASR	6.99	5.6
Fortis AG	2.92	3.05
Society		
Total current income taxes ¹	959,8	313,9
Social community projects in numbers ²	409 (NL) 198 (B)	300 (NL) 160 (B)
Employees involved in projects (in numbers) ²	2,688 (NL) 466 (B)	2,335 (NL) 247 (B)
Internal environmental management		
Electricity use in MWh ²	213,403	
Gas use in MWh ²	183,383	
Paper use in tonnes	5,160	
Air travel in million miles ⁴	12	

¹ Fortis

² Fortis in the Benelux countries.

³ As of 30 January 2004, 3 existing funds met SRI qualifications and therefore have been added to the SRI funds offering.

⁴ Belgium and the Netherlands.

Message from the CEO



Dear reader,

Fortis devoted considerable attention in the past year to corporate sustainability. We did so, not because it is something new to us, but because we believed we needed to embed the wide range of initiatives and activities at our company in an updated vision and an integral policy. The world is changing quickly and our stakeholders have high expectations, so we must constantly be able to respond to new insights and evolving views.

In 'Agenda 2006' - our sustainability roadmap - we have recalibrated our ambitions and sharpened our objectives. Corporate sustainability will increasingly become part and parcel of our organisation's core processes.

But we have done more than make plans. Besides an array of initiatives and activities we are undertaking within our company, we are fulfilling a pioneering role in several fields. Fortis Venturing is widely regarded as a prime example of innovation, other companies are following the lead of our Fortis Foundations and Fortis Bank identified at an early stage the new market for carbon banking and trading of CO₂ emission allowances.

We do not view sustainability separately from our financial performance. In 2004, we had another excellent year financially; the best since our establishment in 1990. Our net profit rose by 53% to reach EUR 3,358 million. We took important decisions for the future by updating our ambition and corporate strategy. In January 2005, we announced how we intend to become one of Europe's top globally-competitive financial institutions within five years. In our way forward, sustainable development is an integral part of our strategy: operational success and corporate sustainability go hand in hand.

This is our first separate sustainability report. We are publishing the report to meet the growing needs, within and outside our company, for more information about our activities in corporate sustainability and the dilemmas we face. We have given centre stage in this report to our stakeholders; our customers, employees, shareholders and society at large. This decision was a logical one. Everything we do is aimed at optimising our relationships with our stakeholders. We want to be a reliable partner and build relationships based on mutual respect. In our view, dialogue and inspiration produce the best solutions and will enable us to continue adding value and remain profitable in the long term. This report seeks to present a good picture of the principles that inspire us, the relationships we are developing, our results and our plans for the near future.

Message from the CEO

We hope our sustainability report will contribute to developing an 'inspired community' with our stakeholders. We have followed the guidelines of the Global Reporting Initiative. In selecting subjects and scope, we opted for a thorough approach that reflects our current development towards anchoring sustainability in Key Performance Indicators (KPIs). Therefore, we have concentrated in this first report primarily, although not exclusively, on our organisation in the Benelux countries, which forms a substantial part of Fortis. We will continue developing in the coming years and broaden the scope of this report.

We are constantly aware there is always room for improvement. This applies to corporate sustainability and to our sustainability reporting. This report is a first step in a process that will continue evolving in the coming years and lead to better results. This process is not a solo action by Fortis, but a development occurring with our stakeholders.

We warmly invite you to join us and hope that in 2005 we will together continue building upon our relationships and the sustainable growth of Fortis.



Jean-Paul Votron
Chief Executive Officer

Corporate Sustainability Statement

Corporate Sustainability Statement

As part of the society in which we operate, we aim to make a genuine contribution to our stakeholders' wealth and well-being. We firmly believe that the active pursuit of corporate sustainability is fundamental to what we stand for as a company.

At Fortis, corporate sustainability 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. *Living our Values* serves as the springboard for a learning process in which we are always striving to improve and to find solutions that meet our stakeholders' needs, now and in the future. We can do better when embedding various initiatives in an overall corporate sustainability ambition and strategy. We have therefore decided to specify plans and actions in order to improve our performance in this area relative to that of our peers.

As part of this overall plan, which is called 'Agenda 2006', we will:

- strengthen internal sustainability networks and increase involvement among our employees;
- further integrate sustainability into our organisation's core processes, such as client acceptance, lending policies, product development and investment policies;
- publish a separate sustainability report, for the first time in 2005;
- initiate proactive stakeholder management and engagement;
- include corporate sustainability in our group-wide purchasing policy.

Only in a relationship based on mutual trust can we exchange views and ideas with our stakeholders and inspire one another to provide the best solutions. That is how we keep progressing and developing as an organisation and building on our sustainability goals and agenda. We therefore intend to define further actions and to continuously enrich our relationships with our employees, customers and other stakeholders. At Fortis, we call this an 'inspired community'.

15 December 2004



Jean-Paul Votron



Herman Verwilt



Gilbert Mittler



Joop Feilzer



Jos Clijsters



Karel De Boeck



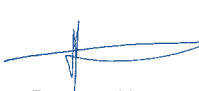
Jozef De Mey



Filip Dierckx



Jacques van Ek



Peer van Harten



1. Our vision of Corporate Sustainability

Our vision of Corporate Sustainability



Our shared values lie at the heart of our company because they set the course for everything we do.

- **Stable:** we are dependable and long lasting
- **Caring:** we listen, understand and respond
- **Innovative:** we always strive for better and different solutions
- **Straightforward:** we use plain talk and clear action

Our activities in corporate sustainability (cs) and our relationships with our stake-holders are obviously built on these values. We apply them in our day-to-day activities and also in the initiatives of our Foundations. The values are an inseparable element of what Fortis stands for. Our Principles of Business Conduct are an elaboration of these values (www.fortis.com).

1.1 Agenda 2006

Over the past year, we have recalibrated our corporate sustainability activities to reduce fragmentation and establish a more tangible link with our strategic objectives and everyday business. Our roadmap for this, Agenda 2006, is a plan for improving our performance in the area of corporate sustainability. It defines our ambition, priorities and actions. We want to create a better and more transparent sustainability profile in the period up to year-end 2006. The key items of our plan can be found in our 'Corporate Sustainability Statement' on page 8.

Dialogue with our stakeholders

As a financial institution, Fortis maintains contacts with a wide group of stakeholders. The intensity and nature of these relationships differ. Our customers, employees and shareholders – as the most directly involved stakeholders – are our central consideration. Contacts with them are part of the core processes of our organisation that determine our success. We also have a broad group of societal stakeholders with whom we maintain relationships, both on corporate and on business level. They include regulators, authorities, industry associations, unions and local communities. Furthermore, we have contacts with non-governmental organisations (NGOs).

In principle, we enter into dialogue with parties that have a genuine interest in our organisation. But we do ask ourselves whether the issues that are raised belong in the domain of our organisation. As a financial player, we notice that some outsiders ascribe to us influence or power that we do not have. It is important for us to examine and define the bounds of our responsibility. On that basis, we set priorities in our contacts with stakeholders. Through dialogue we are able to maintain and build up our relationships and aim to cultivate mutual respect. This helps us continually improve our organisation and optimise the services we provide.

Our vision of Corporate Sustainability



Continuous improvement

We continuously strive to improve and are ambitious in that regard. We recognise that we must remain in motion all the time in order to fulfil this challenge. It necessitates making changes to existing processes and developing new activities. This applies just as much to corporate sustainability as it does to the services that we provide. Our intention is

to anchor sustainability in our organisation as a way of helping us record increasingly better results. Reinforcing our relationships with stakeholders will strengthen our reputation thus our 'licence to operate'.

This will allow us to continue adding value for our stakeholders, now and in the long term. Agenda 2006 has given us a framework upon which we will build in the coming years.

Development Corporate Sustainability

	Up to 2004 ▶	2004 ▶	2005 ▶	2006
	Various activities ▶	Central coordination ▶	Implementation	
Examples of actual and planned activities	<ul style="list-style-type: none"> • Fortis Foundations • Principles of Business Conduct • Inclusion 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 	<ul style="list-style-type: none"> • First Sustainability Report • Internal sustainability site • Central credit policy on sustainability • Defence Industry policy • Intensification stakeholder dialogue • Development procurement policy • Alignment with international standards • Enlargement of information and management system • Second Sustainability Report • Development sector policies 	

Our vision of Corporate Sustainability

1.2 Transparency and scope of this report

Transparency is an important element of our sustainability ambition. This report is one of the pillars upon which this transparency is built. But this openness is accompanied by obvious observance of the confidentiality of our relationships with clients. A relationship between a financial services provider and a customer is based on confidentiality and we are committed to adhering to this principle and legal requirements in this regard. Without disclosing specific customer relationships, we want to be open about our activities and our results. This first report is primarily about the Benelux countries, which accounts for about 85% of the net operating profit. We made this choice for practical reasons. Concentrating on the Benelux countries allows us to gain experience for the next reports, in which we will broaden the scope to the whole of Fortis's activities.

Sustainability as a distinctive factor in business

"Many years ago we began pioneering with sustainable investment under the banner of 'no value without values'. MeesPierson developed services like sustainable asset management, and along with Triodos Bank and PGGM we were the founders of Dutch Sustainability Research. At the outset, it was certainly not easy to convince our clients of the added value of our sustainable products. Perhaps we were a little too early. Subsequently, we approached it more like a business case, more directly and more concretely, and this produced greater interest. Time and again, I notice that this is a subject that deepens our relationship with customers. You get to know each other in an entirely different way and you talk about the future in terms of sustainability, the dilemmas you face and the opportunities that arise. I have seen our 'share of wallet' increasing among a group of customers as a result of our deeper relationship. Sustainability is now creating added value - for all stakeholders in the People and Planet setting and thus for shareholders by means of Profit".

Pim Mol, member Management Board MeesPierson

The scope of this report

	Network Banking	Merchant Banking	Investment Services	Insurance Netherlands	Insurance Belgium (and International)	Risk Management	Foundations
Belgium							
Netherlands							
Luxembourg							
Rest of Europe							
USA							
Africa							
Asia							

The units marked in dark blue are included in this report, the light blue units are covered in chapter 8.

Our vision of Corporate Sustainability



1.3 Looking ahead

Agenda 2006 is our roadmap that names the activities we will carry out before year-end 2006 to improve our sustainability performance. Besides activities we have already formulated, we are committed to formulate new action plans and obtain new insights as we advance along this road, inspired in part by our stakeholders, including sustainability rating agencies, and relevant international developments.

Steps we will strive to take in the coming years will be designed to:

- strengthen external networks in the sustainability field;
- increase the involvement of our employees;
- further integrate sustainability into our organisation's core processes such as client acceptance, lending policies, product development and investment policies;
- formulate policies for relevant sectors in which we do business;
- initiate proactive stakeholder management and engagement;
- include corporate sustainability in our group-wide purchasing policy;
- align with relevant international standards and platforms.

Memberships sustainability networks

CSR Europe

Samenleving & Bedrijf, The Netherlands

Business & Society, Belgium

Vereniging van Beleggers voor Duurzame Ontwikkeling, The Netherlands

European Financial Roundtable

MVO Nederland



2. Governance and organisation of sustainability

Governance and organisation of sustainability



As a Belgian-Dutch company, we are subject to Belgian and Dutch corporate governance codes. But proper corporate governance at Fortis means more than just complying with a code. As a financial services provider, we believe that a strong culture of proper corporate governance, ethical behaviour and sound decision-making procedures is fundamental to the way we do business.

2.1 Corporate governance

Top holding structure

Fortis is an international financial services provider with two parent companies, the Dutch Fortis N.V. and the Belgian Fortis SA/NV. These parent companies own on a fifty-fifty basis all shares in two group holding companies. Together, the four companies form the 'top holding structure' of Fortis. Although the top holding structure consists of four separate companies, it operates de facto as a single entity. The Fortis Board of Directors is a one-tier board consisting of thirteen members, of which 12 are non-executives and one is an executive, namely the CEO. Within the Board of Directors, there is an Audit Committee, Risk and Capital Committee and a Nominating and Remuneration Committee.

Twinned shares

A shareholder who purchases a Fortis share in fact buys one unit that comprises one share in Fortis N.V. and one share in Fortis SA/NV. The principle of twinned shares is unique in that one unit represents a share in two legal entities of different nationalities. Shareholders have voting rights in the shareholders' meetings of the two parent companies and may choose to receive a dividend entirely of Belgian origin or entirely of Dutch origin. The main rights of shareholders are to appoint members of the Board of Directors, to discharge the Board of Directors, to adopt the financial statements of the companies and to approve the annual dividend. Shareholders who individually or jointly represent 1% of the issued capital, or who hold Fortis shares with a market value of at least EUR 50 million, have the right to propose the inclusion of agenda points for the General Meetings of Shareholders.

