

Fortis Governance Statement

English version, 25 January 2008



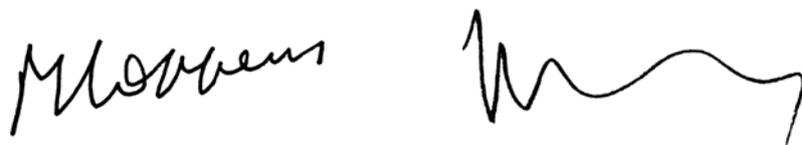
This Fortis Governance Statement is published in English, Dutch and French. In case of any discrepancy between these versions, the English version shall prevail.

Letter from the Chairman and CEO

Balancing entrepreneurship with control and risk management – that is what good corporate governance means to Fortis. It implies organising our businesses and activities for growth and long-term sustainable success, while effectively keeping sight of and managing the risks that come with that growth. The Fortis Board has a crucial leadership role in guiding Fortis to success through responsible and efficient decision-making in the face of dilemmas encountered during the course of its development. Good governance is also about the contribution of every employee at all levels of the company. All employees in their daily work environment must aim to achieve an optimum balance between performance, risk and control.

Corporate governance is a subject that has been at the core of a continual stream of new legislation, regulations and best-practice guidance in different countries, and at the level of international organisations and institutions. Fortis is a Belgian-Dutch group to which the Belgian and the Dutch Codes of Corporate Governance apply. At Fortis, however, corporate governance means more than simply complying with a code. As a financial services institution, we believe that a strong culture of corporate governance and ethical behaviour and decision-making is fundamental to the way we do business. We therefore keep a very close eye on best practices and we constantly develop and improve our own governance framework in accordance with best practices.

This Governance Statement describes governance at Fortis. We are confident that creating a clearly defined framework for corporate governance will help us to communicate better with all our stakeholders.



Maurice Lippens
Chairman

Jean-Paul Votron
Chief Executive Officer



Contents

Letter from the Chairman and CEO	3
Contents	4
Introduction	7
Part I: Structure and Organisation of Fortis	9
I.1. Top Structure	9
I.2. Organisation : the Fortis operational model	10
Part II: Fortis Shares and Shareholders	13
II.1. Capital and Shares	13
II.2. Shareholder Dialogue	16
II.3. General Meetings of Shareholders	16
II.4. Dividend Election	18
II.5. Continuity of Fortis	18
Part III: The Fortis Board – Terms of Reference	19
III.1. Role, Responsibilities and Authority	19
III.2. Composition	20
III.3. Board Leadership	22
III.4. Structure and Organisation	24
III.5. Conduct Guidance	25
Appendices to the Board's Terms of Reference	26
1. Fortis Board Competency Profile	28
2. Fortis Board Independence Requirements	29
3. Remuneration Policy for Fortis Board members and Executive Managers	30



Part IV: The Fortis Board Committees – Standing Rules and Terms of Reference	33
IV.1. Standing Rules Applicable to all Board Committees	33
IV.2. Terms of Reference of the Nomination and Remuneration Committee	34
IV.3. Terms of Reference of the Risk and Capital Committee	36
IV.4. Terms of Reference of the Audit Committee	37
Part V: Fortis Executive Management – Terms of Reference	39
Introduction	39
V.1. Chief Executive Officer (CEO)	39
V.2. Group Executive Committee	41
Part VI: Fortis Supervision	45
VI.1. Regulatory Supervision	45
VI.2. External Auditors	46
Appendices to the Fortis Governance Statement	48
1. Glossary	50
2. Principles of Business Conduct	52
3. Fortis Policy on Private Investments	57
4. Policy on the Independence of External Audit Firms	59
5. Fortis as an institutional investor	62

Introduction

Fortis is an international group headed by two Parent Companies, the Belgian Fortis SA/NV and the Dutch Fortis N.V. As such, it is subject to both Belgian and Dutch company law. As well as complying with legislation and regulations, the Fortis Board is committed to high standards of corporate governance. Therefore, as a matter of principle, Fortis strives to comply with the Belgian and Dutch Corporate Governance Codes¹, always taking into account Fortis's specific situation as an international company.

The Fortis Board has produced this Fortis Governance Statement as a comprehensive and basic reference on Fortis governance.

It deals with the following topics:

Part I: The Structure and Organisation of Fortis

Part II: Fortis Shares and Shareholders

Part III: Fortis Board

Part IV: Fortis Board Committees

Part V: Fortis Executive Management

Part VI: Fortis Supervision

The Statement also includes, as Appendices, key Fortis policies such as the Principles of Business Conduct, the Fortis Policy on Private Investments, the Policy on the Independence of External Audit Firms and the policy governing Fortis as an institutional investor.

The Statement will be supplemented with factual disclosures on Fortis governance in the Annual Report, and with other official disclosures on Fortis governance made from time to time. Such disclosures are made available through, among other channels, the Fortis website www.fortis.com/governance.

This Fortis Governance Statement was approved by the Fortis Board on 25 January 2008. It will be reviewed on a regular basis. Important amendments will be explained at the next General Meetings of Shareholders.

The Fortis Governance Statement is published, together with the Articles of Association, at the Fortis website www.fortis.com/governance.

1 The Dutch Corporate Governance Code was issued by the committee chaired by Mr Morris Tabaksblat on 9 December 2003. The Belgian Corporate Governance Code was issued by the committee chaired by Count Maurice Lippens on 9 December 2004

Part I:

Structure and Organisation of Fortis

I.1. Top Structure

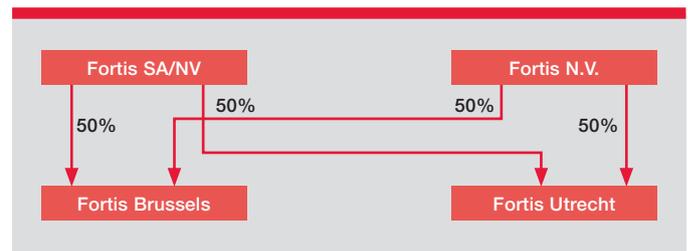
Fortis SA/NV and Fortis N.V. are the Parent Companies of Fortis.

Fortis SA/NV is incorporated in Belgium, with its registered office at Rue Royale/Koningsstraat 20, Brussels. Fortis N.V. is incorporated in the Netherlands, with its registered office at Archimedeslaan 6, Utrecht.

Although the Parent Companies are two separate legal entities, they actually operate as if they were one. Each Parent Company has a Board, a Chief Executive Officer (CEO) and an Executive Committee, referred to as the Group Executive Committee. These corporate bodies are identically composed and have identical powers in each of the two companies.

The Parent Companies own, on a 50/50 basis, all the shares of two Group Holding Companies, Fortis Brussels and Fortis Utrecht. To ensure maximum transparency, the Parent Companies must not hold any assets other than – or linked to – their respective shareholdings in the Group Holding Companies. As at Parent Company level, the Group Holding Companies have identical boards (internally often referred to as the SubCo Board), which is composed of the Chief Executive Officer (who chairs the meeting) and the Executive Managers. In the SubCo Board, the CEO and the Executive Managers bear a collegial responsibility, as Board members at a level which oversees all banking and insurance activities of Fortis.

Fortis Parent Structure



The governance structure of Fortis is such that a Fortis Board meeting is always a 'two-in one' event. Anyone observing such a meeting would see Board members participating in a single meeting to discuss issues and take decisions that relate to Fortis. From a legal point of view, however, two meetings have taken place.

I.2. Organisation : the Fortis operational model

Fortis is organised alongside three dimensions :

1. the legal dimension ('legal structure')
2. the operational dimension ('business and support organisation'), which is leading in daily management
3. the geographical dimension ('country organisation')

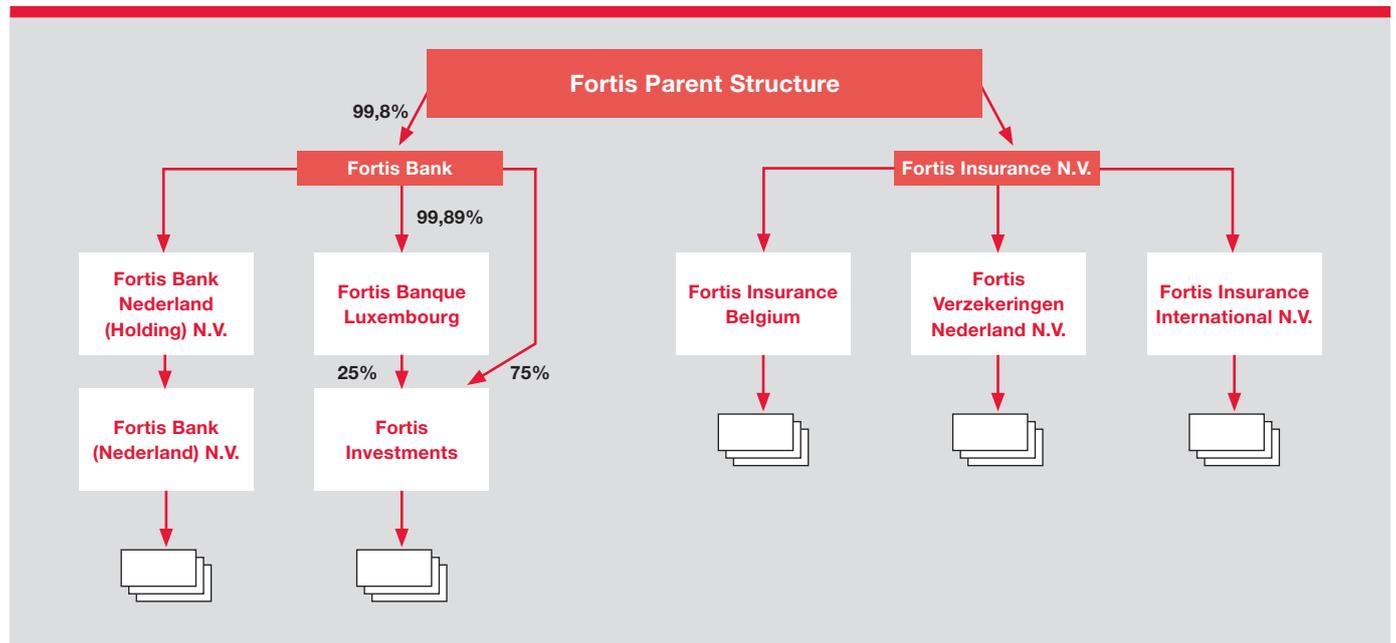
I.2.1. Legal Structure

The first dimension of the Fortis organization is the legal dimension. The Group Holding companies, as described under I.1. are shareholders in operating companies and service companies, either directly or indirectly through subholding companies. The major subholding and operating companies are shown below.

All insurance-related activities are regrouped under Fortis Insurance N.V., while all banking-related activities (e.g. banking, leasing, factoring and asset management) are brought together under Fortis Bank.

Each of these operating companies has its own corporate governance structure, the characteristics of which take into account the needs of Fortis, subject to the legal and regulatory requirements of the country in which they are incorporated.

Major Fortis subholding and operating companies per 31.12.07 *



* The shareholding proportion is 100%, unless otherwise mentioned.

1.2.2. Business and support organisation

Fortis is organised in four businesses and a number of support functions, each of which are organised on a cross-border basis and operate as an integrated line reporting to the Group Executive Committee.

Each of the four businesses comprises a portfolio of related activities targeting particular customer segments and operating according to common objectives and strategies, and is headed by a management team which is chaired by a Group Executive Committee member.

The businesses are :

- **Retail Banking**, targeting individuals, professionals and small enterprises with a large range of retail banking products. It is present in the Benelux countries, France, Germany, Ireland, Turkey and Poland.
- **Merchant Banking**, incorporating banking services for large international companies and institutions and medium-sized enterprises. It is present in all European countries, and also in selected niche markets in North America (US and Canada) and Asia.
- **Private Banking & Asset Management**, incorporating all banking services for high net worth individuals as well as global asset management solutions for institutional, retail and private clients. Private Banking is present in Belgium, France, Guernsey, Hong Kong, Italy, Luxembourg, Monaco, Netherlands, Poland, Singapore, Spain, Switzerland, Turkey, China (MeesPierson Horwath Management Consultants Ltd.), Taiwan, United Arab Emirates and the United Kingdom. Asset Management is present in Austria, Belgium, China, France, Germany, Greece, Hong Kong, Indonesia, Italy, Japan, Kazakhstan, Luxembourg, Netherlands, Poland, Russia, Spain, Switzerland, Turkey, United Kingdom and the United States.
- **Insurance**, encompassing all the insurance activities of Fortis. It comprises Insurance Belgium, Insurance Netherlands and Insurance International (UK, Luxembourg, France, Spain, Portugal, Germany, Thailand, Malaysia, China, India, Ukraine, Russia and Turkey).

The businesses are supported by several support functions, each of which is headed by a management team which is chaired by an officer, who is ultimately reporting to a Group Executive Committee member. The role of the support functions is threefold :

- (i) they provide functional leadership to the Fortis businesses, set Fortis-wide standards and monitor the implementation of these standards whenever a Fortis-wide approach is required.
- (ii) they offer a set of standardised services, thus creating synergies by pooling the businesses' requirements.
- (iii) and they also provide high-quality customised services to the businesses, based on their expertise and specific competence.

Each Group Executive Committee member heads one of the businesses and/or a cluster of support functions.