Governance Statement

In 2004 we drew up a 'Governance Statement' that defines the guidelines and procedures. The Board of Directors produced the document building on the corporate governance recommendations contained in the Dutch code (drawn up by the Tabaksblat Committee) and those in the draft Belgian code of 18 June 2004 and also on the most recent international practices. Our Annual Report for 2004 lists provisions of the Dutch code that Fortis does not apply and explains why Fortis took those decisions. The Belgian code applies since 1 January 2005. The first review of Fortis's application of this code will be presented at the General Meetings of Shareholders in 2005. Fortis is committed to ensuring compliance with all major provisions of the code.

Governance and organisation of sustainability



For further information about our governance model, the independence of the members of the Board of Directors and their remuneration, please refer to our Annual Report 2004 and our Governance Statement published on our website (www.fortis.com).

Corporate Governance; a crucial foundation

"Transparent and effective governance - including adherence to high ethical standards - is absolutely crucial to Fortis. Efficient corporate governance should support operational development, while helping to manage risks as far as possible. It is a constantly evolving process and responds to the needs of the organisation and to international best practices. Responsibilities should be clear at all times and the company should provide transparency about those responsibilities. The unique structure of Fortis, rooted in Belgium and the Netherlands, has always kept us sharp on our governance and meant that we have constantly created transparency for our stakeholders. We will continue to advance along this road, as is demonstrated by the Fortis Governance Statement published at year-end 2004."

Maurice Lippens, Chairman of the Board of Directors

Organisational structure

In 2004 Fortis was organised according to five businesses. Each business has a portfolio of activities with shared targets and strategies focused on certain customer segments. Each business is headed by a member of the Executive Committee. After tightening up our strategy in January 2005, we modified our organisational structure. The six businesses are Retail Banking, Commercial & Private Banking, Merchant Banking, Insurance Belgium, Insurance Netherlands and Insurance International. Three of the members of the Executive Committee have been named regional coordinators to guarantee synergy between the businesses. The combination of the obligations related to the legal structure of Fortis, its business structure and its presence in several countries is an item of permanent attention for the Board of Directors and the Executive Committee.

2.2 Organisation of sustainability

Sustainability policy

Our portfolio of activities presents organisational challenges in developing and implementing policy. As we are an insurer, retail bank, asset manager and merchant bank, we must address the needs of extremely varied businesses and customers. That is why the individual businesses make a substantial body of policy. Furthermore, we decide certain matters on a central level. The different parts of the company translate these basic principles into concrete and workable policies.

Committed senior management

The Executive Committee holds the highest level of responsibility for corporate sustainability at Fortis. Herman Verwilt, Deputy Chief Executive Officer (Deputy CEO) and Chief Operational Officer (COO), chairs the 'Corporate Sustainability Steering Group' that was established in the year under review. This group includes senior representatives of the businesses and staff departments plus a few members drawn from the 'next generation leadership pool'. The steering group has a bridging and advisory role in embedding corporate sustainability deeper within the organisation. The group discusses dilemmas, makes choices, sets priorities and checks policy plans. On average, the steering group meets once per quarter. The group also acts as a sparring partner and source of inspiration for the Corporate Sustainability department. Between this department and the individual members of the group, there is collaboration in one-to-one sessions so as to move specific subjects forward.

Corporate Sustainability Working Group

Besides a steering group, we have established a Corporate Sustainability Working Group. The group's task is of a more operational nature and we have made the provision of input for the reporting process the top priority in its remit.

Involving our employees

The ultimate goal is obviously to make corporate sustainability an integral part of all relevant processes at Fortis. To achieve this situation, our employees must be familiar with Agenda 2006 and must know the contribution they personally can make to fulfil these plans. This is not a one-sided top-down process, because it is also being approached bottom-up in a variety of ways. In this respect workshops and the Fortis Foundations play a significant role. In spring 2004, we conducted a survey among our employees into sustainability matters within Fortis. The survey

Governance and organisation of sustainability

was called 'What do you know, want and do as employees?' The survey served a baseline measurement for the Corporate Sustainability department and was the starting signal for a variety of initiatives designed to increase employee involvement. They included designing a Corporate Sustainability intranet site that will be launched in spring 2005. This platform will challenge and inspire employees and will be a vehicle for interaction, information and exchanging best practices.

Sustainability in practice: Defence Industry policy

We observed a need to build upon our Principles of Business Conduct by formulating specific policies for certain issues and sectors. Discussions were held with stakeholders in 2004 about the financing of the defence industry. The discussions were initiated partly in response to questions raised by Network Flanders at the General Meeting of Shareholders in May 2004. As we wished to tackle this issue properly and thoroughly, rather than merely responding to incidents, we established a working group made up of employees drawn from the Compliance, Credits and Communications departments. The working group drew up a Defence Industry policy following an extensive analysis of international legislation and treaties and the available best practices. By consulting with our clients, we were able to include the customer's perspective in our deliberations. The policy was submitted to the businesses. Management teams approved the policy and have started implementing it within their businesses. The Corporate Sustainability department discussed the policy with Network Flanders. Early 2005, the Executive Committee approved the policy. We intend to develop more industry-sector policies.

Structure of this report

We 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, our Principles of Business Conduct were framed to reflect these dimensions of our business. We consider this a logical orientation, because ultimately our stakeholders determine our performance, our 'licence to operate' and our reputation. The following chapters explain our policy and performance in greater detail.



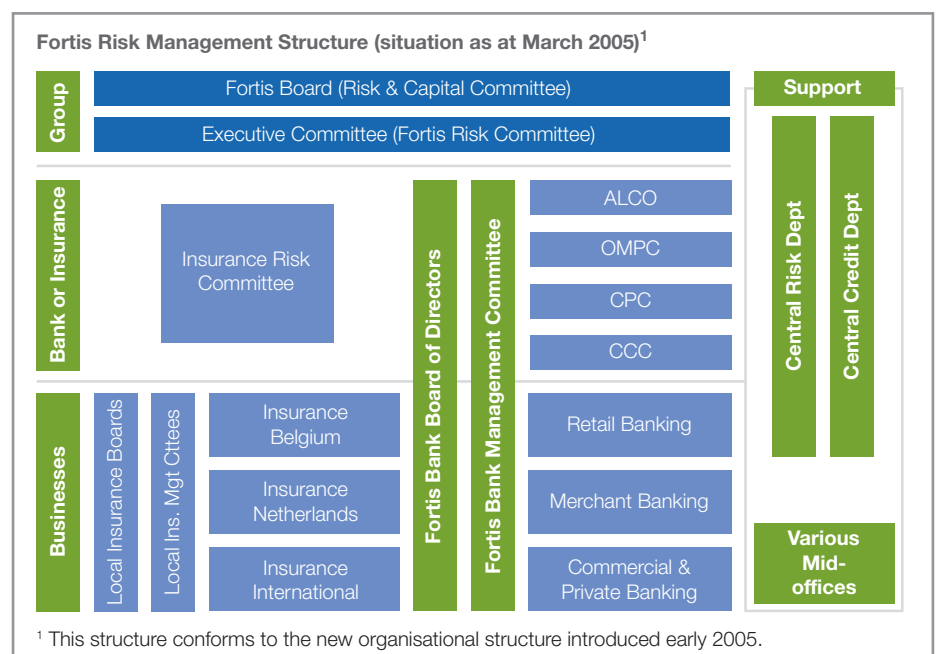
3. Focus on our customers

Focus on our customers

Fortis is an integrated financial services provider in banking and insurance. Our logo symbolises the diversity of our organisation. We offer retail, business and institutional customers a wide range of products and solutions. We regard providing high-quality services, clear conditions, transparency on products and accessibility as the basis for our ambitions. The businesses undertake targeted initiatives to integrate sustainability in their interaction with customers. Given the diversity of market characteristics, customer requirements and strategic possibilities, the developments in the businesses differ.

3.1 Risk management

Risk management is a core part of Fortis's business and has an impact on all areas of management. Fortis's banking and insurance activities are exposed to a range of potential risks. To ensure that these risks are measured, monitored and managed, Fortis has in place an organisational structure for internal control and risk management. In our financial report, we discuss these matters at length.



Focus on our customers



In this sustainability report, we will confine ourselves to risks concerning reputation, client acceptance and granting of credit. Corporate sustainability is becoming a more prominent feature in all of these processes. If a potential customer, or a request from an existing customer, gives rise to questions regarding corporate sustainability, we are increasingly taking the matter into account in our decision-making process. The development of our Defence Industry Policy is an example of the kind of development we are undergoing.

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 the 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.

Client acceptance

Client acceptance is an important element of risk management. We have a strict policy to not enter into relationships with persons or organisations that are known to 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, against criminal organisations or individuals and obey the rules concerning money laundering, in letter and in spirit. We actively conduct policies against 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 Bank 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 such matters as bad debts, pricing of risks and the calculation of returns corrected for risks. The credit organisation operates independently from our commercial organisation. This enables impartial, rational recommendations and decisions, which benefits the quality of decision-making. When analysing credit, we are increasingly including social and ecological matters in our deliberations. As we operate globally, we set formal conditions for sustainability matters in such fields as trade and commodity finance, shipping, mining and export financing. With due allowance for customer

confidentiality, we are considering ways of increasing the transparency in this regard.

Developments in Risk Management in 2004

- We formulated a credit policy on the defence industry.
 - We stimulated internal awareness-building of sustainability, among other things through presentations like those held at the Credit Platforms of Commercial Banking.
 - We drew up a Global Credit Policy on Sustainability. The policy aims to set the general framework for integrating sustainability in its credit (client) acceptance criteria, to indicate where sustainability risks may occur and to determine who is involved in the task of assessing these risks. It also names sensitive sectors, products and services, production methods and circumstances that involve an extra sustainability risk. These will form the basis for the sector guidelines that we will develop and will use to scrutinise every credit proposal. As a provider of credit, we want to check our customers' considerations as well as our own considerations concerning sustainability.
-

Compliance

The Fortis compliance function promotes observance by the company and its employees of laws, rules and standards and helps protect our reputation as a reliable partner. We have set down the basis for this in our Principles of Business Conduct. Supplementary to these principles, we have specific rules at individual Fortis companies, tailored to fit their activities and local legislation. The compliance organisation consists of a total of 75 FTEs and is represented at every Fortis business.

3.2 Network Banking

Retail Banking

We offer financial services to retail customers, self-employed people, members of the independent professions and small businesses. In the Benelux countries, we provide advice on all possible forms of everyday banking, saving, investment, borrowing and insurance, via various distribution channels.

The positioning of Fortis Bank in the retail banking markets in Belgium, the Netherlands and Luxembourg differs because of our different market

Focus on our customers

shares. But we always want to make the difference by offering our customers added value through quality, transparency and accessibility.

Quality

Through customer-friendliness and continuous optimisation of quality of service, we are building sustainable relationships with existing and new customers. We constantly ask ourselves what our customers think of Fortis and of the services we provide. That is why we measure customer satisfaction on a regular basis. In 2004, 70% of our Belgian customers gave us a mark of at least 8 out of 10, a modest improvement compared with 2003. Customers were more positive, notably about shorter queuing times at branches, the increased number of cash dispensers, accessibility of services outside office hours and our investment and insurance expertise.

Retail Banking Belgium introduced 11 'service guarantees' in 2004. These are written promises that we give our customers to find a solution in a certain way or within a predetermined time. The customer receives financial compensation if we fail to deliver on a promise. Service guarantees exist for the replacement of a banker's card, for the time it takes to complete a domestic transfer and for our telephone reachability 24 hours a day, 7 days a week.

To optimise service provided to our Dutch customers, the Quality Management department was established in the Netherlands in January 2004. The department supports the sales organisation in commercial processes and quality of service. The spearheads of our vision of customer focus are improved customer and employee satisfaction, lower costs and better process control. Retail Banking Netherlands conducted a large-scale customer satisfaction survey among a large section of its customer base in 2004. The outcome was that 67% of respondents gave us a mark of at least 7 out of 10. Customers were particularly satisfied with our expertise, conscientiousness, treatment of data, friendliness and the usability of our advice. In the 2004 client satisfaction survey conducted in Luxembourg, 77% of the respondents rated Banque Générale du Luxembourg (BGL) between 8 and 10.

Resolution of complaints

Complaints about the service we provide may be lodged through various channels, namely a branch, the Contact Centre, a letter to the Board or a letter to the 'Ombudsman' (in Belgium) of Fortis Bank. The complaint form is available on our website and from 2005 onwards it is also possible to submit a complaint via PC banking. All complaints are recorded in an

electronic system. Our objectives are to reduce the complaint resolution time still further and to initiate internal improvements to lower the number of complaints. The average complaint resolution time was shortened to 14.6 days in 2004 compared with 17 days in 2003. Customers in the Netherlands who are dissatisfied with the way their complaints were dealt with can seek recourse to the Complaints department for a period of one year. In Luxembourg complaints may be lodged through a variety of channels, but the processing is centralised. A Quality Steering Committee assesses each situation, takes corrective action and measures results.

Transparency

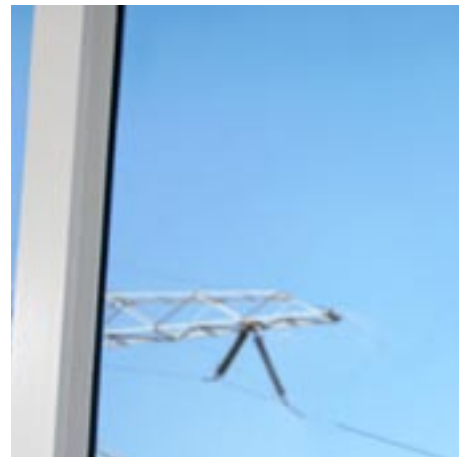
Fortis Bank attaches great importance to clear and transparent communication about its products and services. We made significant improvements in Belgium based on the new regulation concerning life insurance by expanding and clarifying: simulations, the general conditions and the annual overview of life insurance policies. The Risk Advice Group (RAG) was set up in the Netherlands in February 2004. New products and services cannot be launched until the compliance, operational, credit, product and legal risks have been checked.

Accessibility

Responding to trends in the market and new technology, we are constantly optimising our distribution channels to be able to serve our customers in the way they prefer. The number of users of online banking is increasing enormously: 780,000 customers do their banking via the Internet in Belgium and 140,000 in the Netherlands. This represents increases of 30% and 40%, respectively. To make online banking even more attractive, we are constantly expanding the applications. Our call centres in the Netherlands are open 24 hours a day, 7 days a week. Web and Phone Banking were increasingly popular in Luxembourg, and in May 2004 BGL welcomed its 100,000th client for e-banking, now used by 36% of all customers.

To continue meeting the changing needs of our customers, we are experimenting with new concepts. In Belgium these include 'Full Automatic Branches' (unmanned areas containing all kinds of machines) and the 'Open Concept'. This concept is characterised by its open plan without any glass partitioning. In the Netherlands, we developed the Direct Service Branch, where customers receive staff assistance as soon as they enter the branch. If suitable, the customer can then use the simple self-service facilities at these full-service branches. The attractiveness of the branch has been increased through a combination with activities unrelated to banking.

Focus on our customers



Sustainable products

We have been selling the 'Krekel' savings account in Belgium since 1984. Besides offering the usual interest plus a loyalty and/or growth premium, the Krekel account supports socially responsible projects. Each year Fortis Bank pays a fixed amount to two partner organisations, Network Flanders and Réseau Financement Alternatif. The customer can also decide to donate all or part of the interest to a chosen project. The deposited money is invested in a socially responsible way, screened by Ethibel, an independent organisation in Belgium that awards certificates to socially responsible financial products.

	Number of Krekel savings accounts	Total in EUR	Number of customers who donated part of their interest
At 1 December 2004	16,416	154,689,450	2,214

Sustainable investment funds

Retail Banking offers sustainable investment funds that are managed by Fortis Investments (page 26). Besides a sustainable investment strategy, two of these funds include a solidarity feature. Fortis surrenders part of its income to socially responsible projects.

- *AlterVision Balance Europe.* The selected companies satisfy the standards of Ethibel. Fortis Bank also donates 60% of the sign-up fee to three partner associations: Network Flanders, Réseau Financement Alternatif and Alterfin (an organisation that provides credit facilities to support small-scale initiatives of local populations in the Third World). The size of the fund was EUR 59 million as per year-end 2004.
- *AlterVision Red Cross.* In addition to investing socially responsibly, this fund contributes directly to the Red Cross. Fortis Bank donates 0.25% of the annual management fee to the Red Cross. Moreover, 50% of the sign-up fee goes to the Red Cross. Customers who wish to make a further personal contribution have the tax-friendly option of donating their annual dividend to the Red Cross. The size of the fund was EUR 1.8 million as per year-end 2004.

These funds are only available in Belgium, for fiscal reasons.

In the Netherlands, Fortis Groenbank, finances projects that the Dutch government has certified under the Green Fiscal Scheme. Loans can be offered at a below-market interest rate because the investors have a tax exemption on their green investments. Fortis Groenbank attracts money by issuing green bonds. Green projects totalling EUR 43 million were in progress in 2004.

Commercial Banking

Medium-sized companies are offered specialised products, services and facilities throughout Europe through an integrated network of Business Centres. In this 'Act-as-one' strategy, every customer has one key contact person, his Relationship Manager.

Commercial Banking wants to be present in the regions where its customers run and develop business activities. The network of Business Centres is growing steadily and today we are represented in 11 European countries. New business centres were opened in Dortmund, Munich, Metz, Marseilles, Rouen, Turin, Seville and Wroclaw in 2004.

Besides services provided through the Business Centres, the Internet site www.fortisbusiness.com is becoming a fully-fledged platform both for conducting transactions and for providing tailor-made information to customers and prospects.

Quality

The results of a customer satisfaction survey held in 28 European Business Centres confirmed the key role played by the Relationship Manager and the success of the 'Act-as-One' approach. Both form an essential part of the strategy of Commercial Banking. The survey revealed that 47% of the customers considered Fortis Bank 'very good' or 'excellent'. Two-thirds were willing to recommend us to others. The Relationship Manager received a rating of 'very good' or 'excellent' from 62% of the customers. Commercial Banking will hold this survey each year and use the results to optimise its services.

The Commercial Banking concept was proved a success as Fortis Bank was declared the Business Bank of the Year 2004 in the Netherlands (organised by the daily financial newspaper *Het Financieele Dagblad*). Fortis Bank got above-average scores in almost all parts of the survey.

Focus on our customers

Business Advisory Boards

Business Advisory Boards have counselled Commercial Banking Netherlands since 2002. The members of these boards are business relations, accountants, lawyers and university lecturers. They are willing not only to act as advisers to Fortis Bank, but also as ambassadors for Fortis in the marketplace. The five Business Advisory Boards meet three times per year regionally and once per year nationally. The agenda focuses on a transfer of knowledge and advice on current policy issues. Subjects the boards discussed in 2004 included corporate governance and customer satisfaction (with an evaluation of the Business Bank of the Year 2004 award). Corporate sustainability was put on the agenda towards the end of 2003. Similar bodies called 'Comité's van Beheer' exist in Belgium.

3.3 Merchant Banking

Merchant Banking offers corporate and institutional clients a range of specialised services for financial markets, corporate banking, investment banking, onshore funds services and private equity. Specialised customisation in an integrated business solution is a hallmark of Merchant Banking. As the activities of Merchant Banking are varied and highly specialised, there is a need for specific policies on corporate sustainability. Sustainable practices and products must connect seamlessly with the type of service provided.

Carbon Banking

The services we provide related to CO₂ emission allowances show that the market can ignite sustainable business initiatives. Fortis Bank is a front-runner in this field. The bank relieves its customers and potential customers of all formalities attached to the trading of emission allowances, including administrative and legal matters and the actual trading of these allowances.

Carbon Trade of the Year Award

Fortis Bank received the 'Carbon Trade of the Year Award' in September 2004 for the first transaction of European Union Emission Allowances under the International Swaps and Derivatives Association (ISDA) Master Agreement. (Euromoney and Ernst & Young)

In cooperation with Caisse des Depots, Fortis Bank launched the European Carbon Fund in November 2004. This fund buys CO₂ emission allowances obtained through Clean Development Mechanisms. These are sustainable energy or energy-saving projects that reduce greenhouse gas emissions in developing countries. Fortis Bank is investing EUR 15 million in the European Carbon Fund, the first private CO₂ fund.

Renewable energy

Fortis Bank is one of the largest financiers of renewable energy projects, like wind turbines, solar energy and biomass. In 2004 financing of those projects totalled EUR 241 million.

3.4 Investment Services

Private Banking & Trust

Through MeesPierson, Fortis offers high-net worth customers, their families and companies a full array of bespoke services for asset structuring, financing, trust & corporate services, investments, insurance and real estate. The services that MeesPierson provides are unique, not only because of the broadly-based expertise. Asset management is a matter of ethics, values and responsibility. A key principle is that there is no value without values.

MeesPierson offers its relations the possibility to invest their capital in companies that operate in a socially responsible way and/or in sustainable investment funds. Using a 'sustainability filter' companies are selected on the basis of a financial analysis and sustainability criteria. Dutch Sustainability Research (DSR), a research agency established in 2002 by Triodos Bank, the PGGM pension fund and MeesPierson, makes a substantial contribution to this work. In turn, DSR is part of the SiRi group, Sustainable Investment Research International, the global network of research organisations specialising in sustainable investments. Sustainable assets under management increased in 2004 to EUR 163 million compared with EUR 97 million the year before. We take the view that, in the long term, the return on sustainable capital is at least equal to that obtainable from mainstream investments. Although it does not provide any certainty for the future, it has been noticed that better results have indeed been achieved over the past two years.

In March 2005, MeesPierson and Triodos Bank announced the establishment of a joint venture, named Triodos MeesPierson Sustainable

Focus on our customers

Investment Management. We will offer high-quality asset management services to clients of the two parent companies. Through this cooperation, we want to acquire a greater share of the growing market for sustainable asset management.

MeesPierson is also active in charity management. We provide advice to high-net worth individuals and to fund-raising organisations and capital funds. The bank advises clients on how they can give their financial and personal support to good causes. One of the reasons we provide this advice is that MeesPierson plays an active role in the charities world.

Our trust business

We provide trust services for managing the accounts of companies, setting up international holding structures and arranging financial constructions for customers. MeesPierson Intertrust ranks among the four largest providers in its original domestic market in the Netherlands and also globally.

The Dutch trust sector attracted publicity in 2004 through incidents related to international accounting scandals. Since March 2004, the sector has been subject to supervision of the Dutch central bank (DNB).

We wholeheartedly support higher standards. As part of Fortis Bank, MeesPierson Intertrust was already subject to DNB controls. We expect the new legislation will reduce risks for the sector and create a level playing field for competition. We also expect the more stringent controls and supervision to result in a reduction in the number of market players. When it comes to customer acceptance, we apply very strict requirements. Worldwide, we conduct a customer acceptance policy that conforms to internationally accepted rules and serves as a minimum standard. Branches in countries with less stringent legislation in this field also comply with our group policy. In countries with more stringent legislation, we obviously observe all local rules. Our acceptance policy includes a risk classification matrix for customers and for the services we provide. Customers with an increased risk profile – about 5% of our customer base – are subject to more rigorous acceptance and monitoring requirements. Approximately 5% of our services qualify as ‘non-routine’ and are therefore examined by an international committee of specialists at the time of acceptance and review.

We are always willing to enter into dialogue with stakeholders to inform them of our activities. We invited a group of Dutch journalists to a meeting in 2004 to explain developments in the Dutch trust sector and our vision of those developments.

Fortis Investments

Fortis Investments is our asset manager and its activities embrace institutional and retail portfolio management and development. Fortis Investments manages EUR 87.1 billion of assets with its principal investment centres being London, Paris, Amsterdam, Tokyo, Boston and Shanghai.

In the course of the last two years we have introduced the systematic use of sustainability factors in the management of all European equity portfolios managed by our Large Cap European Equity team. The emphasis is upon those factors that our analysis has shown may have medium-term implications for share prices of companies. We endeavour to quantify these risks and to determine whether they have been sufficiently discounted in present market valuations.