In addition to the Group Executive Committee, a Business Executive Committee was installed as of 1 January 2008. The Business Executive Committee, a non-statutory body composed of representatives of businesses and support functions and reporting to the Group Executive Committee, supports the Group Executive Committee in the execution of the strategy and policy as defined by the Group Executive Committee and adopted by the Fortis Board.

1.2.3. Country Organisation

The third dimension of the Fortis structure is geographical. Local management platforms have been created that bring together the key managers of the entities in a given geographical zone with the aim of ensuring coordination between the businesses, as well as proper local representation. These platforms are generally constituted at national level and are therefore referred to as Country Management Teams and chaired by a Country Manager. Country Managers report to the Deputy CEO of Fortis.

Part II:

Fortis Shares and Shareholders

II.1. Capital and Shares

II.1.1. Twinned Share Principle

When purchasing a Fortis Share, shareholders effectively acquire a unit that comprises one ordinary Fortis SA/NV share and one ordinary Fortis N.V. share. As a consequence of this 'Twinned Share Principle', the number of Fortis Shares issued is always equal to the number of Fortis SA/NV shares issued and also to the number of Fortis N.V. shares issued.

The Twinned Share Principle of Fortis is truly unique. It implies that a single unit represents a share in two legal entities, each with a different nationality. Shareholders have voting rights in both Parent Companies and may choose to receive a wholly Belgian-sourced or a wholly Dutch-sourced dividend.

Fortis Shares have primary listings on the Regulated Market of Euronext Brussels and on Eurolist by Euronext Amsterdam. It is possible to trade Fortis Shares on both markets, and also to buy on one market and sell on the other. Furthermore, Fortis has a secondary listing on the Luxembourg Stock Exchange and a sponsored ADR programme in the United States.

II.1.2. Share form and conversion

Fortis Shares can be either bearer, dematerialised or registered shares at the discretion of the shareholders.

Bearer shares are shares in physical form (titres and vif/K-stukken) in several denominations (coupures). Pursuant to Belgian legislation, physical bearer shares can no longer be issued after 1 January 2008 and shareholders can no longer own this type of shares as of 31 December 2013. The only bearer security that can and will still be issued after 1 January 2008 by Fortis is the Global Note that Fortis N.V. will issue to Euroclear Belgium to facilitate the inclusion of twinned shares in the Giro System.

Dematerialized shares are shares held in bank accounts and included in the Giro system.

Registered shares are shares for which the names and addresses of all shareholders or holders of a right of usufruct or pledge are recorded in the shareholder registers held by the Parent Companies. The Parent Companies must therefore be notified of any changes. Upon request, holders of registered shares will be provided with an extract from the registers. The registers are also available for inspection at the registered offices of the Companies.

Bearer shares may be converted at the owner's request either into dematerialized shares or registered shares. Conversion into either of these forms should have occurred at the latest by 31 December 2013.

Registered shares may be converted into dematerialised shares and vice versa at the owner's request. Nevertheless, the conversion of shares into another form is suspended from the time at which the shares are to be lodged for the General Meetings of Shareholders until the end of the meetings, unless a registration date has been set (see II.3.4).

Conversion of shares

Bearer shares are converted into registered shares by submitting the physical share, if applicable, and the simultaneous entry in the registers of Fortis SA/NV and Fortis N.V.

Dematerialized shares are converted into registered shares by cancelling the entry in the Giro System through the bank where the shares are administered followed by the entry in the register for registered shares held by the Parent Companies.

Registered shares are converted into dematerialized shares by cancelling the entry in the register for registered shares held by the Parent Companies followed by the entry in the Giro System through the banking institution where the shares are administered.

II.1.3. Capital and the issue of new shares

The precise number of Fortis Shares currently issued can be found on www.fortis.com/investor relations.

According to the Twinned Share Principle, the number of ordinary Fortis SA/NV shares is always equal to the number of ordinary Fortis N.V. shares. Hence, when new ordinary shares are issued, the General Meetings of Shareholders or Boards of both Parent Companies decide to issue exactly the same number of ordinary shares. If, for some reason, a shareholder acquires only a Fortis N.V. ordinary share that is not twinned with a Fortis SA/NV ordinary share (or vice versa) then the Articles of Association stipulate that:

- the shareholder's rights attached to the acquired shares (voting and dividend rights and the right to attend the General Meetings of Shareholders) should be suspended; and
- the shareholder must transfer these shares to Fortis at a price to be determined by mutual consent.

Shareholders have the duty to inform the Board immediately if the above should apply to them. This is a highly theoretical scenario, and the chance that it will occur is very remote.

Subject to the grant of a mandate by the General Meetings of Shareholders, the Fortis Board of Directors is authorised to take decisions regarding the issue of new shares and to fix the issue price of the new shares and the additional conditions that will apply.

II.1.4. Pre-emption rights and restrictions

In the event of a Fortis Share issue, shareholders have a pre-emption right in proportion to the number of Fortis Shares they hold. Subject to the grant of a mandate by the General Meetings of Shareholders, the Fortis Board is authorised to restrict or exclude the pre-emption right of existing shareholders in the interest of Fortis and its shareholders. In addition, the General Meetings of Shareholders may also decide upon such a restriction or exclusion provided that certain additional requirements imposed by local legislation have been met.

The Fortis Board or the General Meeting of Shareholders determines if and when the pre-emption right can be exercised and will announce the same in national newspapers in Belgium, in the Netherlands and in Luxembourg, and in the Belgian Official Journal (*Moniteur Belge/Belgisch Staatsblad*), the Netherlands Government Gazette (*Staatscourant*) and the Official Price List of Euronext.

II.1.5. Acquisition of Fortis Shares

Authorisation of the Fortis Board granted by the General Meetings of Shareholders to acquire Fortis Shares is renewed every year. The acquisition may be made at a price equal to the average of the closing prices of Fortis Shares on Euronext Brussels and Euronext Amsterdam on the day immediately preceding the acquisition, plus or minus a maximum of fifteen percent (15%). The acquisition may be made for many reasons, such as the hedging of stock option plans or convertible bonds.

The Parent Companies are not entitled to exercise the rights attached to the shares they hold (i.e. the voting and dividend rights). However, third-party holders of a right of usufruct or right of pledge on these shares will still be entitled to exercise their rights.

II.1.6. Capital reduction and cancellation of shares

The Board may propose to the General Meetings of Shareholders the cancellation of Fortis Shares owned by the Parent Companies. This will lead to a reduction in the capital of both companies.

Any resolution to reduce the capital of one of the Parent Companies implies that a similar resolution must be passed by the shareholders of the other Parent Company, with both resolutions taking effect at the same time. If the capital reduction implies a cancellation of Twinned Shares, the number of Twinned Shares cancelled by one Parent Company must be equal to the number of Twinned Shares cancelled by the other.

Any proposal to reduce the capital should specify:

- the reason for the capital reduction;
 - the relevant shares;
 - how the resolution will be implemented when adopted;
- and should respect the rule that the remaining capital must always meet the minimum statutory requirements. That proposal will be outlined in the convocation for the General Meetings of Shareholders, which is held for inspection by shareholders at the companies' registered offices until the end of the meeting. Specific quorum and majority requirements may apply.

With regard to Fortis N.V., the General Meeting of Shareholders may decide to reduce the capital held by the Company, either by cancelling the shares or by reducing the nominal value of the shares by amendment of the articles of association. A reduction in the nominal value, whether or not it includes a repayment or partial repayment, must be applied in the same proportion to all shares in question.

II. 1.7. Notification of share ownership

Fortis shareholders are under an obligation to meet certain notification requirements when their participation exceeds or drops below certain thresholds, as prescribed by Belgian and Dutch law and by the articles of association of Fortis SA/NV.

For Fortis SA/NV, shareholders are to notify the Company as well as the Belgian Banking, Finance and Insurance Commission when their participation exceeds or drops below the thresholds of 3% or 5% of the voting rights or any multiple thereof.

For Fortis N.V., shareholders at least have to notify the Dutch Authority for the Financial Markets (which will inform the Company) when their participation (shares or voting rights) exceeds or drops below one of the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

On 26 November 2007, Ping An Insurance (Group) Company of China, Ltd, notified that it had crossed the 3% participation threshold in Fortis. Ping An's shareholding in Fortis is the subject of an agreement, concluded for an initial term of three years and which results in an action in concert between Ping An and Fortis. The agreement provides, in particular, that (i) Ping An will be entitled to make a proposal for the appointment of one non-executive director to the Fortis Board, as long as Ping An will hold at least 4% of the Fortis Shares Capital, and that (ii) Ping An may acquire up to 4,99% of the capital of Fortis and may acquire Fortis Shares exceeding such threshold subject to the prior consent of the Fortis Board (except if another shareholder acquires, with the support of Fortis' Board of Directors, a shareholding in Fortis greater than the shareholding held by Ping An, in which case Ping An is authorized to buy additional interest in Fortis to match such greater shareholding). Fortis further agreed to assist Ping An in reaching and maintaining such level of shareholding, to the exclusion of any acquisition of control over Fortis, Ping An having confirmed that it does not intend to acquire such control.

II.2. Shareholder Dialogue

To ensure swift disclosure, Fortis publishes all information relevant to shareholders and stakeholders – such as the agendas of the General Meetings of Shareholders, the quarterly and annual financial figures, and presentations to financial analysts – on a dedicated website:

www.fortis.com/investor-relations.

Fortis encourages its shareholders to make well-considered use of their voting rights and to attend the General Meetings of Shareholders whenever appropriate and practical, and makes every effort to facilitate this objective.

The dialogue with shareholders is conducted primarily through Investor Relations.

II.3. General Meetings of Shareholders

II.3.1. Dates and places

The Annual General Meetings of Shareholders of Fortis are held each year on the last Wednesday in April. The morning session (Fortis SA/NV) usually takes place in Belgium, normally in Brussels, and the afternoon session (Fortis N.V.) in the Netherlands, normally in Utrecht. The convening notices may specify other times, dates or places.

Extraordinary General Meetings of Shareholders may be convened as often as the Fortis Board deems necessary. In addition, shareholders representing at least 10% of the issued capital may request that Extraordinary General Meetings be convened. The request must specify the items to be discussed and must be addressed to the Fortis Board, which is obliged to convene the meetings within three weeks of receiving the request. Depending on the topics on the agenda, an Extraordinary General Meeting of Shareholders may be convened either in Belgium (Fortis SA/NV) or in the Netherlands (Fortis N.V.) or in both countries (Fortis SA/NV and Fortis N.V.).

II.3.2. Topics

The topics dealt with in the two ordinary General Meetings of Shareholders are in principle the same, and may vary only due to the requirements of local law.

The items submitted to the General Meetings of Shareholders for a decision include, among other things:

- the appointment of Board members and of the external auditors;
- the discharge of Fortis Board members and, as far as Fortis SA/NV is concerned, the discharge of the external auditors in respect of the exercise of their duties during the previous financial year;
- the annual accounts;
- the Company's annual dividend;
- the issue of Fortis Shares or authorisation to the Fortis Board to issue Fortis Shares;
- a reduction of share capital;
- major governance changes (e.g. impacting the Articles of Association);
- decisions that are so far-reaching that they affect the identity of the Company, including but not limited to:
 - the transfer to a third party of a substantial part of the Fortis enterprise, or any of its subsidiaries, such that Fortis ceases to engage in either insurance or banking activities;
 - the acquisition or divestiture by Fortis, or any subsidiary, of an interest in the capital of a company which would result in an increase or reduction of more than one third in the Core Equity of Fortis, as disclosed in the latest Financial Statements of Fortis.

Shareholders who individually or jointly represent 1% of the issued capital, or who hold Fortis Shares with an exchange value amounting to EUR 50 million, may propose items for inclusion on the agenda of the General Meetings of Shareholders, provided that proposals are submitted to the Board at least 60 calendar days before the General Meetings of Shareholders.

II.3.3. Convening meetings

In the case of ordinary General Meetings of Shareholders, an invitation is sent to registered shareholders and to holders of registered subscription rights. The announcement is also published in newspapers in Belgium, Luxembourg and the Netherlands as well as in the Belgian Official Journal (*Moniteur Belge/Belgisch Staatsblad*) and the Official Price List of Euronext at least 24 days before the meeting.

In the case of Extraordinary General Meetings of Shareholders, convocation formalities depend on the items on the agenda.

Agendas and explanatory notes are published on the Fortis website and can also be consulted by shareholders at the registered offices of the Companies.

II.3.4. Lodging of securities and proxies

Lodging of securities

Holders of registered Fortis Shares who wish to attend a meeting must inform the relevant Company by the date mentioned in the convening notice.

Holders of physical bearer shares of Fortis must lodge their securities and holders of dematerialised shares of Fortis must lodge a notice from an authorised securities account holder confirming the non-transferability of the shares until the end of the General Meetings of Shareholders, at the place and date mentioned in the convening notice.

The General Meetings of Shareholders of 23 May 2007 authorized the Board for an indefinite period to introduce a registration date for the Company. If the Board exercises this authority, shareholders are not required to lodge their securities.

The registration date may be set at midnight of the seventh working day before the date of the relevant General Meeting(s) of Shareholders. The notice of the meeting will specify whether a registration date has been set for the relevant meeting. In such event, a person will be entitled to attend the relevant General Meeting(s) of Shareholders and to vote there for the number of Fortis Shares recorded in such person's name on the registration date in a record designated for that purpose by the Board, irrespective of whether or not such person is the rightful owner of such Fortis Shares at the time of the relevant meeting.