Focus on our customers

Sustainability factors integrated in the European equity portfolios of Fortis Investments

Corporate Governance

Bribery and corruption

- Litigation
- Internal audits
- Code of Conduct

Ethical codes

- Formal statement concerning company values
- Proof that values are translated into action

Transparency

- Disclosure of remuneration of senior executives
- Reporting of conflicts of interest

Human Resources

Training

- Specifically allocated resources
- Employee participation
- Unions

Collective bargaining

Health & Safety

- Working conditions
- Safety record

Equal opportunities

- Court cases concerning discrimination
- Diversity of employees

Environment

Policy & Management

- Clear commitment
- Consistent long-term strategy
- Identification of risk areas

Reporting

- Transparent environmental report
- Application of quantifiable criteria

Performance

- Compliance with present/future legislation

External Social Policy

Relationships with suppliers

- Screening
- Watch on social policy of suppliers

Human rights

- Verification system
- Procedure in event of non-observance

External verification

Developing countries

- Cooperation with authoritarian regimes
- Commitment to local communities

Active shareholder

Fortis Investments exercises voting rights at the shareholders' meetings of companies in which it invests. Over the course of the last year, in conjunction with Deminor Rating, we have begun to systematically monitor how companies report on sustainability issues. We have defined standards for the provision of information about corporate sustainability in line with practices recommended by the Global Reporting Initiative. The standards concern three crucial sustainability factors (the environment, human resources and external social policy) and two accountability factors

(Board responsibility and reporting). Going forward, we intend to actively use our vote on the company report and accounts to indicate when sustainability reporting falls below these standards. This applies to large cap companies, on a pan-European basis.

Fortis Investments is a signatory of the Carbon Disclosure Project. Transparency regarding carbon-dioxide emissions makes it possible to form a picture of the risks and opportunities that exist in regard to climate change.

Focus on our customers



Sustainable investment funds

Fortis Investments manages a number of sustainable investment funds that not only integrate SRI factors into the investment process, as set out above, but that invest exclusively in a restricted universe of 'sustainable' stocks as defined by selected sustainable index providers.

- **Fortis L Fund Strategy Stability SRI Europe.**
The size of the fund at year-end 2004 was EUR 123.5 million.
- **Fortis L Fund Strategy Balanced SRI Europe.**
The size of the fund at year-end 2004 was EUR 195 million.
- **Fortis L Fund Strategy Growth SRI Europe**
The size of the fund at year-end 2004 was EUR 45 million.

These are balanced funds investing in a mix of bonds and equities appropriate to client risk appetite. The equity portion is invested exclusively in companies within the Dow Jones Sustainability Index - STOXX.

- **Fortis L Fund Equity Socially Responsible Europe** is a 100% equity fund that invests exclusively in companies within the Dow Jones Sustainability Index - STOXX. The size of the fund at year-end 2004 was EUR 11.5 million.

In Belgium we also offer investment funds that incorporate a solidarity aspect as well as a sustainable investment strategy (page 22).

Information Banking

Information Banking offers integrated asset financing services providing a combination of transaction processing, financial logistics, risk management and financing. We serve three specific groups of customers: institutional investors and banks, fund managers (including alternative managers) and professional traders.

In our business, our clients come first. Therefore we conduct customer satisfaction surveys, covering the different groups of customers. The outcomes are analysed and used as input for development processes.

Our custody activities received ISO accreditation in 2000. Our certification according to ISO standard 9001: 2000 was renewed in 2004 and we were certified by the Lloyds Register Quality Assurance.

Information Banking's ambition is to occupy a leading position in the global trading of securities. We intend to act as General Clearing Member

of the European Climate Exchange for processing transactions in CO₂ emission allowances. Preparations were made in 2004.

3.5 Insurance Netherlands

Fortis ASR comprises all Fortis's insurers in the Netherlands (apart from Fortis Corporate Insurance) and serves the market principally through intermediaries. It offers its business and private customers a wide array of non-life, healthcare and life insurance and mortgage lending. An insurance company is closely aligned to society because of the very nature of its existence and the products and services it offers. Consumer protection and damage prevention are matters that have high priority in the insurance industry and that we regard as key elements of our sustainability policy.

Opting for advice

Fortis ASR sells its products through advisers. Intermediaries are the largest insurance distribution channel in the Netherlands. Although customers have increasingly higher levels of education and a greater amount of information at their disposal, Fortis ASR is convinced that the need for advice is increasing rather than decreasing.

Customers' wishes for convenience and security combined with the awareness that financial decisions can have major consequences, play an important role in this. Therefore, Fortis ASR considers it extremely important to keep in place its finely-meshed network of branches that provide financial advice. Clients must be able to obtain advice easily and locally. At the same time, Fortis ASR is endeavouring to assure sufficient safeguards for the quality of intermediaries.

Industry initiatives

As part of its social responsibility, Fortis ASR is involved in discussions and developments in the insurance industry. Through the involvement of Fortis ASR directors in positions within organisations like the Federation of Insurers, we play a role in setting the course of policy-making at national level. This includes accelerating the discussion on privatisation of social security. As a leading income insurer, Fortis ASR is closely involved in the discussion surrounding political and social issues like privatisation of industrial disability benefits and establishment of a basic insurance system for medical expenses. Similarly, Fortis ASR is prominently involved in the debate on reinforcing the assurances that exist for quality, integrity,

Focus on our customers

expertise and transparency in the financial sector. These endeavours are reflected by the 'Wet Financiële Dienstverlening' (Wfd) that Parliament passed in 2004 and is expected to come into force in autumn 2005.

Responding to society's need for greater transparency, Fortis ASR played a leading role in establishing and implementing the 'Gedragcode Informatieverstrekking Dienstverlening Intermediair' (GIDI), a code of conduct for intermediaries. GIDI contains obligations for insurance agents that include providing customers with a guidance booklet that spells out the services they may expect to receive. GIDI further makes it mandatory for agents to be affiliated with 'Stichting Klachteninstituut Verzekeringen' (SKV), the central complaints body for the insurance sector, and to hold professional liability insurance that increases a customer's likelihood of compensation in individual cases. The GIDI requirements will be incorporated into the Wfd.

An audit conducted early 2004 showed that more than 90% of the intermediaries used by Fortis ASR stated they observed the GIDI code. Those that said they did not have been approached and their non-observance may result in termination of the relationship with them.

Interests in intermediaries

A public discussion arose in 2004 about disclosure to consumers of the shareholdings of insurers in intermediaries. Fortis ASR had shareholdings in 31 insurance firms. Fortis ASR took the view that, in conformity with the GIDI code, an intermediary must inform its customers of its relationships with insurers to avoid any appearance of conflicts of interests. Fortis ASR disclosed six cases of controlling interests that it held.

Fortis ASR provides intermediaries with incentives for sales promotion, like facilities for training courses, financing, sales bonuses and retail marketing. A basic principle for us is that the adviser must always be able to justify the advice provided to the customer. It is up to the intermediary to avoid these incentives, which are customary in the business community, causing a conflict of interests in the advice they give consumers.

Customer satisfaction

We give considerable attention to our relationship with our customer, the intermediary. Personal contact is central to these relationships. There are regular customer satisfaction surveys. Research findings, including those of third parties, showed that some Fortis ASR insurers got high marks. We use the survey findings as input for making improvements.

3.6 Insurance Belgium

Through intermediaries, Fortis AG offers a complete range of life insurance and non-life insurance products to private individuals and small and medium-sized enterprises (SMEs). For corporate clients our distribution is more diversified. Through a direct interaction with those clients Fortis Employee Benefits for example can better anticipate the needs of any company. Non-life insurance for medium-sized and large companies is available from Fortis Corporate Insurance. Fortis Real Estate, a 100% subsidiary of Fortis AG, is a leading property management company in Belgium.

Fortis AG wants to be recognised as the best insurer operating via intermediaries in Belgium. In 2004, ICMA, an independent research bureau, conducted research among 300 professional brokers. For the second time in succession, Fortis AG came top of the list in terms of general satisfaction among brokers on account of the high quality of its products and services. Brokers appreciate the efficient processing of claims and the systems we use. It is a challenge for us to maintain this top-class recognition.

Fortis AG has launched a modular multi-product concept called Familis in 2003. It is a flexible total package in which the customer can combine all his family's non-life insurances entirely according to his own wishes and circumstances. The intermediary manages the package online so adjustments and additions can be made immediately. Familis offers the customer an instant overview of the current status of his or her non-life insurance policies. The launch of this concept has once again underpinned the reputation of Fortis AG as an innovative and market defining company.

The Code of Conduct for the Sale of Financial Products that Fortis AG drew up in 2003 in cooperation with the Federation of Insurance and Financial Agents has become the industry's guiding document in 2004 and has been approved by Assuralia (Belgium's professional association of insurance companies). The signing of this code is obligatory for the cooperation with Fortis AG. Existing relations must also comply with the code. An intermediary who fails to comply receives a reminder and the toughest penalty is discontinuation of the relationship.



4. Employees build Fortis

Employees build Fortis



Our success depends on our employees. Fortis policy is aimed at increasing employee commitment to the company. Our Principles of Business Conduct form the basis for relationships between the company and its employees and between employees mutually.

4.1 Workforce

Structure

Worldwide, Fortis has 50,846 employees (48,258 full-time equivalents). About 72% of all Fortis employees work in the Benelux countries. Of the more than 36,000 people in the Benelux countries, 58% work in Belgium, 35% in the Netherlands and 7% in Luxembourg.

For the purposes of this report, Fortis in the Benelux consists of the following entities: Fortis Bank Belgium (FBB), Fortis Bank Netherlands (FBN), Banque Générale du Luxembourg (BGL), Fortis AG, Fortis ASR, Fortis BV and Fortis Brussels.

Country	Total number of employees in FTEs		Total salaries and benefits (x EUR 1,000)	
	2004	2003	2004	2003
Belgium	20,422	21,232	1,827,506	1,786,006
The Netherlands	11,731	12,354	1,086,345	1,064,692
Luxembourg	2,281	2,384	228,854	230,352
Benelux total	34,434	35,970	3,142,707	3,081,050
Total worldwide	48,258	64,454 ¹		

Country	Total number of employees in headcount
	2004
Belgium	21,411
The Netherlands	12,807
Luxembourg	2,431
Benelux total²	36,649
Rest of the world	14,197
Total worldwide	50,846

¹ Approximately 13,000 FTEs of the difference compared with 2004 can be explained by two divestments, both outside the Benelux countries.

² Headcount in the Benelux countries in Fortis Annual Review is higher due to inclusion of additional subsidiaries.

Employees build Fortis

The number of FTEs in our global banking business was reduced by 5% in the year under review compared with year-end 2003. The number of FTEs in our insurance business remained unchanged. Fortis parted company with 338 people in the Benelux countries as a result of restructurings carried out subject to the provisions of social plans. A total of 4,237 people left the company through natural wastage and voluntary severance.

Employee satisfaction

We can offer customers high-quality services and sustain our growth only if we have highly motivated employees. After years of conducting separate and fragmented surveys of employee satisfaction, we held an overall Employee Motivation Survey for the first time in 2004 among 43,000 employees in Europe and Asia-Pacific. We wanted to find out not only what we as an organisation do well, but also fields where we have room for improvements. The outcome of the survey, which had a response of 55%, is best summarised as 'the employee considers he/she has a fine job and likes working at Fortis, but would like to get more means so as to perform even better and remain motivated'. Our employees were informed in February 2005 of the results for Fortis as a whole. Measuring employee

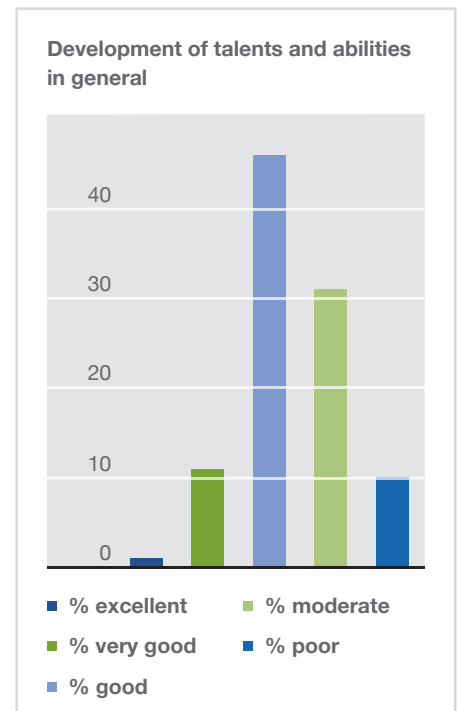
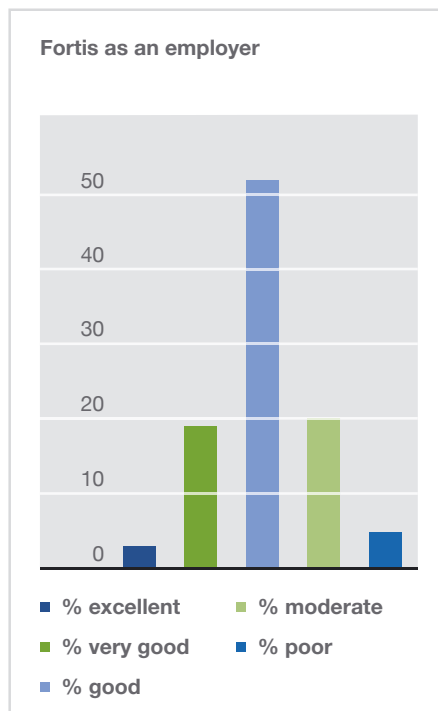
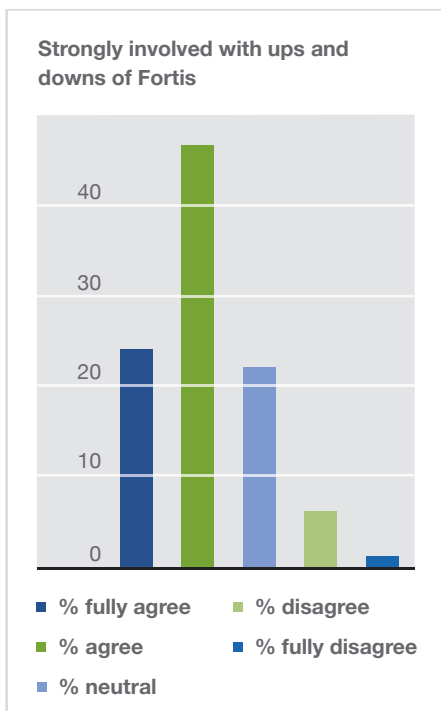
satisfaction is not a stand-alone action. It forms part of a continuing cyclical improvement process designed to lead to better service for the customer.

Diversity

Fortis offers employees a working environment based on respect for and equality of all people. We offer the possibilities for employees to utilise their full potential for the organisation and their personal development. The organisation wants to take full advantage of the strength of diversity.

We strive to achieve workforce diversity because we are convinced that it contributes to our competitive strength and to our ability to achieve our objectives. For that reason, the Fortis Executive Committee decided to appoint a full-time Corporate Diversity Officer, install a Diversity Steering Committee and name diversity ambassadors throughout the organisation. We have made the gender aspect of diversity our initial priority. The first defined target is that in the year 2012 women must hold 25% of all senior management positions (compared with 6% now). In the path leading to 2012 the company has set a milestone of 9% in 2007. We also take part in societal efforts in this respect. Jacques van Ek, CEO of Fortis ASR,

Three important findings of the survey



Employees build Fortis



is a member of the 'Glass Ceiling Ambassadors Network' on the initiative of the Ministry of Social Affairs and Employment and the Ministry of Economic Affairs in the Netherlands. We will widen our activities to other aspects of diversity in the coming years.

We approach diversity in a businesslike way

"Recognising that diversity embraces every form of distinction, we have decided to concentrate initially on gender equality and to develop diversity initiatives to improve the efficiency of the organisation, recruitment & selection, personnel loyalty and teamwork and to respond to market opportunities. Improving diversity requires a continuous process of change. Awareness is a first and extremely important step on the road to bringing about a change of culture. It is necessary to bring differences to people's attention, display respect for those differences and learn from them. Diversity and man/woman issues are being addressed in Diversity Awareness Workshops. The workshops also examine practices at Fortis, the added value of diversity for our business and action plans."

Monica Roeling, Corporate Diversity Officer

Country	Total number of employees in headcount	Employees with part-time job (in %)
	2004	2004
Belgium	21,411	17.7
The Netherlands	12,807	26.44
Luxembourg	2,431	16.29
Benelux total	36,649	20.66

Men and women at different levels (in headcount, in %)

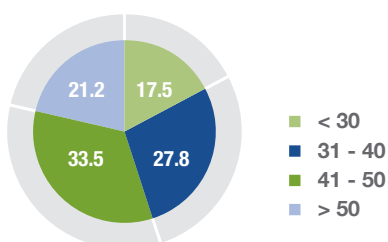
	Men	Women
Total headcount	55.60	44.40
Senior Management	93.61	6.39
Middle Management	84.09	15.91
Trainees	59.49	40.51

4.2 Health and safety

Employee quality, commitment and motivation have high priority. Fortis devotes considerable attention to reducing workload, stress and sick leave in order to be a vital organisation.

A vital organisation encourages people to excel in a constructive, attractive working atmosphere, while keeping a watch on the optimum balance between workload and ability of people to cope with it. Employees naturally have their own responsibility in this regard. With an emphasis on vitality, Fortis Bank Nederland decided in 2004 amongst others to introduce a new sick leave and reintegration process.

Age breakdown worldwide (in %)



Employees build Fortis



Vitality in working conditions

"Fortis Arbodienst is an independent centre of excellence within Fortis for workplace health & safety matters and legislation. Its expertise makes Fortis Arbodienst the obvious partner for all Fortis companies in the Netherlands. Over the past few years we have set up action plans to address three main subjects: absenteeism, workload and RSI. We have achieved significant results. The sick leave rate at the bank in the Netherlands has been reduced from 6% to 4.3% and the number of people declared unfit for work has been lowered from 1.14 out of every 100 employees in 2002 to 0.4 in 2004. We have found that good communication is crucial in reducing stress complaints and improving workplace experience. Stress and RSI have been tackled by a bespoke approach to offices and workstations. It has enabled us significantly to reduce workplace health hazards.

Vitality is what it's all about for us. Personal vitality - feeling comfortable with your self and being in balance - forms the basis for a spirited organisation. It's not a soft requirement, but a hard business condition for creating value and an inspired community".

Henry Pijpers, Managing Director of Fortis Arbodienst (Netherlands)

Sick leave (in %)	2004	2003
Fortis Bank Belgium	3.2	3.5
Fortis Bank Netherlands	4.3	5.0
Banque Générale du Luxembourg		
Fortis ASR	6.99	5.6
Fortis AG	2.92	3.05

4.3 Development and training of our employees

Training and career development have occupied an important place at Fortis for many years. The establishment of various 'schools' at our businesses and staff departments confirm the importance we attach to these matters.

Entity	Training days in 2004
Fortis Bank Belgium	66,836
Fortis Bank Netherlands	7,089
Banque Générale du Luxembourg	10,712
Total	84,637

The Fortis Competence Guide was published towards the end of 2004. The guide was produced through cooperation between Human Resources and Fortis Foundation Netherlands. Employees who wish to train for a certain competence can obtain ideas and inspiration from the guide. Courses are recommended for some skills, while for others employees are referred to Fortis Foundation Netherlands.

Several workshops were organised on sustainability to familiarise employees with the subject and increase awareness and support. The workshops enable employees to understand and apply our values, Principles of Business Conduct and policies with the help of real-life examples and dilemmas. Ultimately, the employees are the ones who make the everyday decisions and deliberations within our company. As Fortis cannot formulate an exact rule or guideline for every single deliberation, we try to give our employees a helping hand at the workshops to let them make the optimal decisions in the spirit of the Fortis values and guidelines. Besides workshops for specific parts of the company, like our Global Shipping Group, we have integrated modules in existing training processes. Sustainability has been made a fixed element of the introductory programme of Fortis Bank Netherlands and the cross-border 'Fortissimo' leadership programme.

4.4 Fortis Venturing

Innovation often has its roots in the ideas of individual employees. But they sometimes lack the support necessary to develop, implement and bring an idea to maturity. We therefore established a corporate venturing unit in 2001. Fortis Venturing provides support because it is convinced that the combination of a well supported innovative idea with a motivated entrepreneur can make a difference for us, our employees and our customers.

Employee empowerment lies at the heart of Fortis Venturing. Ensuring that employees get opportunities to utilise their intrinsic potential to the full is an integral part of corporate sustainability for us. Together with Fortis Venturing,

Employees build Fortis

a Fortis employee is able to work out his plan into a complete business concept, draw up a business plan for it and ultimately personally carry out the market implementation. This approach ultimately makes the employee the 'CEO' of his own idea, combining the advantages of a large company in terms of security of tenure with the flexibility of a small company.

External customers and partners have also adopted this method to accelerate the preparation and implementation of innovation plans. This means that external relations are sometimes the origin and/or manager of a venture.

Every idea is a good idea

Fortis Venturing scrutinises every submitted idea against the following conditions:

- Does the idea mean new business for Fortis and/or an enlargement of the company's existing offerings?
- Will the idea generate a new flow of income for Fortis?
- Can the idea develop into a stand-alone, profitable business?
- Does the idea require special management attention for a certain period of time?
- Can a link be established with Fortis strategy?
- Is the idea champion sufficiently motivated and committed to work out the idea in close cooperation with Fortis Venturing?

Over the past five years, Fortis Venturing has launched 40 ventures, each contributing in its own particular way to the growth and innovative strength of Fortis. Including the current year of 2005, the costs for Fortis Venturing come to approximately EUR 3.7 million. Given the potential revenues of EUR 26.4 million, venturing is a success in financial terms as well. However, there are cases where projects are discontinued because they cannot meet the objectives. The employee receives assistance in reintegrating in the organisation.

Number of ventures	Type	Status	Potential revenues (in EUR million)
10	Equity stakes	Completed, in progress, started up	19.6
2	Equity stakes	Liquidated	0
14	Funded and embedded in existing businesses	In progress	6.8
14	Transferred back to businesses	Detached from Venturing	p.m.
40			26.4

Successful innovation

"Finding new pockets of growth is a challenge for any company, but even more so for the most successful, where a sense of urgency does not exist. But with maturing markets, growth is a luxury Fortis cannot afford to ignore. With Fortis Venturing, the group has attempted one of the most ambitious and innovative internal transformation in the banking and insurance sector, enabling and capitalising on the creative spirits of its employees. By focusing on the generation and polishing of ideas supporting the business lines' innovation, it has managed to steer clear of the traditional 'organisational landmines'. There is no doubt in my mind Fortis Venturing now stands as a beacon of internal innovation, prodding employees at all level into action. We are so convinced of its value that we documented it in a leading case study now used by hundreds of executives during their training at IMD! To paraphrase Einstein, if you think growth is expensive, try stagnation..."

Professor Benoit Leleux

S. Schmidheiny Professor of Entrepreneurship and Finance
Director of Research and Development

IMD – International Institute for Management Development
Lausanne (Switzerland)

Employees build Fortis



The number of employees using Fortis Venturing to materialise their innovative ideas grew from 57 in 2001 to 183 in 2004. Employees, customers, authorities and academics make up a network of some 1,200 people.

Various ventures contribute to sustainable business at Fortis.

They include:

- Fortis CO₂ emissions trading came about at Venturing. The objective was to acquire a leading position in European market for trading emission allowances under the Kyoto agreement.
- MeesPierson Governance Services (MPGS). MeesPierson has wide experience and great expertise in several fields related to corporate governance. This know-how is being deployed as an additional service for Dutch and Belgian customers.
- TcRe offers specific customers insurance products with a high franchise (excess of loss technique). A customer can take out insurance against exceptional risks. In cooperation with Fortis Venturing, TcRe wants to develop new products that combine certain aspects of credit and insurance.

4.5 Social consultations

At Fortis we attach great importance to smooth and effective consultations with works councils and unions. We ensure that employee representatives receive the time and resources necessary (meeting rooms, electronic communication, etc) to fulfil their role properly.

Their role is twofold: joining in deliberations and talks on strategy, growth of profitability and employment opportunities at the different Fortis entities and at Fortis as a whole and, additionally, protecting the interests of employees collectively and individually. They also make sure that employees who find themselves in conflict with their superior possess a published and documented procedure for lodging an appeal.

Senior management all the way up to the CEO and COO exercise their personal efforts to provide relevant company information first-hand to the local works councils and the European Works Council of Fortis.

European Works Council helps to assure a healthy company

“Fortis pursues an active international strategy. Besides leading to a presence in numerous countries of the European Union and far beyond, this strategy has had implications in the social field. Since 1996 Fortis has had a European Works Council (EWC) whose members currently include about 40 employee representatives working in ten different countries.

The importance of the role of the EWC increases in step with the growing international structure of Fortis. Fortis is increasingly structuring itself as a cross-border organisation, controlling business lines and support services from central level, and internal and external growth remains the number one goal. Through various plenary meetings and smaller technical committees, the EWC is watching the development from close by. It thoroughly examines and provides its comments on strategic options, cross-border restructurings and the evolution of results, employment opportunities and conditions of employment.

Due to the highly diverse experience and socio-cultural backgrounds of the representatives, it is by no means easy to achieve mutual understanding and adopt joint positions. Yet we are able to set aside national or philosophical differences and work together in a fair and unprejudiced way. All of us want to protect the interests of the employees in the best way. Social considerations are the top of the list, but without losing sight of commercial aspects.

A healthy company is the best guarantee for the future of the personnel. By the same token, employees who feel good are the best guarantee for the company's future.”