Lodging of proxies

A shareholder may grant a proxy to any other person. He may also grant a proxy to the person designated for this purpose by the Board, provided that this person votes similarly in the General Meetings of Shareholders of Fortis SA/NV and Fortis N.V. The proxy must be lodged at the registered office of the Company no later than the date on which the shareholder must lodge his shares.

II.3.5. Procedure

Chairmanship

The General Meetings of Shareholders are chaired by the Chairman or, in his absence, by another Board member appointed by the Board. The Chairman conducts the meeting in accordance with the usual practice for general meetings of shareholders in Belgium and in the Netherlands.

Votes

Each share confers the right to cast one vote.

Blank votes and invalid votes are considered as not having been cast. Any resolution is accepted if approved by the majority of the votes cast. A resolution to amend the Articles of Association or to dissolve the Company requires a quorum of 50% of the issued capital and a majority of at least 75% of the votes cast. If the required capital is not represented at the meeting convened for this purpose, a new meeting shall be convened and held within four weeks. The latter meeting may pass the resolution by at least 75% of the votes cast.

In Belgium, the minutes of the General Meeting of Shareholders are adopted during the meeting itself. In the Netherlands draft minutes must be available no later than three months after the Meeting. Shareholders can react to the minutes for a further period of three months. Thereafter, the Chairman and Company Secretary will consider the reactions and officially adopt the minutes.

Minutes

The minutes of the General Meetings of Shareholders are drafted and made available in accordance with local practices in Belgium and the Netherlands. Official signed copies of the minutes, or an extract thereof, can be made available to any shareholder upon request.

II.4. Dividend Election

II.4.1. Principle

With respect to each dividend payment each shareholder is authorised to choose to receive their dividend payment either from a Belgian (Fortis SA/NV) or a Dutch (Fortis N.V.) source.

II.4.2. Dividend election form

Holders of physical Fortis Shares must take their coupons (and any applicable VVPR coupons) to their bank during the election period in order to make a dividend election in accordance with the bank's own procedure.

Holders of Fortis Shares on a security account receive, from their bank, a form to be completed in order to indicate their dividend election. The bank may also make the election on the shareholder's behalf if the shareholder has instructed the bank to do so. The bank communicates the election to Fortis.

Holders of registered Fortis Shares made their election when the twinning was implemented. New shareholders will be asked to make the dividend election in due time.

The ADR depositary in the United States elected to receive a wholly Dutch dividend for the shares deposited with it.

II.4.3. Timeframe of the dividend election

The election must take place during the dividend election period, which begins at the ex-dividend date and runs for two weeks thereafter.

II.4.4. Default of dividend election

If no dividend election is made, a default procedure applies that is primarily based on the domicile of the shareholder (for registered shares) or of the Central Securities Depository member with which the shareholder's bank has deposited the shares (in the case of shares held on a security account), with Belgian domiciles receiving wholly Belgian dividends and Dutch domiciles receiving wholly Dutch dividends. For domiciles outside Belgium or the Netherlands, Belgian and Dutch dividends are allotted in equal proportion.

Holders of physical Fortis Shares who do not elect the source of their dividends receive a wholly Belgian dividend.

II.5. Continuity of Fortis

With the independent Stichting Continuïteit Fortis' (SCF), Fortis has a procedure in place that is designed to ensure the continuity of Fortis and its activities, in the interest of all Fortis stakeholders. This procedure can never be used in the interests of Fortis management or the Fortis Board only.

The independent Stichting Continuïteit Fortis (SCF) has the option to acquire a number of (cumulative) preference shares of Fortis N.V. not exceeding the number of issued Twinned Shares. This call option can be exercised only if necessary to ensure the continuity of Fortis, such that the interests of Fortis and its stakeholders are adequately preserved.

Each preference share carries the same voting right as a Twinned Share. In addition, the preference share grants a priority right upon dividend distribution and upon the liquidation of Fortis N.V.

If the call option is exercised, the General Meeting of Shareholders will be allowed to consider or reconsider the purchase or cancellation by Fortis N.V. of issued preference shares at least at two-yearly intervals. The members of the board of SCF are listed in the Annual Report. The majority of them are independent.

Part III:

The Fortis Board – Terms of Reference

III.1. Role, Responsibilities and Authority

III.1.1. Role

The Fortis Board is the ultimate decision-making body of Fortis, with the exception of matters reserved for the shareholders by company law or by the Articles of Association.

The basic aim underlying decision-making by the Fortis Board is to perpetuate a successful financial services business. The Board believes that this involves primarily focusing on long-term financial returns, while remaining sensitive to the interests of the stakeholders who are essential to a successful business: Fortis customers, its shareholders, its employees and the communities in which Fortis operates.

III.1.2. Responsibilities

The primary responsibilities of the Board are to provide strategic direction for Fortis and to monitor Fortis's affairs. In this context, the key responsibilities of the Board include:

- identifying and understanding the strategic challenges and related risks facing Fortis and its businesses;
- setting the Fortis strategy and the Fortis values, policies and standards that guide how strategic goals are to be met. The Board's prime strategic focus is on business development, financial and risk management, and on ensuring that Fortis has the leadership in place that is most suited to accomplishing its strategic goals.

In order to achieve this, the Board:

- holds regular strategic sessions to evaluate Fortis's market positions and business strategies, discuss strategic proposals and decide the strategies to be implemented under the leadership of the CEO;
- on the basis of proposals made by the CEO,
 - reviews and approves the financial objectives of Fortis, including its targeted risk profile and related capital needs;
 - assesses the capital of Fortis in relation to its risk profile and capital needs;
 - reviews and approves strategies for achieving and maintaining targeted capital levels and structure;

- ensuring that Fortis maintains appropriate systems for risk management and control, including appropriate processes for conducting business in compliance with legislation, regulations, and internal policies and procedures;
- monitoring and evaluating the performance of Fortis against strategic goals, plans and budgets;
- maintaining continuous interaction and dialogue and a climate of respect, trust and candour with Executive Management;
- deciding on matters reserved to the Board only. Such matters include:
 - all decisions on proposals to be submitted to the General Meetings of Shareholders (see II.3.2.);
 - decisions relating to the governance of Fortis. These include appointment of the Board Chairman, Deputy Chairman and of Executive Management; the composition of and responsibilities of the Board Committees; determination of the responsibilities of the CEO and the Group Executive Committee;
 - major business-related decisions. These include:
 - the approval of business plans and budgets;
 - the entering into, revision or termination of any alliance, spin-offs or mergers, investments, acquisitions and divestitures, involving the undertaking of the Parent Companies or involving an amount exceeding EUR 100 million;
 - any transaction, regardless of the amount, which, in the judgement of the CEO, should be decided by the Board because of the nature or importance of the risks involved;
 - Fortis accounting principles, in accordance with the applicable GAAP and the determination of all financial information to be disclosed;
 - proposals regarding interim dividends and financing transactions affecting Fortis Core Equity or requiring the guarantee of the Parent Companies;
 - proposals to the shareholders' meetings of Fortis Bank, Fortis Bank Nederland, Fortis Insurance Belgium or Fortis Insurance Netherlands to take certain major decisions. These include the appointment of the CEO of these companies, the appointment of outside directors, the approval of material changes to their capital structure or material changes to their articles of association.

III.1.3. Authority

The Board has the authority and the duty to use adequate, necessary and proportional means in order to fulfil its responsibilities.

The Board as a whole is collectively accountable to the Company for adequately exercising such authority, powers and duties. Individual Board members have access to independent professional advice at the Company's expense where they deem it necessary to discharge their responsibilities as Board members, and after consultation with the Chairman.

The Company is duly represented by (a) any two Board members signing together, or (b) the CEO for all matters relating to day-to-day management and, in addition, for specific matters as determined by and within the limits set by the Board. The CEO has the right to sub-delegate these powers.

III.2. Composition

III.2.1. Size

The Board may comprise up to 17 members, but the actual number may vary according to the needs of Fortis. It has a majority of Non-Executive Board members, and at least two Executive Board members, being the CEO and the Deputy CEO.

III.2.2. Membership criteria

When proposing nominees to the General Meetings of Shareholders, the Board applies the following principles:

- a. to ensure that a significant majority of Board members are independent, whereby the Board applies the independence criteria attached to the present Terms of Reference, Appendix 2;
- b. to nominate each Board member on the basis of their particular knowledge and/or experience, with a view to ensuring that the Board as a whole has the competences and qualifications required to fulfil its responsibilities. The Board competence profile is attached to the present Terms of Reference, Appendix 1;
- c. to ensure that each Board member is available to the extent required to fulfil their duties as a Fortis Board member;
- d. to establish a Board with an international composition, while maintaining, in line with the importance of Fortis home markets, a significant and equitable representation of Belgian and Dutch Members.

In light of the above, potential and existing Board members must provide the Chairman of the Board with all the information required to evaluate their compliance with membership criteria, both at the time of their appointment and prior to any envisaged material change that could possibly affect such compliance.

Requirements regarding independence, competences and qualifications are formulated and reviewed from time to time by the Board, based on a proposal by the Chairman and supported by the Nomination and Remuneration Committee. Non-Executive Board members are allowed to serve on the boards of other companies, and to take up other engagements or commitments, provided those commitments (i) are outside Fortis, (ii) do not create actual or potential material conflicts of interest, and (iii) do not interfere with the Board member's ability to fulfil their duties as a Board member. Executive Board members are prohibited from occupying a position as a Board member, be it executive or non-executive, in any listed company other than the Parent Companies, unless explicitly approved by the Board.

III.2.3. Appointments

The Board submits its proposals regarding the appointment or re-election of Board members, supported by a recommendation by the Nomination and Remuneration Committee, to the shareholders.

The General Meetings of Shareholders appoint the Board members of their choice with a majority of votes cast. Likewise, the General Meetings of Shareholders can dismiss a Board member, before the normal expiry of the Board member's term of office, with a majority of votes cast.

The Board handles the process of appointments and re-elections as part of an overall orderly succession planning, so as to maintain an appropriate balance of skills and experience within the Company and on the Board.

In the event a Board member leaves before the end of their term, under Belgian law the remaining Board members may appoint a new Board member, such appointment being confirmed by the shareholders at their next meeting.

As a similar procedure does not exist in Dutch law, a meeting of shareholders of Fortis N.V. is always required to appoint a Board member.

III.2.4. Performance Appraisal

The Board regularly reviews and assesses its own performance, as well as the effectiveness of the Fortis governance structure, including the number of Board Committees and their respective roles and responsibilities. The performance of individual Board members is assessed regularly as part of the re-election procedure, and for Executive Board members also as part of the procedure for determining the performance-linked part of their remuneration.

III.2.5. Terms of Office

Appointments are generally made for a three-year term with a maximum of four years. In order to ensure smooth transitions and continuity of the Board's operations, the terms of office are in principle so chosen that, each year, approximately one-third of the Board members reach the end of their term of office. Members can serve for a maximum of 12 years. In the interest of the Company, the Board may grant exceptions to this policy, on the condition that the reasons for the exception are explained to the General Meetings of Shareholders.

III.2.6. Retirement

Non-Executive Board members retire on the date of the General Meetings of shareholders held in the year in which they reach the age of 70. However, the Board may depart from this rule in exceptional circumstances and propose that a Board member reaching the age of 70 be re-elected for a maximum term of three years. The Board will explain the reasons for such exceptions when the proposal is submitted to the General Meetings of Shareholders.

Executive Board members retire on the date of the General Meetings of Shareholders held in the year in which they reach the age of 60. The Board may grant exceptions to this rule, without however postponing retirement of Executive Board members beyond the end of the calendar month in which they reach the age of 65.

III.2.7. Remuneration

For Non-Executive Board members, remuneration takes the form of fees determined in accordance with legal requirements and the remuneration policy for Board members. Remuneration paid by Fortis to its Board members is disclosed for each Board member individually in the Annual Report.

For Executive Board members, the Board mandate as such is not remunerated. Executive Board members receive remuneration linked to the executive functions they perform within Fortis, determined in accordance with the remuneration policy for Board members and Executive Managers.

The Fortis remuneration policy is described in the appendix attached to the current Terms of Reference.

III.3. Board Leadership

The Board appoints a Chairman and a Deputy Chairman from among its Non-Executive members.

The Chairman is responsible for taking the lead, supported by the Board Committees as necessary, in all initiatives that are designed to ensure the Board functions effectively and in line with the present Terms of Reference.

In particular, the Chairman:

- monitors whether Fortis governance, including its legal structure, is appropriate to accommodate the needs of Fortis, and proposes changes to the Board when necessary;
- is responsible for optimum Board composition. He takes the initiative and, supported by the Nomination and Remuneration Committee, leads the processes that govern:
 - (i) the formulation of requirements relating to the independence, competence and qualifications of Board members;
 - (ii) the appointment or re-election of the Board members and its Committees, linked to Board succession planning and to the performance appraisal of Non-Executive Board members;
 - (iii) the assessment of the effectiveness of the Board as a whole; and
 - (iv) the appointment or dismissal, evaluation and remuneration of the CEO.

- ensures that the Board operates efficiently and effectively by:
 - (i) ensuring a clear and shared understanding of and respect for the respective roles and responsibilities of each Fortis corporate body;
 - (ii) planning the Board meetings. The Chairman draws up, in consultation with the CEO, the calendar of Board and Committee meetings. He prepares the Board's generic agenda, including the subjects to be discussed during the year and he draws up the agenda for each meeting, indicating for each item on the agenda whether it is submitted to the Board for information or for discussion, approval or a decision;
 - (iii) preparing, chairing and leading the Board meetings. The Chairman is consulted on all proposals to be submitted to the Board. He ensures that written materials are distributed well in advance to allow the recipients enough time to review them, and that all materials issued to the Board members present the relevant information as succinctly as possible;
 - (iv) overseeing and ensuring the quality of continuous interaction and dialogue at Board level. The Chairman ensures that the Board receives ongoing and event-driven information concerning material aspects of Fortis's strategy, business and financials, including competitive developments, and he implements initiatives that help to build and maintain a climate of respect, trust and candour within the Board in general, and between the Non-Executive Board members and Executive Management in particular;
 - (v) ensuring that new Board members receive an appropriate orientation programme, tailored to their individual needs, and ensuring that all Board members receive ongoing training and/or continuing education programs.
- participates from the outset with the CEO in major projects related to mergers, acquisitions, divestitures, and/or other major transactions;
- chairs the General Meetings of Shareholders and ensures that they are conducted efficiently; and
- represents and safeguards, in consultation with the CEO, the interests of Fortis by maintaining contact with external constituencies and participating in external policy forums.

The Deputy Chairman is, among the Non-Executive Board members, the first sounding board for the Chairman with regard to all the areas of responsibility mentioned above. The Chairman consults the Deputy Chairman whenever appropriate in the context of performing his duties efficiently and effectively. In addition, the Deputy Chairman replaces the Chairman when the latter is absent.

III.4. Structure and Organisation

III.4.1. Board Meetings

In principle, the Board has eight scheduled meetings each year. Additional meetings may be called with appropriate notice at any time to address specific needs of the business.

Board members are expected to devote the required amount of time to fulfilling their responsibilities and to regularly attend Board meetings. As a rule, they attend Board meetings in person. The Chairman may however, in exceptional circumstances, allow a Board member or Board members to participate by phone or video conference.

In order for a Board meeting to be valid, at least half of the Board members must be present or represented. A Board member can be represented at the meeting by another Board member by means of a signed proxy, sent by mail or by fax, on the understanding that a Board member can hold no more than two proxies.

Presentations to the Board are generally made by the Executive Managers. They can be assisted by a senior officer, if necessary and at the discretion of the CEO.

Board resolutions require a majority of votes cast. If and insofar as the law does not restrict it, the Board may adopt resolutions without holding a meeting, with the unanimous written consent of all Board members. This procedure may be followed only in exceptional circumstances, and when the urgency of the matter and the corporate interest require it.

Minutes are taken at every Board meeting.

III.4.2. Board Committees

In order to fulfil its role and responsibilities efficiently, the Board has set up the Nomination and Remuneration Committee, the Risk and Capital Committee and the Audit Committee. The existence of these Board Committees does not affect the ability of the Board to set up further ad-hoc committees to deal with specific matters if the need arises.

III.4.3. Company Secretary

The Board appoints a Company Secretary, who assists and advises the Board, the Chairman, the Chairs of the Board Committees and all Board members in performing their general and specific roles and duties.

The core responsibilities of the Company Secretary include (i) ensuring that Fortis corporate bodies comply with their requirements under the law, the Articles of Association and internal rules and procedures, including those laid down in this Fortis Governance Statement, (ii) ensuring the ongoing development of Fortis governance, in line with market best practices and the needs of Fortis, (iii) organising the General Meetings of Shareholders, and (iv) acting as Secretary of the Fortis Board and its Committees.

The Company Secretary is responsible to the Board and is accountable to the Board through the Chairman on all matters relating to his core duties. He has the authority and the duty to use adequate, necessary and proportional means in order to efficiently fulfil his responsibilities.

III.5. Conduct Guidance

III.5.1. Applicability of Fortis general conduct policies

Each Board member shall adhere to the policies concerning integrity and ethical conduct that also apply to the management and other employees of Fortis. These policies include the Fortis Principles of Business Conduct and the Fortis Policy on Private Investments.

III.5.2. Service arrangements

Non-Executive Board members are not permitted to enter, either directly or indirectly, into agreements with Fortis for the provision of paid services (e.g. accounting, consulting, legal services), unless explicitly authorised by the Board. Non-Executive Board members are requested to consult with the Chairman, who will then decide whether or not to submit a request for exemption to the Board.

Any bank, insurance or investment service offered by Fortis to Board members is granted solely on commercial terms in conformity with prevailing market conditions. The Chairman of the Board is informed in advance of services that are required to be disclosed under prevailing legislation and/or regulations.

III.5.3. Conflicts of interest

All Board Members are expected to avoid any action, position or interest that conflicts or appears to conflict with an interest of Fortis. When faced with a potential conflict of interest, Members must notify the Chairman promptly. Members must abstain from any Board discussion or decision that affects their personal, business or professional interests, subject to legal requirements.

III.5.4. Interaction with Fortis management

Non-Executive Board members may contact Fortis managers subject to the following guidelines. On the initiative of the Chairman or the CEO, Board members can be asked to give their advice on specific business-management issues and to contact the manager(s) concerned. In other cases, Board members are asked to consult the CEO prior to contacts with Fortis management and to use their judgement to ensure that these contacts do not detract from business operations and management responsibilities.

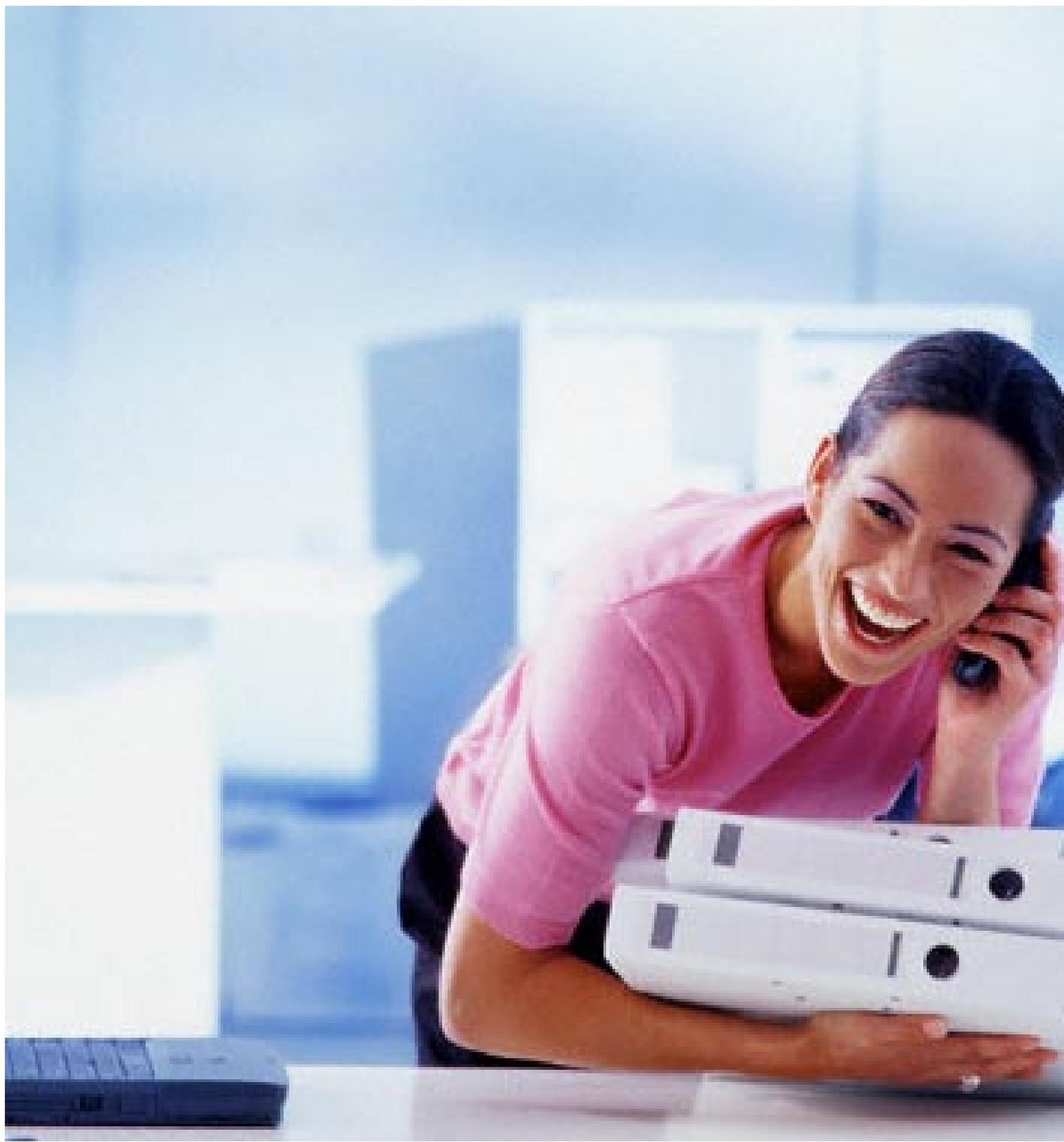
III.5.5. Interaction with the investment community, media and others

Board members may participate in communication activities undertaken by Fortis at the request of the Chairman or in consultation with him, or at the request of the CEO. Board members are expected to support, in the public and private spheres, the position of the Board with regard to Fortis's strategy, policies and actions.

III.5.6. Duty of confidentiality

To facilitate open discussion both in Board and Committee meetings, Board members undertake to maintain the confidentiality of information and deliberations, in accordance with legal requirements.

Appendices to the Board's Terms of Reference





Appendix 1
Fortis Board Competence Profile

Appendix 2
Fortis Board Independence
Requirements

Appendix 3
Remuneration Policy for Fortis
Board members and Executive
Managers

1. Fortis Board Competency Profile

The Board is composed of members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. All Board members have experience in positions with a high degree of responsibility and have a proven ability to exercise mature business judgement.

To adequately fulfil its responsibilities, the Board as a whole should also possess the core competencies listed below, and each member is nominated on the basis of their potential contribution in terms of knowledge, experience and skill in one or more areas, regardless of gender or race and in accordance with the needs of the Board at the time of nomination:

- **Accounting:** familiarity with reading and interpreting the financial statements of financial institutions, with international accounting standards, particularly as applied to financial products and in the financial services sector, with accounting and consolidation processes and procedures, and with merger and acquisition accounting;
- **Banking and insurance knowledge:** wide experience in and in-depth knowledge of the financial sector, both at a technical level (including knowledge of the risks inherent in banking and insurance activities and the techniques used to manage these) and in relation to the main customer markets of Fortis;
- **Public affairs:** familiarity with public and policy-making forums insofar as they might affect business in general or the financial sector in particular;
- **International exposure:** international experience, gained through brief or extended periods of education or employment outside the Benelux countries and/or through previous senior positions held in the Benelux countries, involving extensive professional international contacts;
- **Management and organisation:** experience in managing a large organisation, operating both nationally and internationally; thorough understanding of general management and organisational development best practices and of their application in complex, rapidly evolving business environments;
- **Crisis response:** the ability and availability to perform duties during brief or prolonged periods of crisis;
- **Leadership qualities:** the skills and capacity required to build and refine strategic vision by conceptualising key trends, supporting high-quality dialogue, demonstrating commitment and perseverance, while remaining constructively critical towards established patterns and the group mindset.

2. Fortis Board Independence Requirements

All Members of the Board, Executive and Non-executive alike, are required in their capacity as Board members:

- to be guided exclusively by the overall goal of the Fortis Board, which is to perpetuate a successful financial services business;
- to maintain in all circumstances independence of judgement, decision and action; and
- to clearly express their concern and, as the case may be, have recorded in the minutes their opposition to a proposal submitted to the Board if they are of the opinion that such proposal may harm the interests of Fortis.

Besides this individual obligation imposed on each of its members, the Board determines whether there are relationships or circumstances which are likely to affect, or could appear to affect, the independence of Non-Executive Board members.

The Board will in particular take into account whether a Board member, or the Board member's spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree:

- is or has been an employee or Board member or senior executive of Fortis within the last five years prior to the first appointment as Member of the Board;
- receives personal financial compensation from Fortis other than the compensation received as Board member and insofar as this is not in keeping with the normal course of business;

- has, or has had within two years prior to the appointment, a material business relationship with Fortis. This includes a case in which a Board member, or the company or firm of which they are a shareholder, partner, associate or adviser, has acted as adviser (consultant, external auditor, notary or lawyer) to Fortis;
- holds at least 10% of the Fortis Shares (including the Fortis Shares held by natural persons or legal entities which are controlled by them or which cooperate with them under an express or tacit, oral or written agreement);
- is a Member of the board of directors or supervisory board – or is a representative in some other way – of a legal entity which holds at least 10% of the Fortis Shares, unless such entity is part of Fortis;
- has entered into a shareholders' agreement or a unilateral commitment with regard to the exercise of the rights attached to Fortis Shares (including the right of disposal), even if less than 10% of Fortis Shares is concerned (this criterion only applies to the Board member);
- holds cross-directorships or has significant links with other Board members through involvement in other listed companies or bodies.