Bruno Demaitre, chairman of the European Works Council of Fortis



5. Sustainable shareholder value

Sustainable shareholder value

Finding a good balance between entrepreneurship, risk management and control is essential for proper corporate governance. At Fortis we organise our activities from a perspective focused on growth and long-term success. We keep a careful watch on risks. This provides a basis for the good valuation of the company, also with regard to corporate sustainability.

5.1 Shareholder value

We see absolutely no conflict between pursuing long-term shareholder value and our objectives for sustainability. More over, we take the view that our long-term focus increasingly includes an overlap of these dimensions. Sustainability and contacts with our stakeholders contribute to long-term shareholder value. Without that shareholder value, there can be no sustainability. That is why we examine our activities and processes from this twinned perspective.

Day-to-day contacts with our shareholders take place mainly through our Investor Relations department. Members of the Executive Committee regularly liase with investors. We encourage our shareholders to make informed use of their voting rights and to attend our shareholder meetings. Despite a lacklustre year on the stock market, the Fortis share achieved a return of more than 34% including the dividend. This made it the best-performing share of the AEX in the Netherlands.

Disclosure

To guarantee fast disclosure of information, Fortis publishes information for shareholders and other stakeholders on our website at www.fortis.com/ir, including the agendas of general meetings of shareholders and our quarterly and annual results.

5.2 Sustainable investment

Although there is growing interest in sustainable investment, it is not yet a subject that has high priority among common investors. Only occasionally our Investor Relations department receives questions about sustainability. Nevertheless, we believe that more sustainability elements will steadily find their way into the mainstream capital market. Sustainable investment funds will become increasingly important. Therefore, we have solid business grounds for adopting a more proactive attitude towards sustainable investment.

We look upon our inclusion in the Dow Jones Sustainability STOXX index and the Dow Jones Sustainability World Index since 2003 and in the FTSE4Good as an extra driver for our efforts. At the same time, competition to get into these indexes is increasing. Nevertheless we want to rank among the leaders in our industry quoted in these indices and take additional measures if needed.

Sustainable shareholder value



5.3 Fortis as a shareholder

Fortis itself is a shareholder. Our investment activities are spread over a number of our entities. We invest capital on behalf of our customers, but Fortis also invests for its own account.

Exercise of voting rights

The larger part of the assets we invest for customers is managed by Fortis Investments, our asset manager. Fortis Investments sees the exercise of voting rights as an integral part of the investment process of an active asset manager. Therefore, Fortis Investments established for the Belgian and Luxembourg investment funds in 2003 a procedure for voting by proxy. The scope of this procedure has since been widened to include the Dutch and French investment funds. With institutional clients we agree how the voting rights will be exercised. A voting rights mandate has already been issued and put into practice for a number of institutional customers.

When exercising voting rights, Fortis Investments uses the services of a specialised proxy voting agency. The agency monitors the agendas of shareholders' meetings. For every item on the agenda that could give rise to questions, the agency provides a voting recommendation called a 'rating alert'. A signal of this kind triggers a special team at Fortis Investments to conduct an internal analysis. The final decision on whether the voting recommendation will be adopted and whether the voting rights will actually be exercised rests with a special internal Proxy Voting Committee. A voting right is normally exercised by a person who holds a proxy. If the agenda includes a sensitive item Fortis Investments may choose to dispatch one of its staff members to the shareholders meeting.

Avoidance of conflicts of interest

Special procedures exist for avoiding potential conflicts of interest. For the Fortis share, for example, we have stipulated that 'if a warning is received with regard to the Fortis share, Fortis Investments will not exercise voting rights on behalf of its customers'. If such a situation occurs, institutional clients have the option of 'exercising their voting rights personally at the meeting of shareholders, without the involvement of Fortis Investments'. Fortis Investments has not yet published standard overviews of voting conduct but intends to do so in the near future.

Variety in policy

Voting procedures can vary for each entity of Fortis as regards its own investment portfolio. Fortis ASR manages a portfolio made up participating interests in 35 small, medium-sized and large enterprises (i.e. companies in which we hold an interest of more than 5% in the placed shares of a Dutch listed company) and actively exercises its voting rights. The voting procedure that is applied is similar to the one used by Fortis Investments. Fortis ASR also receives 'rating alerts' from a specialised agency. These signals are discussed in the Voting Policy Committee, which ultimately decides how the voting rights will be exercised. Fortis ASR always sends a representative to important shareholders' meetings.

The voting procedures of other entities of Fortis are evaluated and, if necessary, aligned more closely to the procedure described above.



6. An active role in society

An active role in society



Predecessors of Fortis were active in the financial world almost 300 years ago. It would obviously be impossible for a company to be so stable without deep roots in society. By keeping abreast of society we are constantly able to operate as a modern and proactive service provider in a world that is changing faster and faster.

6.1 Governments and regulators

The relationships we maintain with representatives of governments, including external regulators, in the countries where we operate are based on respect, professionalism and trust. We respect the economic, legal and social infrastructures of the communities where we do business. We benefit from such infrastructures while at the same time contributing to them.

A tangible contribution made by our presence is obviously the taxes that we pay. In 2004, Fortis paid taxes totalling EUR 959,8 million.

The fact that professionalism plays a role in our relations with governments is evident from the active role we play by deploying our knowledge for relevant causes. Earlier in this report, we mentioned the efforts of Maurice Lippens in developing corporate governance in Belgium. In the Netherlands, we are working with both the Ministry of Housing, Spatial Planning and the Environment and the Ministry of Economic Affairs in the Netherlands on introducing the Kyoto protocol and related trading of emission allowances. Furthermore, we are participant of the Netherlands Alliance for Financial Sector Development established in 2004 by the Dutch banks and government.

We maintain good and constructive relationships with regulators. Above all, mutual trust and transparency are crucial. We are transparent about our operations and adopt a co-operative stance. Supervision at Fortis is organised according to the legal structure and takes into account allowance for the various powers of the authorities that are involved. The subsidiaries of Fortis are subject to the prudential supervision of the national regulatory bodies for insurance and banking in their respective home countries. Additionally, Fortis Bank as a consolidated group is subject to supervision by CBFA, the Belgian commission for banking, financial services and insurance. Fortis is also subject to the scrutiny prescribed by the European Directive covering the supervision of financial conglomerates. This additional supervision is exercised jointly by CBFA and the Dutch central bank, DNB, whereby the former has been designated as co-ordinator.

We share a common goal with the regulators, namely the quality and transparency of social, financial and economic structures. This is fundamental to the prosperous and sustainable development of our economy.

An active role in society



6.2 Non-Governmental Organisations

Network Flanders mounted action in 2004 to sway some financial institutions, including Fortis, to take further steps concerning the financing of the defence industry. We take the view that, given the right of democratic nations to defend themselves, the moral or ethical issue of financing the defence industry is not a clear-cut one. After thorough internal and external consultations, we established a group-wide Defence Industry policy. This example illustrates how we enter into a dialogue with Non-Governmental Organisations (NGOs). However, we do expect the subject raised for discussion to fall within our domain and that the NGO concerned represents relevant grassroots interests.

Most NGOs do not manifest themselves at all as action groups or pressure groups. Some have entirely different characteristics. An example is the Red Cross, which renders assistance to those in need. The next section of the report provides examples of how we cooperate with such bodies, within and outside the framework of our Foundations.

Our contacts with NGOs are currently ad hoc in many cases. Where it is relevant to do so, we will inject greater structure and depth into these contacts in the coming years. Within our own organisation, we will define where and at what level the responsibility belongs.

"Fortis's new policy on investments in the weapons industry is definitely an important step towards a more peace-minded investment policy. But it must not simply be an impressive statement penned down on paper. At present there are still unanswered questions, like 'Which credits and investments will Fortis discontinue in future? What types of companies will be unable to use Fortis in future?' So Fortis should quickly establish a strict interpretation, solid implementation, transparent communication and permanent adherence to this policy. Network Flanders will continue to keep a watch on this policy."

Christophe Scheire, Network Flanders

6.3 Local communities

Fortis Foundation Belgium

Since January 1996, the Belgian Fortis companies have been giving substance to their commitment to society through an independent foundation called Fortis Foundation Belgium. The foundation is detached from all Fortis's commercial objectives. It supports associations that seek to prevent social exclusion and contribute efficiently to improving the living conditions of the underprivileged in Belgium.

The Foundation has focused on three areas since its establishment:

- socially vulnerable children;
- young people who grow up in difficult circumstances;
- solidarity between generations.

The Foundation has an annual budget of EUR 1.2 million since 2001. Since its creation in 1996, Fortis Foundation Belgium has financed more than 900 projects with total funding in excess of almost EUR 10 million.

Company volunteer work

Besides providing financial assistance, the foundation has been active in voluntary work since 2002. It has launched various programmes for employees in Belgium. Co-operating with reliable associations ensures that projects are closely aligned to the local community needs.

Examples of voluntary work:

- 'Solidarity Days': practical work undertaken by Fortis volunteers at the request of various local associations with a view to improving the target group's living environment. More than 700 Belgian Fortis employees made their efforts and talents available to associations in 2004.
 - 'We Can Help YOU to help': a programme that exists mainly for retired Fortis employees who wish to join an association. Fortis Foundation Belgium supports the programme and helps find volunteers with the right capabilities.
 - 'Solidarity team-building sessions' are organised for various Fortis departments for associations that want to have larger work projects carried out.
-

An active role in society

Meeting for the Future

This is the name of our annual meeting with Fortis Foundation Belgium and the public at large. Each year the meeting – which is open to everybody – debates a different theme about how the business community can support society. The theme in 2004 was ‘Charity: where does the government stop and a company begin?’ Belgium lags slightly behind the rest of Europe in terms of fiscal-friendly policies for donating companies. We are in favour of amending legislation to give Belgian companies more possibilities in this field.

Our objectives for 2005 are:

- to finance new projects in social setting to a total amount of EUR 1.2 million;
- to give a sharper focus to our key value of ‘caring’ within all levels of Fortis via the Fortis Foundation;
- to stimulate voluntary work among the Belgian Fortis employees;
- to organise a new Meeting for the Future on the theme of ‘companies and voluntary work’ to open up a public debate on this subject in Belgium.

Fortis Foundation Netherlands

Fortis has been stimulating voluntary work among its employees since 1997. Interest in these ‘assisted’ activities increased sharply, resulting in the establishment in 2001 of Fortis Foundation Netherlands. This non-profit organisation encourages Fortis employees to take on voluntary work. Their knowledge and skills are used to help community organisations and good causes. More than 2000 employees work for society in this way each year. Several hundred activities were organised for senior citizens, the physically and mentally handicapped, chronically ill and vulnerable young people in 2004.

The Foundation brings people together, co-ordinates projects and if necessary provides financial assistance. Ten permanent employees at head office supervise and support the enthusiastic volunteers. Local ambassadors united in local Assistance Committees undertake the activities in various parts of the country. All of those involved meet once a year: volunteers, Assistance Committee members and Foundation employees. This presents an opportunity for evaluation and a review of completed projects. Ideas are exchanged for new activities.

Advice Day

Fortis Foundation Netherlands is widely regarded as being a front-runner in ‘community involvement’ in its home country. This is reflected by the annual Fortis Advice Day that exists for the purpose of using the knowledge and personal skills of Fortis employees for the benefit of the community. The top 100 at Network Banking examined management issues of eight community organisations in 2004. In the same year, branch managers joined their customers in coaching 240 vulnerable young people in how to find employment. They did so not by stating their own ideas, but by getting the best out of the young people under the banner of ‘Do you make them think, or are you thinking for them?’ The 2005 Advice Day will be part of the ‘Baanbrekerprijs’ - an award set up by Start Foundation, Fortis Foundation Netherlands and the Youth Unemployment Taskforce - and has been renamed once-only the ‘Baanbrekersdag’.

The activities of Fortis Foundation Netherlands are becoming more mature. Increasingly, the emphasis is on transferring knowledge and ‘broadening your horizons’, on the ‘target groups’ in the community and their downstream organisations. The Foundation’s activities have an added value for all parties. People meet people and learn from each other. The Fortis Competence Guide was produced to facilitate this process (also see chapter 4).

Local exchanges

Together with KPMG and CIVIQ – an organisation that promotes voluntary work – Fortis Foundation is stimulating the establishment of ‘local exchanges’. These events match supply and demand to meet needs that exist in the community through voluntary work. Businesses and community organisations come together with the goal of making an inspirational and beneficial match. All kinds of rewarding and impressive results are often achievable locally with little effort.

Local exchanges are good for the local community because they bring together parties from different sections of society. The result is a gain for the community. Therefore, Fortis Foundation helps make local exchanges possible. Via the website www.beursvloer.com, local organisations are able to download a toolkit that enables them to take the first steps. A local Fortis manager is always pleased to become involved in the organisation.