If the Board determines that a Board member is independent notwithstanding the existence of relationships or circumstances mentioned above, it will disclose its reasons for doing so.

The Board considers that a long tenure as a Board member does not necessarily jeopardise independence.

3. Remuneration Policy for Fortis Board members and Executive Managers

The remuneration of the Board members

The remuneration of the Board members is determined by the Board of Directors in compliance with the prerogatives of the General Meetings of Shareholders. Detailed proposals for remuneration of Non-Executive Board members are formulated by the Nomination & Remuneration Committee, based upon advice from outside experts.

For the Non-Executive Board members, the levels and structure of remuneration are determined in view of their general and specific responsibilities and general international market practice. The remuneration of Non-Executive Board members includes both regular basic remuneration for Board membership and Board Committee meeting attendance fees. The Non-Executive Board members do not receive annual incentive awards or stock options and are not entitled to pension rights. Non-Executive Board members are not entitled to any termination indemnity.

The remuneration of the Executive Board members, the CEO and the Deputy CEO, is related exclusively to their executive positions.

Remuneration Policy for Fortis Executive Managers

The remuneration of the Executive Managers is determined by the Board of Directors, upon proposals by the Nomination & Remuneration Committee, in compliance with the prerogatives of the General Meetings of Shareholders.

Both the levels and structure of remuneration for Executive Managers are analysed on an annual basis. At the initiative of the Nomination & Remuneration Committee, Fortis's remuneration competitive positioning is regularly reviewed by and discussed with a leading international firm of compensation and benefits consultants, in light of the practices of other major Europe based international financial services groups and other organisations operating on a global basis.

The remuneration of Executive Managers is designed to:

- ensure the organisation's continued ability to attract, motivate and retain high calibre and high potential executive talent for which Fortis competes in an international market place
- promote achievement of demanding performance targets in order to align the interests of executives and shareholders in the short, medium and long term
- stimulate, recognise and reward both strong individual contribution and solid team performance.

The reward package for the Executive Managers reflects a concept of integrated total direct compensation, combining the following three major components of pay: base salary, annual incentive (short-term performance related bonus) and long-term incentive.

In calibrating the various remuneration components, the objective is to position the overall remuneration levels in line with compensation practices of other leading multinational firms. The reference market is a combination of the financial industry on the one hand and all sectors taken together on the other hand, both at European level and at the level of Belgium and the Netherlands. The variable, performance related pay components are the dominant portion of the total compensation package of Executive Managers, i.e. total 'pay at risk' in terms of targeted short and long-term incentives compensation levels represent at least 60% of the Executive Managers total compensation.

The above reward package is part of a contract providing the main characteristics of the status: the description of the components of the package, the expiration date (between 60 and 65 years), the termination clauses and various other clauses such as confidentiality and exclusivity. As from 1 January, 2005, the contracts provide for a termination indemnity, in case of termination without cause at the initiative of Fortis, which equals twice the amount of the base salary, respecting however commitments taken by Fortis before the date of 1 January, 2005.

Base salary

Base salary levels are intended to compensate the Executive Managers for their position responsibilities and their particular set of competencies. These levels are set in line with general prevailing market rates for equivalent type positions and are subject to regular annual reviews. There is, however, no mechanism for automatic adjustment.

Annual incentive

The annual incentive is designed to stimulate, recognise and reward strong individual contribution by the Executive Managers as well as solid performance as head of or as team members within the Group Executive Committee. Payout under the annual incentive scheme is directly linked to the actual performance against a set of predetermined qualitative and quantitative performance objectives. The objectives are set on the basis of the overall Fortis and specific business strategy and annual objectives.

The variable compensation is calculated according to criteria that have an equal weighting:

- a criterion specific to the Executive Committee as a team, based on the achievement of (joint) objectives. Those Fortis objectives could be for instance the completion of the budget, key projects, levels of indicators of performance achieved, strategy implemented, priorities for 2007-2008.
- a criterion based on the achievement of personal objectives specific to each Executive Manager and linked to their general responsibilities.

For each set of objectives, the performance is rated between one (does not meet expectations) and seven (exceptional). Based on these ratings and the overall outcome of the appraisal process, the actual individual annual incentive ranges in principle between one third (33%) and five thirds (167%) of the target incentive. Target annual incentive payouts are expressed as percentages of base salary and range between 70% and 100%, depending upon the position within the Group Executive Committee.

Long-term incentive

The long-term incentive plan is designed to:

- encourage and support the creation of shareholders'

value and to ensure that the Executive Managers, like the shareholders, share in the company's successes and setbacks

- provide the opportunity for Executive Managers to receive, within their overall package, competitive rewards for performance as a result of sustained group performance over a longer period of time
- enable the organisation to outperform a group of Fortis's peers in the international market, and also take into account the growth potential of the Fortis share.

Key features of the current long-term incentive plan are as follows:

- the initial target long-term incentive level is set by the Nomination & Remuneration Committee. It is determined as a percentage of annual base salary and ranges between 70% and 100%.
- actual long-term incentive is recommended by the Nomination & Remuneration Committee on the basis of Fortis's actual share performance relative to a peer group of Europe's top 30 financial institutions (as determined by market capitalisation¹). The share performance of Fortis and the companies in the peer group is divided into quartiles. Based on this relative performance position at the end of December, the Nomination & Remuneration Committee establishes a multiplier which varies between zero and two and depends on the quartile in which the Fortis share performance falls. Actual long-term incentive level recommended by the Committee is equal to the initial target long-term incentive multiplied by the multiplier. Actual long-term incentives may not exceed 200% of the target long-term incentive.

The long-term incentive is delivered as a mix of options, cash

1 For 2007 the peer group was composed of the following financial institutions (being the same as for 2006) : ABN AMRO Holding NV, Aegon NV, Allianz AG, Assicurazioni Generali SpA, Aviva Plc, AXA SA, Banca Intesa SpA, Banco Bilbao Vizcaya Argentaria SA, Banco Santander Central Hispano SA, Barclays PLC, BNP Paribas, Crédit Agricole SA, Crédit Suisse Group, Deutsche Bank AG, Dexia, HBOS PLC, HSBC Holdings PLC, ING Groep NV, KBC Groep NV, Lloyds TSB Group Plc, Münchener Rückversicherungs AG, Nordea Bank AB, Royal Bank of Scotland Group Plc, Sanpaolo IMI SpA, Société Générale, Standard Chartered Plc, Swiss Reinsurance, UBS AG, UniCredito Italiano SpA and Zurich Financial Services AG

and/or restricted shares:

- the grant of options stipulates a strike price of 100% of the Fortis share market value at the time they are granted and an option term of six years. Options can be exercised during predetermined 'open periods' falling within a time frame ranging from the first day of the year following the third anniversary of the grant until the end of the option term. Neither the strike price nor the other conditions regarding the granted options can be modified during the term of the options, except in certain exceptional circumstances in accordance with established market practice.
- the long-term incentive in the form of restricted shares consists of the commitment, taken by Fortis, to grant a number of Fortis shares at the end of a three year period, provided the professional relationship with Fortis has not been terminated prematurely, unless the Board of Directors decides otherwise. At the date of grant, the Executive Manager will be allowed to sell a maximum of 50% of those shares within 10 days in order to finance the tax liabilities associated with the grant. The unsold shares remain unsalable until six months after termination of the professional relationship between Fortis and the Executive Manager, which emphasizes the Executive Manager's long-term commitment.

Other remuneration components

The Executive Managers participate in Fortis's pension schemes in either Belgium or the Netherlands. These schemes are in line with predominant market practices in the respective geographic environments. For the CEO it is a defined contribution plan. For the other Executive Managers it is a non contributory defined benefit plan. They provide retirement and pre and post retirement survivors' pensions or their lump sum equivalent. Target defined pensions, including state pension, are set at percentages of base salary and may not exceed 80% of the latter salary. Other benefits, such as medical and other insurance coverage, are provided in line with competitive practices in the market where the Executive Manager is employed.

Approval of Remuneration Policy

In accordance with the Dutch law, entered into force on 1 October 2004, the Remuneration Policy for Fortis Board members was approved by the General Shareholders Meeting of Fortis N.V. on 11 October 2004. This meeting also determined the maximum number of options and restricted shares that can be attributed to the CEO under the long-term incentive scheme. Any amendments to this policy that the Board might consider important to make will in the future be subject to the approval of the General Meeting of Shareholders of Fortis N.V.

With respect to the Executive Managers who are not members of the Board, the Board has decided to adopt the same Remuneration Policy as the one applicable for the Executive Board members. The Board has the authority to amend the Remuneration Policy for these Executives as it sees fit, on the basis of recommendations made by the Nomination & Remuneration Committee. In the event of any such amendments, appropriate comments on them will be drawn up and included, at the latest, in the first annual report published after the amendments were adopted.

Part IV:

The Fortis Board Committees – Standing Rules and Terms of Reference

IV.1. Standing Rules Applicable to all Board Committees

IV.1.1. Role, Responsibilities and Authority

As a general principle, the Board Committees have an advisory role towards the Board. They assist the Board in specific areas, which they cover in appropriate detail and upon which they make recommendations to the Board. However, only the Board has the power to take decisions.

The role and responsibilities of each Board Committee are determined by the Board and laid down in its Terms of Reference.

The Terms of Reference are reviewed each year by the Committees themselves or at the initiative of the Board and changes are recommended to the Board as required. Each Committee has the authority and the duty to use adequate, necessary and proportional means (including the authority to select, retain and terminate the mandate of any outside adviser) in order to fulfil its duties, and is accountable to the Board for the proper exercising of these powers and duties.

After each meeting, the Committees report to the Board on their activities, conclusions and recommendations.

IV.1.2. Composition

Each Committee is composed of Non-Executive Board members and has a minimum of three and a maximum of five members. All Committee members satisfy the independence criteria set by the Board.

The Committee Chairs and members are designated by the Board. As a rule, the composition of all Board Committees is reviewed each year. The composition can also be reviewed when a Committee member completes the term of his mandate as a Board member, even if his re-election is envisaged.

The designation of Committee members is based on (i) their specific competences and experience, in addition to the general competence requirements for Board members, and (ii) the requirement that each Committee, as a group, possess the competences and experience needed to perform its tasks.

The Chairman of the Board is not a member of the Board Committees, with the exception of the Nomination and Remuneration Committee, which he chairs. The Chairman of the Board has a standing invitation to attend the meetings of the Audit Committee and the Risk and Capital Committee.

It is standard practice that the Committee's Chair invites the CEO and the Deputy CEO to attend Committee meetings. The CEO is always present when matters relating to Executive Management are discussed at the meetings of the Nomination and Remuneration Committee.

Each Committee evaluates its performance at least once a year, and reports on this to the Board. On this occasion, it also reviews the required competences, possible shortcomings and actions to be taken. Furthermore, it evaluates the need to formally define a specific set of competence requirements applicable to its members and makes recommendations to the Board accordingly.

IV.1.3. Chairmanship

It is the responsibility of the person chairing a Board Committee, supported by the Chairman and, where appropriate, by the CEO, to ensure that the Committee (i) understands its role and responsibilities, (ii) has all the information and internal or external support it requires to fulfil its tasks properly, and (iii) fulfils all its responsibilities in accordance with these Standing Rules and the Committee's Terms of Reference.

IV.1.4. Meetings

The rules applicable to Board meetings also apply to Committee meetings, taking into account the following:

- for a meeting to be valid, at least half of the members must be present. As a rule, members attend the Committee meetings in person. The Committee's chair may however, in exceptional circumstances, allow a Committee member or Committee members to participate by phone or video conference.
- a Committee member can be represented at the Committee meeting by another Committee member by means of a signed proxy sent by mail or fax. A Committee member can hold no more than one proxy;
- Committee resolutions are passed by a majority of the members;
- minutes are taken at every Committee meeting.

IV.2. Terms of Reference of the Nomination and Remuneration Committee

The Standing Rules applicable to all Board Committees, as set out above (see IV.1.) apply in full to the Nomination and Remuneration Committee (NRC), taking into account the following.

IV.2.1. Role

The role of the NRC is to assist the Fortis Board in all matters relating to the appointment and remuneration of Board members and Executive Managers, and in those matters regarding governance of the group on which the Board or the Chairman wishes to receive the Committee's advice.

IV.2.2. Responsibilities

With regard to **nominations**, the NRC:

- regularly reviews the policies and criteria (independence requirements, competences and qualifications) that govern the selection and nomination of Board members and for recommending changes to the Board where needed;
- makes recommendations to the Board with regard to the appointment or re-election of Board members and with regard to the appointment or dismissal of Executive Managers:
 - The process of appointing or re-electing Non-Executive Board members is initiated and led by the Chairman of the Board, who proposes to the NRC candidate(s) for appointment (taking account of applicable policies and criteria determined by the Board) or re-election (taking account of the Board member's performance appraisal). The NRC considers the Chairman's proposal and makes a recommendation to the Board, which then decides on the appointment or re-election proposals it will submit to the General Meetings of Shareholders for a decision;
 - The re-election and succession process of the Chairman is conducted by the NRC following a procedure determined, in consultation with the Chairman, by the NRC;

- For the appointment or dismissal of the CEO, the NRC's recommendation is based on a proposal by the Chairman, while for the appointment or dismissal of Group Executive Committee Members, recommendations are based on a proposal submitted by the CEO, in consultation with the Chairman;
- annually reviews and discusses the CEO's reports on management development and Group Executive Committee succession planning.
- reviews the key features of the stock programmes proposed by the CEO for Fortis managers and/or other employees, with a view to making recommendations to the Board. This review covers the limits within which the CEO is authorised to formulate, introduce and manage stock programmes. In principle, the maximum number of shares to be issued should not exceed 1% of outstanding shares per year.

Other responsibilities of the NRC include:

- reviewing the disclosures in the Annual Report on the remuneration of Board members and Executive Managers, on the processes that govern their nomination and remuneration, and on the activities of the NRC;
- performing such tasks relating to Fortis governance as the Board or the Chairman may require.

With regard to **performance evaluation**, the NRC:

- each year discusses and sets the objectives for the CEO, and, based on a proposal made by the CEO, for the other Group Executive Committee Members, which will subsequently serve as benchmarks in their performance appraisals;
- evaluates the performance of Board members and of the Executive Managers:
 - With regard to Non-Executive Board members, the NRC evaluates their performance in the context of their re-election, based on a proposal by the Chairman;
 - With regard to the Executive Managers, the NRC evaluates their performance in the context of determining their remuneration. In the case of the CEO, the NRC bases its performance appraisal on a proposal by the Chairman. For Group Executive Committee Members, the NRC receives a joint proposal by the Chairman and the CEO.

With regard to **remuneration**, the NRC:

- regularly reviews the policies that govern the remuneration of Non-executives on the one hand and of the Executive Managers on the other, with a view to recommending changes where necessary. The regular review of the remuneration policy for Executive Managers takes into account the recommendations given by a leading international firm of remuneration and benefits consultants;
- each year reviews the remuneration of the Executive Managers and makes recommendations to the Board;

IV.2.3. Membership

The NRC is currently composed of four Non-Executive Board members, all of whom are independent. The NRC is chaired by the Chairman of the Board. Its Members are designated by the Board, following a proposal by the Chairman, after consulting such persons as he deems appropriate. It is standard practice that the Chairman invites the CEO and the Deputy CEO to attend the meetings of the NRC. The CEO is always present when matters relating to Group Executive Committee members are discussed.

IV.2.4. Meetings

The regular meeting schedule of the NRC plans for at least three meetings each year. Other meetings are convened as required, at the request of the Chairman or, after consulting the Chairman, of any NRC member or the CEO.

IV.3. Terms of Reference of the Risk and Capital Committee

The Standing Rules applicable to all Fortis Board Committees, as set out above, apply in full to the Risk and Capital Committee (RCC), taking into account the following.

IV.3.1. Role

The role of the RCC is to assist the Board (i) in understanding the risks run by Fortis that are typically inherent in banking and insurance activities, (ii) in overseeing the framework for the proper management of these risks and (iii) in ensuring the adequacy of Fortis capital in relation to said risks and to the risks inherent in the operations as a whole.

IV.3.2. Responsibilities

The RCC:

- approves the risk governance framework within Fortis, including the organisational structure of the risk management function, and its major procedures;
- acquires a thorough understanding of the risks to which Fortis is exposed in the areas of investment risk, insurance risk and operational risk, as defined in the Fortis risk taxonomy, and of the way these are measured and managed within Fortis;
- monitors the evolution of economic capital of each of the Fortis businesses and of Fortis as a whole, as well as the evolution of Fortis solvency;
- makes recommendations to the Board on:
 - the target risk profile of Fortis, translated into target credit rating, target economic capital and target solvency;
 - major policies that impact the Fortis risk profile (e.g. asset mix of investment portfolios, sector exposures);
 - major proposed financing transactions or any financing programme to be entered into by the Parent Companies or requiring their guarantee.
- advises the Board on the solvency or capital allocation implications of major proposed strategic initiatives, including mergers, alliances, acquisitions or divestitures;
- deals with other risk-related topics that the Committee deems appropriate from time to time.

In addition, the RCC:

- reviews the disclosures on risk management and on the activities of the RCC in the Annual Report;
- performs such tasks related to risk management as the Board or the Chairman may require.

With a view to fulfilling these responsibilities, the RCC has access to any and all risk-related information it might require, subject to legal requirements.

IV.3.3. Membership

The RCC is currently made up of four Non-Executive Board members, all of whom are independent. The RCC Chair and members are designated by the Board based on a proposal by the Chairman of the Board, after consulting the Nomination and Remuneration Committee. It is standard practice that the Chairman invites the CEO and the Deputy CEO to attend the meetings of the RCC.

IV.3.4. Meetings

The regular schedule of RCC meetings provides for at least three meetings per year. Other meetings may be convened as required, at the request of the RCC Chair, or, after consulting the RCC Chair, at the request of the Chairman of the Board, any RCC Member or the CEO.

IV.4. Terms of Reference of the Audit Committee

The Standing Rules applicable to all Board Committees, as set out above, apply in full to the Audit Committee (AC), while taking the following into account.

IV.4.1. Role

The role of the AC is to assist the Board in fulfilling its supervision and monitoring responsibilities in respect of internal control in the broadest sense within Fortis, including internal control over financial reporting.

IV.4.2. Responsibilities

The AC monitors:

- the integrity of financial statements and of any written, official, external communication relating to Fortis's financial performance. This includes the consistent application of accounting principles (and changes to these) and the quality of internal control over financial reporting;
- the performance of the external audit process: the AC oversees the work performed by the external auditors, reviews their audit plan, formally evaluates their performance at least once every three years against stated criteria and makes recommendations to the Board regarding the appointment or reappointment, mandate renewal and remuneration. The AC also monitors adherence to the policy on the independence of external auditors, adopted by the Board, including the correct implementation of the pre-approval procedure for non-audit services;
- the performance of the internal audit process: the AC oversees the work performed by Fortis Audit Services and approves the annual audit plan, including focal-point audit assignments, scope and audit budget. It initiates an external quality assessment at least once every five years and endorses the appointment or dismissal of the General Auditor;

- the performance of the internal control system in general, and in particular of the risk management system and the processes for monitoring compliance with legislation, regulations and the Fortis Principles of Business Conduct. The AC also regularly reviews the effectiveness of the Fortis Internal Alert System. The Audit Committee endorses the appointment or dismissal of the Compliance Officer;
- the effectiveness of the AC's governance. This includes overseeing the implementation and periodically reviewing the rules governing the creation, composition and functioning of Audit Committees at Fortis operating companies, taking into account specific legislation and regulations applicable to the entities concerned and their relations with the AC.

In addition, the AC:

- reviews the disclosures on internal control and Audit Committee activities in the Annual Report;
- performs such tasks related to internal control, internal or external audit as the Board or the Chairman may require.

IV. 4.3. Membership

The AC is currently made up of four Non-Executive Board members, all of whom are independent. Its Chair and Members are appointed by the Board based on a proposal by the Chairman of the Board, after consulting the NRC. It is standard practice for the AC Chair to invite the CEO and the Deputy CEO to attend the meetings of the AC.

IV.4.4. Meetings

The AC schedules at least five regular meetings each year. Other meetings may be convened as required, at the request of the AC Chair or, after consulting the AC Chair, at the request of the Chairman of the Board, any AC Member, the CEO, the General Auditor, the Compliance Officer or the external auditor(s).

Part V:

Fortis Executive Management – Terms of Reference

Introduction

The role of the Executive Management is to run Fortis in keeping with the values, strategies, policies, plans and budgets endorsed by the Board.

In exercising this role, the Executive Management is responsible for complying with all relevant legislation and regulations, and specifically with the legal and regulatory framework applicable to each company within Fortis.

The Fortis Executive Management is composed of the CEO and the Group Executive Committee. In these terms of reference and in accordance with the provisions of the Articles of Association, the Board has determined the responsibilities, powers and duties of the CEO and, upon proposal by the CEO, those of the Group Executive Committee.

V.1. Chief Executive Officer (CEO)

V.1.1. Responsibilities

The responsibilities of the CEO are:

- to be the top executive of Fortis, by:
 - clearly communicating and embodying the Fortis values, thus setting the ‘tone at the top’ and inspiring the behaviour of Fortis’s management and staff;
 - studying, defining and proposing to the Board the strategic options and proposals that may contribute to the development of Fortis and implementing Board decisions;
 - chairing, organising and leading the Group Executive Committee, proposing to the Board its composition, its powers and duties, and being accountable to the Board for its performance;
 - giving direction, support and guidance to the members of the Group Executive Committee in the performance of their individual responsibilities as determined by the CEO;
 - setting the objectives for the members of the Group Executive Committee, evaluating their performance and making proposals for their remuneration;
 - acting as the main spokesperson for Fortis towards the outside world.

- to enable the Board and the Chairman to exercise their responsibilities, by:
 - maintaining continuous interaction and dialogue and a climate of respect, trust and candour with the Board;
 - submitting to the Board or Board Committees proposals for matters reserved for Board decisions, carrying ultimate accountability for such proposals (see III.1.2.);
 - providing the Board with all information which is relevant to the exercise of its powers and duties, and reporting on a regular basis to the Board on the key initiatives and decisions which the CEO and the Group Executive Committee have taken in discharging their responsibilities;
 - meeting the Chairman on a regular basis, involving him from the outset in the strategic initiatives and discussing with him all relevant issues and, specifically, the items to be put on Board and Board Committees meetings agendas.
- to ensure the day-to-day management of the Parent Companies and Group Holding Companies and the exercise of other powers and duties entrusted by the Board in specific matters.

V.1.2. Authority

Without prejudice to its own powers and duties, the Board vests the CEO with the authority that is adequate and necessary to the proper exercise of his duties and responsibilities. The CEO is accountable to the Board for discharging the duties and responsibilities entrusted to him.

The authority of the CEO stems from a combination of formal authority and personal influence, which is based upon his position as Chairman of the Board of Directors or statutory supervisory bodies of the main Group Companies.

The Parent Companies and the Group Holding Companies are duly represented by the CEO, acting alone, for all matters relating to day-to-day management, or pursuant to any specific mandate granted by the Board. The CEO has the authority to sub-delegate his powers of representation.

V.1.3. Appointment and terms of office

V.1.3.1. Appointment

The General Meetings of Shareholders appoint as Board member the person to be designated CEO by the Board. The Board proposes his appointment, supported by a recommendation from the Nomination and Remuneration Committee (see IV.2.2.).

V.1.3.2. Term of Office

Board members are typically appointed to the Board for a three-year term but with a maximum of four years.

The standard age limit for an Executive Board member is 60. The Board may grant exceptions to this rule, without, however, extending the age limit beyond the end of the calendar month in which the Board member reaches their 65th birthday.

V.1.4. Remuneration and performance evaluation

V.1.4.1. Remuneration

The remuneration of the CEO is decided by the Board based on recommendations made by the Nomination and Remuneration Committee. The Chairman makes proposals to the Nomination and Remuneration Committee, established in accordance with the Remuneration Policy for Fortis Board members and Executive Managers. (See the Board's Terms of Reference, Appendix 3).

V.1.4.2. Performance evaluation

Each year, based on proposals made by the Chairman, the Nomination and Remuneration Committee sets the objectives the CEO is to meet in the year ahead and evaluates his performance in the preceding year. This performance evaluation is part of the procedure for determining the performance-linked part of his annual remuneration.

V.2. Group Executive Committee

V.2.1. Responsibilities

Based on a proposal made by the CEO, the Board has defined the responsibilities of the Group Executive Committee as follows.

The Group Executive Committee is responsible for:

- studying, defining and preparing, under the leadership of the CEO, the strategic options and proposals that may contribute to the development of Fortis. This responsibility includes, among other things:
 - strategic planning: analysing the strategies, business plans and budgets submitted by the Businesses of Fortis and developing a Fortis plan and budget for proposal to, discussion with and approval by the Board;
 - organisation: organising Fortis's activities into Businesses consistent with Fortis's strategy and recommending changes when necessary;
 - external development: making recommendations to the Board for the entering into, revision or termination of any alliance, spin-offs or mergers, investments, acquisitions and divestitures, involving the undertaking of the Parent Companies or involving an amount exceeding EUR 100 million, or, regardless of the amount, any transaction which in the judgement of the CEO should be decided by the Board because of the nature or importance of the risks involved (see III.1.2.).
- developing proposals for Fortis policies to be submitted for Board approval and implementing such policies, which include, among other things:
 - Financial management: financial strategy policies, including funding and solvency matters;
 - Risk management: policies related to Fortis's risk profile;
 - Business conduct: key policies on private investments, general business conduct, etc;
 - any other matter for which the Board or the CEO consider that the Board should set a Fortis policy.
- under the leadership of the CEO, ensuring the management of Fortis by:
 - developing and implementing Fortis policies that the CEO defines as falling within the Group Executive Committee's remit;
 - giving direction, guidance and support to Fortis companies and businesses, with due respect for the legal and regulatory framework applicable to each company within Fortis;
 - in accordance with rules and procedures determined by the Group Executive Committee, approving or deciding the entering into, revision or termination of any alliance, spin-offs or mergers, investments, acquisitions and divestitures, which are not reserved to the Board (see III.1.2.);
- monitoring:
 - performance – both the Businesses' and Fortis's – as against strategic goals, plans and budgets;
 - compliance with prevailing legislation, regulations and Fortis policies and standards.
- managing and organising the Fortis support functions covering matters such as:
 - Human resources: managing Fortis's senior executives and implementing group-wide human resources strategy, policies and standards;
 - Legal, Compliance and Tax matters;
 - Rsk management: managing the different risks within the framework of the risk policies. This includes setting up risk management systems and internal controls;
 - Reporting: preparing the Fortis consolidated external financial statements, as well as other financial and non-financial group-wide external reports and management information;
 - Internal and external communication, and investor relations;
 - Internal audit and the preparation of the nomination of the external auditors.
- assisting the CEO in the day-do-day management of the Parent Companies and Group Holding Companies and in fulfilling his other responsibilities;
- exercising other powers and duties entrusted by the Board in specific matters determined by the Board upon proposal by the CEO.