An active role in society

A total of 2,688 enthusiastic Fortis employees voluntarily worked for the community in 2004. Together, they devoted their time (approximately 23,760 hours) to 409 projects. Fortis Foundation Netherlands is proud of this result. More information can be found in the 2004 annual review obtainable via foundation@nl.fortis.com. Alternatively, visit www.fortisfoundation.nl. In 2005, we will intensify our attention to vulnerable young people. Under the name of 'The Coach', Fortis Foundation will provide an array of activities in 2005, ranging from coaching and mentorships to team-building projects.

Innovation

Workmate is the name of a new tool that brings together the business community and the social field of work via the Internet. The digital tool makes it possible to deploy employees from the business community for voluntary work. The bespoke matching procedure assigns them to positions beneficial to all concerned.

Fortis Foundation Netherlands is one of the first of 30 companies that are supporting the development of the system and using it. A few hundreds of thousands of employees will be invited to enter their wish profile. Workmate will make a match with the wish profile of a social activity or organisation. It is an innovative system with a great impact for the society at large.

6.4 Sponsoring

Sponsoring is one of the ways for us to establish and develop the Fortis brand. It plays a particularly important role in building awareness and image. Sponsoring has been professionalised in recent years and now goes far beyond the display of logos. We enter only into long-term commitments and besides the commercial side look for a link with the needs of the community. For us, sponsoring is another way of giving substance to commitment to society.

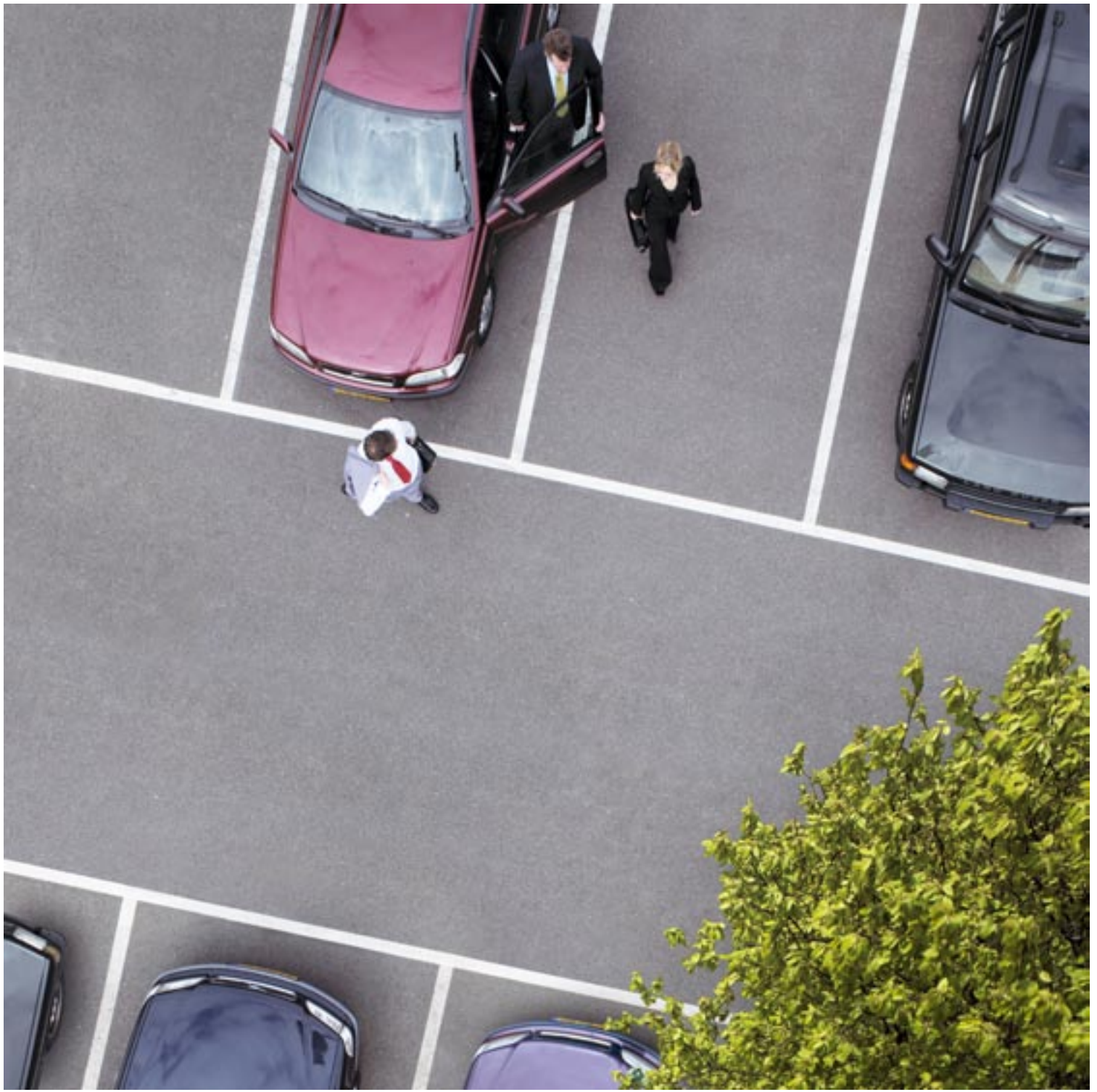
In the Netherlands we sponsor mainly sports and entertainment. We consider the role of young people in sport very important. Besides the KLM Open, we support talented young Dutch golfers through our commitment to the Fortis Youth Tour, the premier tournament for young golfers of the Netherlands Golf Federation for players up to 21. The Fortis Challenge Award was recently introduced for competitive walking, enabling young

people to earn a cash amount that can be spent on top-flight traineeships under the auspices of the Royal Netherlands Athletics Union (KNAU).

For each sponsorship project we examine how social projects can be supported. This sometimes results in our tying in within existing contracts (as in the case of Unicef as a partner of Feyenoord) or the support of a separate project. We helped bring about a major project for 'People in Need' in 2004. Money and clothing were collected on the sidelines of the Fortis Rotterdam Marathon for displaced people in Congo. Runners taking part in the marathon allowed themselves to be sponsored for the completed number of kilometres and people were urged in television commercials to donate their old sportswear. The proceeds went to 'People in Need'.

Fortis sponsors several fields in Belgium, including team sports, music and culture. These fields share common and specific values like team spirit, dynamics, quality and respect for cultural diversity that are very close to our heart. Therefore, we are keen to actively highlight these values. In recent years we have also sponsored initiatives in fashion and design. Besides the image conveyed by these activities for Belgium, the creative and innovative nature appeal to us considerably. In Belgium as in the Netherlands, we are endeavouring as part of every sponsorship to develop projects that support young talent, like the 'Fortis Basket School', or that serve a good cause in the community. In 2005, Fortis will be the main sponsor of festivities being organised to celebrate the 175th anniversary of Belgium's independence and the 25th anniversary of its federalism.

We also have an active sponsorship programme in Luxembourg, which includes supporting the Luxembourg Olympic Committee and the Philharmonic Orchestra.



7. Internal environmental management

Internal environmental management

Fortis recognises the need to protect the environment. We are striving to bring about a structural and continuous reduction of the environmental burden footprint of our business activities. We make a distinction between our indirect and direct impact on the environment. As regards the indirect impact, we have provided information in chapter 3, about how we take environmental aspects into consideration when making credit and investment decisions. This chapter looks at the direct impact we have on the environment, or in other words our own internal management of environmental issues.

7.1 Environmental statement in 2005

Fortis has organised its internal environmental policy at local level. Fortis Bank Belgium, Fortis Bank Netherlands, Fortis AG, Fortis ASR and BGL all have their own environmental policies and activities. They are tailored to fit national legislation, local needs and the strategic considerations of the units involved. This locally-oriented organisation has so far worked effectively. We have now observed, internally and externally, a need to establish greater consistency and conformity in our internal environmental policy. For that reason, we will draw up a group-wide environmental statement in 2005, building upon the existing environmental statements of our business units. The statement will set priorities to guarantee effective and meaningful fulfilment of our policy. The statement will set a course because we have to comply with a variety of different local legislation. It is definitely our ambition to be more stringent than the law prescribes for certain spearheads of our statement. Controllability, verifiability and continuous improvement are preconditions. The speed at which we are able to fulfil this ambition will depend partly on the availability of human and other resources.

7.2 Building on experience

Our local environmental activities will be harmonised more closely in the coming year and further fine-tuned. We will concentrate on four themes that we already pursue in various ways at local level:

- improving our energy efficiency;
- managing waste streams;
- making procurement more sustainable;
- giving greater attention to transportation.

Improving our energy efficiency

By improving our energy efficiency, we will help reduce our environmental impact and at the same time lower our costs. Our Dutch organisations use a uniform method to measure their energy

Internal environmental management

consumption. Detailed reports are available about consumption at offices and in regions. Managing energy consumption is therefore a controllable and verifiable process in which we consciously undertake activities to drive improvement. Energy consumption is managed locally in Belgium. Nevertheless, it is possible to measure consumption levels. Improvements are being made particularly at the 'large buildings'.

We use renewable energy in the Netherlands and in Belgium. In the Netherlands, renewable energy accounted for 15% of total energy consumption in 2004. In Belgium, a legal basis exists for the use of renewable energy. In Luxembourg, four gas-powered generators produce 90% of the electricity. The released heat is used for the air-conditioning systems of the buildings. This system greatly reduces the carbon-dioxide emissions of our organisation.

Energy use (total Benelux)	MWh	CO ₂ emission in tonnes ¹
Electricity	213,403	69,510
Gas	183,383	36,990

¹ based on the emission factor as stated in the GHG indicator of UNEP.

Climate change is a subject we take seriously. We want to improve awareness among our employees. Fortis ASR for example communicates actively to employees to explain how they can help save energy (and thus reduce CO₂ emissions). In Belgium, we have a system called Ecomail, a functional mailbox that allows employees to share their ideas on environmental improvements. Fortis Investments is a signatory of the Carbon Disclosure Project. Transparency about carbon-dioxide emissions makes it possible to form a picture of the risks and opportunities presented by climate change.

Managing waste streams

Managing waste starts by maximising efforts to avoid the creation of waste. 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. Some types of waste are disposed of in separated condition throughout the Benelux countries. Contracts with waste processors include guarantees about the following links in the waste-disposal chain.

	Paper in tonnes	Small chemical waste in kilogrammes	Plastic cups in kilogrammes
Total Benelux	5,160	4,572 ¹	43,802 ²

¹ Excluding Fortis AG

² Excluding Fortis AG and Fortis ASR

In Luxembourg, we encourage employees to separate waste responsibly by offering them facilities at work for disposing of batteries, lamps and medicines used at home. In the Netherlands, Fortis also reports on other types of waste, including metal and construction waste.

Making procurement sustainable

We define sustainable procurement as 'purchasing competitively-priced goods and services, whereby the environmental impact and consumption of raw materials and energy will gradually be reduced throughout the life cycle and in the supply chain to a level at least in balance with the Earth's ability to cope'. Several of the bigger master contracts concluded by parts of our group cover environmental matters. The cleaning contracts of Fortis ASR, for example, include a watch on the cleaning agents that are used, and together with the supplier of towel rolls we are making the production process increasingly efficient and environment-friendly. When we selected a new paper supplier, we explicitly examined the 'recycling' aspect of production and forestry management. This is another case where reducing usage is extremely important. We installed 2,360 multi-functional copiers and printers both in Belgium and in the Netherlands last year. Their default setting is for double-sided printing to reduce paper consumption. We will initiate a process in 2005 to include corporate sustainability as a criterion in our group-wide procurement policy. This will necessitate co-ordination of procurement at group level.

Giving greater attention to transportation

A mobility manager was appointed in Belgium last year to gather mobility data and suggest solutions for optimising commuting by our employees. Experience has already been gained with car pooling and encouraging use of public transport. We are also experimenting with teleworking. Employees are offered an opportunity to work from home, but we have also set up satellite offices making it possible for employees to log on and work remotely. The evaluation of these facilities will determine the course we will take in Belgium. Flexible working hours allow employees to avoid the rush hour by choosing the best travel time and start of their working day. We will take further steps in 2005, for example by providing a website

Internal environmental management



containing public transport information. The policy of Fortis ASR is to reduce individual car usage and to stimulate car-pooling, use of public transport and travel by motorcycles, scooters and cycles.

Next year we want to be able to aggregate data on the total number of business kilometres driven in leased cars in the Benelux countries. Regarding business air travel, records show that our employees in the Netherlands and Belgium flew almost 12 million miles last year. Thus representing carbon-dioxide emissions of 2,676 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).