V.2.2. Authority

The Group Executive Committee authority and power is shared amongst its members. They are accountable to the CEO on all matters entrusted to the Group Executive Committee, the CEO being accountable to the Board for the proper performance by the Group Executive Committee of its powers and duties.

The Group Executive Committee members operate through a combination of formal authority and personal influence in the management of Fortis, as Chairman or Member of the Board of Directors, Supervisory Board and/or statutory management bodies of the main Group Companies.

V. 2.3. Composition, structure and organisation

V.2.3.1. Composition and Appointment of the members

The Group Executive Committee consists of the CEO and members entrusted with executive management functions within Fortis.

The Board, based on a proposal made by the CEO in consultation with the Chairman, and supported by the Nomination and Remuneration Committee, appoints the Group Executive Committee members and designates the Deputy CEO.

V.2.3.2. Structure

While the Group Executive Committee acts as a team, each member of the Group Executive Committee has specific responsibilities. The CEO heads the team. The Deputy CEO assists the CEO in all daily matters, serves as an alternate to the CEO on the Group Executive Committee meetings and generally deputises for the CEO whenever the latter is absent. Next to these responsibilities, the Deputy CEO is also responsible for Human Resources.

The Group Executive Committee also includes the CEOs of the businesses (Retail Banking, Merchant Banking, Private Banking & Asset Management and Insurance), the Chief Finance, Risk and General Counsel and the Chief Operating Officer.

V.2.3.3. Organisation

The CEO leads the Group Executive Committee Organisation and ensures its organisation and proper functioning. A secretary, irrespective of whether or not he or she is the Company Secretary, assists the CEO with the organisation and functioning of the Group Executive Committee.

In principle, the Group Executive Committee meets every two weeks. Additional meetings may be called at any time by the CEO or at the request of two members. In order for a Group Executive Committee meeting to be valid, at least half of the members must be present or represented.

Meetings are chaired by the CEO or, in his absence, by the Deputy CEO. Minutes are taken at every Group Executive Committee meeting.

V.2.4. Remuneration and performance evaluation

V.2.4.1. Remuneration

The remuneration of the Members of the Group Executive Committee is decided by the Board based on recommendations made by the Nomination and Remuneration Committee. The CEO, in consultation with the Chairman, makes proposals to the Committee. These proposals are established in accordance with the Remuneration Policy for Fortis Executive Managers. The Remuneration Policy is described in the attachments to the Board's Terms of Reference (see the Board's Terms of Reference, Appendix 3).

V.2.4.2. Performance evaluation

The Group Executive Committee regularly reviews and assesses its own performance. The CEO discusses the outcome of such assessment with the Chairman, who reports, with the CEO, to the Board.

Based on proposals made by the CEO and discussed with the Chairman, the Nomination and Remuneration Committee each year sets the objectives that the members of the Group Executive Committee are to meet in the year ahead and evaluates their performance in the preceding year. This performance evaluation is part of the procedure for Executive Management succession planning and part of the procedure for determining the performance-related part of their remuneration.

V.2.5. Conduct guidance

The Conduct Guidance, as outlined above in the Terms of Reference of the Board under III.5.1. (Applicability of General Conduct Policies at Fortis), III.5.2. (Service Arrangements) and III.5.3. (Conflicts of Interest) equally applies, with the necessary changes, to the members of the Group Executive Committee. Group Executive Committee members are not allowed to serve on any board of any listed company other than a Fortis company, in either an executive or non-executive capacity, unless explicitly approved by the Fortis Board.

Part VI:

Fortis Supervision

VI.1. Regulatory Supervision

The regulatory framework within which Fortis operates is based on Fortis's status as a company providing diverse financial services, active in banking and insurance, and on its status as a company that has issued publicly listed securities.

Supervision is organised on the basis of Fortis's legal structure and takes into account the respective competences of the supervisory authorities involved.

VI.1.1. Prudential Supervision of Fortis

- As providers of banking and insurance services, all companies within Fortis are subject to prudential supervision by the national supervisory bodies for banking or insurance in their domicile country.
- The 'banking pool', which comprises all legal entities under Fortis Bank, itself a Belgian legal entity, is supervised on a consolidated basis by the Belgian Banking, Finance and Insurance Commission (BFIC). There is no similar consolidated supervision at the insurance level.
- In addition to the above, Fortis is also subject to the supplementary supervision as prescribed in the EU directive on the supervision of financial conglomerates. Supplementary supervision covers such areas as the shareholding structure of the Parent Companies, the reliability of directors and management, the organisational structure of Fortis, its investment policy, risk concentration and intra-group activities. Supplementary supervision is exercised jointly by the BFIC and the Dutch Central Bank (DNB), and is governed by their agreement 'Framework for the exercise of the supplementary supervision of Fortis dated 28 February 2002'. Under the terms of this document, the BFIC has been designated as coordinator.

VI.1.2. Supervision of Fortis as an issuer of listed securities

As an issuer of listed securities, Fortis is subject to the listing requirements of Euronext Brussels and Amsterdam and the Luxembourg Stock Exchange. In Belgium it is also subject to supervision by the BFIC, and in the Netherlands by the Authority for the Financial Markets (AFM).

VI.1.3. Market conduct supervision

In each of its customer markets, Fortis is also subject to supervision regarding the quality of its products and services and their compliance with codes of conduct and professionalism. In Belgium, for example, this market conduct supervision is carried out by the BFIC and in the Netherlands by the AFM. Likewise, in other countries, this role is assumed by local authorities.

VI.2. External Auditors

VI.2.1. External audit mandates

PricewaterhouseCoopers (PwC), Belgium and KPMG Accountants N.V., The Netherlands, are the auditors of Fortis SA/NV and of Fortis N.V. respectively. The General Meetings of shareholders appoint or re-appoint the auditors at three yearly intervals. The auditors are jointly responsible for auditing the financial statements of Fortis. In addition, they carry out joint reviews of the quarterly financial statements, which result in a quarterly review opinion.

With regard to Fortis Bank, PwC and KPMG Bedrijfsrevisoren Belgium act as joint external auditors. For all other operating Fortis companies worldwide, Fortis's policy is to have either PwC or KPMG acting as external auditors, subject to local legal requirements.

In addition to their normal duties as external auditors, the external auditors of banking and insurance entities often have a complementary role within the framework of prudential supervision. Under the Belgian regulatory system, for example, the external auditors of Fortis Bank are licensed and supervised by the BFIC. They report to the BFIC on a regular basis, and may carry out special duties on its behalf. Similar arrangements apply to the external auditors of Fortis Insurance Belgium, Fortis Insurance Netherlands and Fortis Bank Netherlands.

VI.2.2. Reporting by the External Auditors

The external auditors report directly to the Audit Committee. In principle, they attend each meeting of the Audit Committee in full. Once a year, when the year-end figures are discussed and approved, they also attend the Board meeting. In addition, the Lead Audit Partners may also have direct contact with the Board Chairman or the Audit Committee Chair, outside the formal meetings of the Board or Audit Committee.

Each quarter, the auditors produce as part of their quarterly review a report that contains a selection of comments that they wish to bring to the attention of the Audit Committee. This report may deal with any range of subjects, for example the application of accounting principles, control weaknesses within Fortis entities, legislative changes likely to affect Fortis, etc. The report is discussed in the Audit Committee and forwarded to the Board for information and comments.

VI.2.3. Supervision of External Auditors

The Audit Committee, on behalf of the Board, supervises the performance and independence of the external auditors. The auditors' performance is reviewed at least once every three years. With regard to independence, external auditors are required to comply with local legislation and regulations, as well as with International Audit Standards. In addition, they comply with the 'Fortis Policy on the Independence of External Audit Firms', which, among other things, provides for a seven-year rotation of the Lead Audit Partners, a strict procedure for the approval of non-audit services delivered by external auditors, and annual reporting on all aspects concerning independence. The Audit Committee monitors compliance with said Policy (see Appendix 4).

Appendices to the Fortis Governance Statement





Appendix 1

Glossary

Appendix 2

Principles of Business Conduct

Appendix 3

Fortis Policy on Private Investments

Appendix 4

Policy on the Independence of
External Audit Firms

Appendix 5

Fortis as an Institutional Investor

1. Glossary

ADR – American Depositary Receipt (see ADR Programme).

ADR Programme – A programme providing US investors with an opportunity to invest and trade domestically in non-US companies in US dollars.

Annual Report – The Annual Report of Fortis comprises the Financial Statements of Fortis as well as a descriptive document referred to as the Annual Review.

Articles of Association – The articles of association of one and/or both Parent Companies, as the case may be.

Board – See Fortis Board.

Board member – Member of the Fortis Board.

Board Committee – A committee set up within the Fortis Board.

Business Executive Committee – the (non-statutory) body, composed of representatives of businesses and support functions which reports to the Group Executive Committee and supports the Group Executive Committee in the execution of the strategy and policy for Fortis,

Chair – The person chairing a Board Committee.

Chairman – The chairman of the Board of Directors of the Parent Companies.

CEO – The chief executive officer of the Parent Companies.

Committee – See Board Committee.

Company – Either of the Parent Companies.

Company Secretary – The secretary of the Parent Companies and the Group Holding Companies

Compliance Officer – The Fortis officer who manages and monitors the company's compliance with legislation, regulations and the Fortis Principles of Business Conduct.

Core Equity – Total available capital at group level (based on the banking definition of Tier 1 capital).

Deputy Chairman – The deputy chairman of the Fortis Board.

Executive Board member – A Board member with management functions within Fortis.

Executive Management – The CEO and the Group Executive Committee.

Executive Manager – A Fortis officer who is an Executive Board member or a Group Executive Committee member.

Fortis – All companies jointly owned and/or controlled, directly or indirectly, by the Parent Companies, including the Parent Companies themselves.

Fortis Board – The Board of Directors of the Parent Companies.

Fortis Internal Alert System – Internal Fortis procedure whereby any Fortis employee can report certain practices which he or she considers wrongful – as defined by the procedure – with protection against reprisals.

Fortis Parent Structure – The two Parent Companies together with the two Group holding companies.

Fortis Principles of Business Conduct – The code that sets out the standards governing the relationship between Fortis employees and shareholders, customers, colleagues and the community.

Fortis Share – A sui generis security (also referred to as a 'unit' in the Articles of Association) comprising one ordinary share in Fortis SA/NV twinned with one ordinary share in Fortis N.V.

General Auditor – The Fortis officer who heads Fortis Audit Services, Fortis's internal audit department.

General Meetings of Shareholders – The general meetings of shareholders of one and/or both Parent Companies, as applicable.

Giro System – the book entry system as provided for under either (i) the Dutch Act on securities transfer by giro or(ii) the Belgian Royal Decree 62 of 10 November 1967.

Group Company – Any company that is part of Fortis and is not a parent company or a Group Holding Company.

Group Executive Committee – The committee comprising the CEO, who chairs it, other Executive Board member(s) if any, and others entrusted with management functions within Fortis.

Group Executive Committee member – Any member of the Group Executive Committee other than the CEO.

Group Holding Companies – Sub-holding companies which are directly owned by the Parent Companies and as such are part of the Fortis Parent Structure. Currently Fortis Brussels and Fortis Utrecht N.V.

Lead Audit Partner – The partner of the external audit firm who is responsible for signing off the consolidated financial statements.

Non-Executive Board member – A Board member without management responsibilities at Fortis.

Parent Companies – Either of the Fortis holding companies, currently Fortis SA/NV and Fortis N.V.

Standing Rules – The rules common to all Board Committees.

Terms of Reference (ToR) – The document that specifies the role, responsibilities and authority, as well as the composition and organisational structure of the Fortis Board and/or its individual Committees, and/or of the Group Executive Committee.

2. Principles of Business Conduct¹

Contents

Who are we, and what do we do?

A short description of our company

Fortis Vision

Our ambition and our values

Introduction to the Principles

Background to our Principles of Business Conduct

Fortis Principles of Business Conduct

- Relationships with our shareholders
- Relationships with our customers
- Internal relationships
- Relationships with intermediaries
- Relationships with communities
- Final remarks

Fortis: Who are we, and what do we do?

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

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

Fortis ranks among Europe's top 20 financial institutions, with a market capitalisation of EUR 39,7 billion (at 31 December 2007). With excellent solvency, a presence in over 50 countries and a dedicated, professional workforce of above 60,000, our company combines global strength with local flexibility.

Fortis is listed on the exchanges of Amsterdam, Brussels and Luxembourg and has a sponsored ADR programme in the United States.

¹ This internal Fortis document addresses Fortis staff worldwide and is intended to set minimum standards for the conduct of business.

Fortis Vision

In a more complex yet more convergent world, innovation, speed and agility will be as crucial as scale, track record and reach.