Summarising, we will adopt a group-wide environmental statement in 2005. This will enable us to obtain a greater insight into the environmental impact caused by our entire organisation and to formulate systematic action to improve our environmental performance in each of the fields described above.



8. Developments outside the Benelux

Developments outside the Benelux

In this report we explained why we confined the scope of the report to the Benelux countries. Although the Benelux accounts for about 85% of our company in terms of net operating profit, a significant part of our business is in other parts of the world. It is also our ambition to grow outside the Benelux; especially in the enlarged European Union, and selectively in Asia and North America. We recognise that certain dilemmas that we face occur notably outside the Benelux. In this chapter, we discuss some of those dilemmas and developments, that are of strategic importance or that we have identified by a media search, to address other issues of particular public interest.

8.1 Human rights and business conduct

Fortis believes that respect for human rights as described in the 1948 Universal Declaration of Human Rights is a precondition for a sustainable society. 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. This is a principle that we apply worldwide. 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 in full throughout our organisation, we intend to draw up detailed guidelines.

8.2 Banque Belgoise

Banque Belgoise has been a wholly-owned subsidiary of Fortis since 2000. This bank pursues a transnational commercial strategy to meet the needs of its African and international customers who operate in Africa. Its strategy is built on thorough knowledge acquired over the years of Africa's geographical and sectoral markets. Fortis is known to give a higher strategic priority to regions other than Africa. We are currently re-evaluating all our strategic options in that context. Working in Africa presents numerous challenges. The economic infrastructure has not yet been fully developed in some countries. There is an ever-present threat of corruption and misappropriation. Banque Belgoise must satisfy all the stringent requirements applicable within Fortis. We do not wish to be associated with unethical or illegal activities. However, Banque Belgoise was named in the United Nations Report of the Panel of Experts on the illegal exploitation of natural resources and other forms of wealth of the Democratic Republic of Congo dated 21 October 2002. The definitive report published in October 2003 marks the case as 'resolved'.

Developments outside the Benelux



8.3 Global Export & Project Financing

The Global Export & Project Financing department (GEPF) operates worldwide. Export financing involves the financing of capital goods for public or private buyers in emerging markets. With project financing, the repayment of the granted financing must be made from the revenues generated by the project itself. Generally speaking, project financing requires the setting up of specific arrangements, but this is meaningful only for medium-sized to very large projects. The credit risks involved in export and project financing are usually partly insured with export credit insurers (generally public ones), or otherwise Fortis is cooperating with multilateral organisations like the International Finance Corporation and regional development banks.

As described elsewhere in this report, our credit procedures apply in full to transactions conducted by GEPF. We recognise that some projects are carried out in vulnerable areas and that we finance sectors where there are complex environmental and social dilemmas (as in the case of dams, pipelines and mines). We are currently at the final stage of concluding project financing for a hydro-electric power station in Asia, for example. For the analysis and structuring of this project, we are co-operating intensively with the World Bank and Asian Development Bank, and with specialised independent agencies with regard to social and ecological implications. The project includes measures for limiting the project's social and ecological impacts.

Through the standards that we apply, we are ready for the sometimes critical stance that third parties adopt in relation to this kind of financing. Our conscientiousness does not mean we never attract criticism about projects in which we are involved. As a project-financing bank, however, we want to invest only in projects that are economically meaningful, meet international environmental requirements and make a socio-economic contribution. In this setting, we constantly seek a good balance and find ourselves confronted by dilemmas. An environmental organisation may possibly seek a different balance and may put a more one-sided emphasis on the potential environmental impact. The result is that projects that in our opinion satisfy international reference frameworks may nevertheless draw criticism from an environmental organisation.

Fortis is making corporate sustainability a more central consideration. Increasingly, GEPF is looking for opportunities that this approach offers us, alongside the risk control procedures we were already observing.

8.4 MeesPierson Philanthropy Services

Through MeesPierson, Fortis is active in *philanthropy services* and a leader in this field in Asia. The bank possesses in-house the expertise necessary to provide philanthropic advice to private individuals and companies. We also advise non-profit organisations on fund-raising. When engaging in philanthropic matters, it is extremely important to have a proper understanding of the complex issues that can arise in the light of the numerous stakeholders that play a role. These include governments, donors, alumni, volunteers and society at large. Integrity, accountability, transparency and the trust of the community are important preconditions for all concerned. Our knowledge of relevant fields makes it possible to assist individuals, families and non-profit organisations in setting up structures and provide advice about effective and rewarding philanthropic activities. Our expertise is appreciated by Euromoney, which ranked MeesPierson among the *best private banks in philanthropy* in 2004.

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A = see our Annual Report; GS = Governance Statement; N= Not reported as data is considered not relevant or not available.

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■	EC 2	Geographic breakdown of markets	4, A
■	EC 3	Procurement spending	N
■	EC 4	Percentage of contracts paid in accordance with agreed terms	N
■	EC 5	Total staff costs	5, A
■	EC 6	Distribution to capital providers	5, A
■	EC 7	Group Capital	5, A
■	EC 8	Taxes	5, 39, A
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■	EN 2	Recycling materials	45
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■	EN 4	Indirect energy use	N
■	EN 5	Total water use	N
■	EN 6	Location and size of land owned/leased/ or managed in biodiversity rich habitats	N
■	EN 7	Impacts on biodiversity	N
■	EN 8	Green House Gas emissions	45
■	EN 9	Use and emissions of ozone-depleting substances	N
■	EN 10	NOx, Sox and other significant air emissions by type	N
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■	EN 14	Environmental impacts of principal products and services	20, 45
■	EN 15	Percentage of the weight of products sold that is reclaimable.	N
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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 = see our Annual Report; GS = Governance Statement; N= Not reported as data is considered not relevant or not available.

Reporting Principles

Reporting Principles

First separate corporate sustainability report

This is the first separate corporate sustainability report of Fortis. We have a clear commitment and ambition with respect to corporate sustainability, which is written down in our 'Corporate Sustainability Statement' (page 8).

To us corporate sustainability is a continuous learning process. We are always looking for ways to improve. We do our utmost to optimise the relationships with our stakeholders, to retain trust and to create sustainable growth. Living our values is the obvious starting point for us. We consider it to be crucial that corporate sustainability is aligned with our overall strategy and our corporate organisation. This means that we recognise local, cultural and business differences in the markets in which we operate and the businesses we run. Some policies apply globally, for example in risk management and compliance. Others have stronger decentralised emphasis. Within the boundaries of our Principles of Business Conduct, as well as our corporate sustainability ambition we appreciate local management and employees to find the best ways to realise their local ambitions. We recognise the need to improve our management information systems and data gathering processes in this regard. To find the relevant issues and performance indicators, we appreciate outside views, which we get through dialogues with our stakeholders and other third party contacts. Based on our own experiences and our contacts with stakeholders we expect our sustainability reporting to improve on clarity, focus and accuracy over time.

Scope and structure

This report focuses on our activities and performance in the field of corporate sustainability in the Benelux countries. This covers about 85% of our total organisation, in net operating profit. It includes quantitative and qualitative data about the calendar year 2004. In some areas the information covers our entire organisation, for example with respect to the financial and most human resources data. This is done because of the availability of these data and because of the alignment with the financial report. It is our intention to expand the scope of this corporate sustainability report overtime.

We have considered many structures for this report. Finally we concluded that the stakeholder structure offers the best link to our priorities and contributes to transparency about the relationships with our stakeholders.

Selection of topics

We appreciate the work of the Global Reporting Initiative and follow the developments with respect to the guidelines closely. For the selection of topics we used the GRI guidelines 2002 and the supplement for the financial services sector. Furthermore we build on third-party questionnaires, feed-back from dialogues and internal discussions.

Reporting process

There is no overall information system in place for reporting on corporate sustainability issues, comparable to the management information system used for obtaining financial information for the annual report.

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 that weren't covered in an existing system, we used local information systems and asked specific questions. Our Corporate Sustainability Working Group was in charge of collecting and assessing the data. For this we had several joint meetings, but also one-on-one sessions. Although we are confident about the overall reliability of the data reported, we recognise that some of these data were subject to a degree of uncertainty that relates to limitations associated with measuring, calculating or estimating data. Where material, these uncertainties are described in the report. At the end of the process senior managers, our legal and our compliance departments approved the data used in the sections of their respective responsibilities.

Third party quotes

In this report some external parties give a quote about our institution or our cooperation. We have used the quotes as they were given to us. We appreciate the contributions from these persons, but obviously we cannot take responsibility for their statements.

Assurance engagement

We asked KPMG Sustainability to provide assurance on our Sustainability Report 2004 in order to provide readers of the report with reasonable assurance on the information in chapters 1 and 2 and limited assurance on the information in the rest of the report. The report, 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. We realise that collecting, aggregating and reporting sustainability information and data from the whole business is an on-going process, which will improve over time. We therefore asked KPMG to specially focus this year

Reporting Principles

on information on our vision, governance and organisation of sustainability (chapters 1 and 2). In future years we hope to align the scope of the assurance engagement more closely with management/stakeholder concerns/priorities. KPMG's assurance report can be found on page 55.

Disclaimer

This report is made for information purposes only. It intends to give an overview of our current status with respect to corporate sustainability only. Policies, procedures, expectations and ambitions may change overtime. All policies and procedures we refer to are intended for internal use. This document, including each and every policy, procedure, statement, expectation or ambition referred herein, is not intended to vest any independent right, claim or course of actions in our client, shareholders, employees or other parties, nor to create for us any liability whatsoever.

This report only covers limited aspects of Fortis. To get a more complete picture we refer to our Annual Report, other corporate information and our website: www.fortis.com.

Assurance Report

We have been engaged by Fortis to provide assurance on the Fortis Sustainability Report 2004 “Inspired Community” (further referred to as The Report). The Report, including the identification of material issues, is the responsibility of the Executive Committee of Fortis. Our responsibility is to express an opinion on the information in The Report.

Context and scope

In The Report Fortis describes its efforts, progress and plans in relation to sustainability.

Our engagement was designed to provide:

- reasonable assurance on whether the information in Chapter 1 (Our vision of corporate sustainability) and Chapter 2 (Governance and organisation of sustainability) is fairly stated;
- limited assurance on whether the other 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. Reasonable assurance is a higher level of assurance than limited assurance, which is reflected in the nature and depth of the work performed. We refer to ‘Work undertaken’ below.

We do not provide any assurance in respect of future information (such as targets, expectations and ambitions) or on their achievability.

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. Amongst others, this standard requires that:

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

There are no generally accepted standards for reporting sustainability performance. Fortis applies its own internal sustainability performance reporting criteria which are derived from the Sustainability Reporting Guidelines of the Global Reporting Initiative as detailed on page 54 of The Report.

Assurance Report

Considerations and limitations

The non-financial data in The Report are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. It is important to view the performance data in the context of the explanatory information provided on page pages 12 and 54.

Work undertaken

For all the information in The Report we performed:

- a media and internet search for environmental, safety and social issues in relation to Fortis to obtain insight into the relevant sustainability aspects in the reporting period;
- 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 The Netherlands, Belgium and France;
- 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.

In addition, for Chapters 1 and 2 where we provide a reasonable level of assurance, we determined in detail that the information is consistent with all relevant underlying sources and that all relevant information from these sources in relation to these chapters is included in The Report.

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

Conclusions

Based on the above work we conclude that:

- the information in Chapter 1 (Our vision of corporate sustainability) and Chapter 2 (Governance and organisation of sustainability) is fairly stated;
- the other information in The Report does not appear to be unfairly stated.

Commentary

Our investigation also identified a number of areas which are important to improve 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:

- Although this is the first separate sustainability report of Fortis and provides far more comprehensive coverage of Fortis' efforts and performance in this field than in previous years, The Report is largely restricted to performance in the Benelux. We recommend extending the scope of the report in the future to include sustainability issues across the whole business including Southern and Eastern Europe, Africa and S.E. Asia.
- The Report largely concentrates on Fortis' sustainability strategy and policies which have been established at corporate level in 2004 and which are in varying stages of implementation in the businesses. We recommend Fortis to pay specific attention to reporting on the implementation of these policies in the businesses so that a complete picture of this can be provided in future reports.
- Fortis has used the best available information for The Report. However, in many cases the collection of sustainability information from the businesses is on an ad-hoc basis and the internal controls over this information are limited. We recommend improving the monitoring and reporting systems and the internal controls over the reported information, especially in relation to the KPI's and key targets for 2005/2006.



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Ce Rapport de Développement Durable est publié en français, en néerlandais et en anglais. En cas de divergence entre ces versions, la version anglaise fera foi.