Fortis will stand out as a professional international financial services brand, recognised for its ability to deliver superior and sustainable stakeholder value by constantly anticipating and surpassing the needs of customers, investors, employees, partners and communities wherever we do business.

Introduction to the Principles

Safeguarding our reputation: vitally important

The Fortis Principles of Business Conduct have been developed with the aim of safeguarding our reputation as a reliable business partner that lives up to its core values. The Principles are intended to provide guidance to our actions and decisions, and they reflect the mindset and attitude expected in our company.

Global principles requiring local application

The Principles of Business Conduct apply to employees of Fortis all over the world, whether they work in banking, insurance, investment or any another activity. It is important that every Fortis employee adheres to these Principles. Their application guarantees the business excellence Fortis wishes to achieve.

The Principles are broad and of a general nature and provide the minimum standard. Needless to say, stricter or more specific regulations and standards which apply in countries where a Fortis company is active must also be observed.

Our objectives and our stakeholders

As a listed company, our primary objective is to create sustainable economic value for our shareholders. We can achieve this only if we serve the interests of all our stakeholders. The most important thing is that we meet – or rather exceed – the expectations of our customers. In doing so, we will benefit those who profit from the success of our company, including our employees, intermediaries, suppliers and the communities we are part of.

Being what we claim to be

We have to live up to our promise at all times: being solid, trustworthy partners who offer flexible solutions to our customers. People judge us by what we do, rather than by what we claim to be. The reputation we have built up over the past few decades can be destroyed in a single day. The highest degree of integrity is therefore expected from us all.

Questions and internal dialogue

Everyone should be able to consult a colleague if in doubt about how to apply the Principles in a specific case. Individual Fortis companies have their own structures and procedures for dealing with questions related to the Principles that come up in day-to-day practice. The first step might be to discuss questions with direct superiors.

Furthermore, Fortis companies have designated officers to promote the application of the Principles of Business Conduct, e.g. Compliance Officers, Human Resources Managers or Ombudsmen. These officers have the authority and capacity to provide support in individual cases.

Anyone at a Fortis company with a question or remark related to the Principles which is not limited to a specific case and might be relevant to other situations, now or in the future, should be able to enter into an internal Fortis-wide dialogue.

Fortis Principles of Business Conduct

Relationships with our shareholders

Added value

We aim to provide sustainable economic value for Fortis shareholders.

Corporate governance

We subscribe to and apply principles of good corporate governance. We strive for an effective and transparent management structure, with an adequate division between Executive and Non-executive responsibilities.

We provide our shareholders with the information they need to make their investment decisions and exercise their rights. This particularly concerns financial information and other relevant information of a strategic nature. We set clear financial goals and communicate these to our shareholders.

Equal rights

We respect the equal rights of our shareholders.

Relationships with our customers

Innovative solutions for our customers

We strive for better and more distinctive solutions that meet our customers' needs and that help them to maintain and enhance their financial well-being.

Caring, straightforward and fair communications with our customers

Communications with our customers are straightforward and fair. We only advise products and services that are suitable to their needs and resources. This means that we shall seek insight into these needs and resources as appropriate. We provide customers with the information they need to make an informed decision. Advertisements and other marketing material contain relevant and comprehensible information and do not create unjustified expectations.

Dispelling dissatisfaction

Caring also means that we give dissatisfied customers ample attention. If complaints do occur, we make every effort to dispel the dissatisfaction and take measures to prevent the same complaint arising again.

Confidentiality of customer information

At Fortis we treat information related to customers with a high degree of confidentiality. Such information will only be used and given to third parties for providing the services the customer expects from us and for other purposes that have been clearly stated. Such information will not be used or given to third parties for anything else, unless legislation or equivalent regulations require us to do so. It is important that we observe the legislation and regulations on the protection of privacy, both in letter and in spirit.

Transparent prices

At all times we are clear and straightforward with our customers on the prices of our products and services. We do not grant personal benefits, such as gifts, entertainment or services, to customers or their representatives with the aim of acquiring business if we would not accept such benefits ourselves on the basis of these Principles (see below under 'Separation of business and private interests'). All current charges, rates and other terms and conditions of our products and services are properly reflected in any business documents that are available to company officers for inspection.

Customer acceptance

We value an impeccable reputation as a trustworthy financial services company. Therefore we do not enter into relationships with individuals or organisations engaged in or suspected of illegal or unethical activities. New customers are accepted with due care. We protect our organisation against abuse by criminal organisations or individuals. We adhere to the legislation and regulations on money laundering, both in letter and in spirit. Furthermore, we pursue an active anti-fraud and anti-money laundering policy.

Internal relationships

Respect, openness and cooperation

Fortis core values are equally applicable to the relationship between our company and its employees and to the relationships between colleagues. Respect, openness and cooperation should be characteristics of these relationships. One of the main characteristics of our relationship as colleagues is that we share our knowledge and exchange best practices.

Motivating working conditions

Fortis aims to be a dependable and inspiring employer to those who make a real effort to contribute to our values, goals and achievements. The Fortis culture and structure aim to foster our employees' commitment to the company. We provide working conditions that motivate Fortis employees to be high performers. This not only implies adequate remuneration, but also good opportunities for personal development, including training facilities and attention to creating a good work-life balance. We always provide a safe and healthy working environment. Fortis encourages all employees to exercise their rights concerning employee participation. The statutory representations of employees (such as works councils and unions) play an important role in the open and straightforward dialogue that Fortis wishes to maintain.

Human dignity

Each and every person in our organisation should be treated with dignity and respect. We do not tolerate discrimination based on personal characteristics such as sex, race, colour, religion, political opinion, sexual orientation or physical abilities, nor do we tolerate harassment.

Confidentiality of employee information

Fortis companies treat personal information related to individual employees with a high degree of confidentiality. This information will not be provided to third parties, except for purposes that have been clearly stated, unless legislation or equivalent regulations require us to do so. We observe the legislation and regulations on the protection of privacy, both in letter and in spirit.

Use of confidential information on our company or third parties and private transactions

Confidential information, whether it relates to a Fortis company or to a third party, will only be used for the purpose it has been provided for, by authorised staff. We will not use such information for personal benefit, and even the appearance of misuse should be avoided at all times. This information will only be passed on to others if required for a proper execution of our tasks.

The previous paragraph also means that insider trading is not accepted. In other words, we do not engage in private investment transactions if we are in possession of non-public, price-sensitive information related to the investment, nor do we advise others on such transactions.

Separation of business and private interests

Business interests should be strictly separated from private interests. Conflicts of private and business interests and the appearance of such conflicts are to be avoided.

Conflicts of interest can arise in many different ways. An example is if a Fortis employee involved on behalf of a Fortis company is in negotiations concerning a contractual relationship with a company in which that employee has a personal interest exceeding an ordinary investment. A conflict of interest may also arise if an employee accepts some personal benefit that may adversely affect their judgement on behalf of the company, or that may cause them to act differently than they would without the receipt of such a benefit, or that might otherwise damage Fortis's reputation. Benefits may include payments, gifts, entertainment, services, loans or the promise of future benefits. Acceptance of the conventional courtesies of business life, such as gifts of insignificant value or customary social entertainment, is allowed as long as they do not potentially affect the employee's judgement or cause them to act differently, as described above.

Company property and company relationships are used for business purposes only, and never for personal benefit. Unpublicised information on the company to which employees have access belongs to the company. We fully respect the rights of third parties, for example copyright on software.

Additional activities

Paid or unpaid professional responsibilities, other than those that come under the employment contract with Fortis, will only be assumed on the basis of an additional agreement with the employer.

Relationships with intermediaries**Co-responsibility**

Our relationships with intermediaries – brokers and, in a broader sense, individuals and organisations using our brand and/or selling our products and services but who are not employed by Fortis – are governed by the same principles as our other relationships.

Intermediaries may expect a fair remuneration and professional support from us. We, in turn, require from them that they act in line with our standards of business conduct and accept co-responsibility for building and maintaining our reputation.

Selection

With this co-responsibility in mind, we select our intermediaries with due care. If intermediaries do not observe the Fortis business principles, we will no longer work with them.

Relationships with our communities**Our communities**

Fortis is part of the communities in which it is active. We are able to operate by virtue of the economic, legal and social infrastructures of our societies. We benefit from these infrastructures while at the same time contributing to their existence. We have earned the right to provide financial services. At the same time, we recognise that participation in our communities brings responsibilities as well. We participate in our communities while taking into account their sustainable development.

Our employees are encouraged to participate in their local communities, for example as volunteers.

Respect for human rights

We are of the opinion that respect for human rights, as described in the Universal Declaration of Human Rights of the United Nations of 1948, is a condition for maintaining a sustainable society. We apply the relevant human rights principles in our relationships with employees and we acknowledge our responsibility to promote the application of human rights whenever we, as a private enterprise, are in the position to make a meaningful contribution to this cause.

Governments and regulators

Our relationships with representatives of the governments in the countries where we operate, such as external regulators, are based on respect, professionalism and trust. Bribery in any form is not tolerated.

Fair competition

We strive to be our customers' preferred supplier of financial services by being solid partners and offering flexible solutions. Providing the right products and services and acting in line with our values will give us a favourable and reputable position in our highly competitive marketplace. We do not engage in unfair practices as regards our competitors or markets.

Concern for the environment

We recognise the need to protect the environment. We carefully manage our use of natural resources such as energy and water, and we practice environmentally conscious waste management.

Final remarks

Fortis's reputation as a trustworthy partner is an asset of great importance, one which should be maintained and enhanced by proper business conduct. We expect all our employees, from the highest to the lowest level, to adhere to and properly observe these Principles of Business Conduct, in letter and in spirit. Moreover, we expect from managers exemplary behaviour and that they actively motivate their subordinates to observe the Principles at all times. Fortis companies will react effectively should cases of negligence or violation of these Principles nevertheless occur.

3. Fortis Policy on Private Investments

This document describes the Fortis policy on private investments¹ made by its Board members, Executive Managers, officers and employees, as approved by the Fortis Board of Directors.

The current policy document aims to impose a set of minimum standards which apply throughout all of the Fortis offices and subsidiaries worldwide, insofar as local legislation allow. These standards are translated into detailed rules and procedures applying either to (a) specific officers or groups of officers or employees, or (b) specific legal entities.

Fortis is committed to introducing appropriate procedures and other measures to monitor compliance with said policies, rules and procedures.

Principle 1

Each Fortis Board member, Executive Manager, officer or employee may make a private investment in any security, provided that such investment:

- (A) is in no way linked, nor potentially perceived to be linked, to inside information² available from any source whatsoever. It should be noted that this principle applies to securities issued by Fortis as well as to securities issued by other institutions;
- (B) is in no way linked, nor potentially perceived to be linked, to securities transactions that a Fortis company performs or commissions. Accordingly, it is not permitted to engage in any private transaction in response to, or in advance of, a securities order by Fortis of which the Fortis Board member, Executive Manager, officer or employee is aware;
- (C) does not constitute, nor could appear to constitute, a conflict of business and private interests;
- (D) could not be perceived as an excessive or highly speculative transaction, nor considered to be market manipulation;³
- (E) has not been designated by the Fortis Board or the Central Compliance Officer as a security in which private investments are not allowed.

2 Information of a precise nature which has not been made public and relating, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

3 Market manipulation means (i) transactions or orders to trade which give, or are likely to give, false or misleading signals as to the supply of, demand for or price of financial instruments, or which secure, by a person, or persons acting in collaboration, the price of one or several financial instruments at an abnormal or artificial level; (ii) transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance; (iii) dissemination of information through the media, including the Internet, or by any other means, which gives, or is likely to give, false or misleading signals as to financial instruments.

1 To acquire or dispose of, or the attempt to acquire or dispose of, financial instruments to which that information relates, for one's own account or for the account of a third party, either directly or indirectly.

Principle 2

All Board members, Executive Managers, officers and employees shall refrain from:

- (A) disclosing inside information – from any business source whatsoever and whether it relates to a Fortis company or to a third party – to others; and/or
- (B) recommending others to engage in a private investment transaction, based on such information;

unless such disclosure or recommendation is necessary for the proper execution of their professional duties.

The same prohibitions apply if the appearance is reasonably likely to be created that inside information is available.

Principle 3

Subject to the guidelines contained in Principle 1 and to the ‘closed periods’ during which private transactions in Fortis securities are not permitted, every Board member, Executive Manager, officer and employee may make private investments in Fortis securities. Their ownership of Fortis securities should constitute a long-term investment.

Principle 4

Fortis will implement and maintain processes and procedures as to fulfil the notification requirements, if any, for private securities transactions which are imposed by law (or are required by prevailing regulations or best practices) in every country where Fortis is present.

Fortis has a compliance function that promotes and monitors the application of the principles described above.

4. Policy on the Independence of External Audit Firms

This document describes Fortis's policy regarding the independence of its external audit firms, recommended by the Fortis Audit Committee and approved by the Fortis Board of Directors. Each year, the Fortis Audit Committee formally evaluates the independence of its external audit firms, documents its position on this matter, and reports to the Board of Directors. When reporting to the Board of Directors, the Fortis Audit Committee also recommends changes to the policy where necessary.

It should be noted that Fortis requires its external audit firms to comply with International Standards on Auditing (ISA), including the standards on independence contained therein. In addition, Fortis's external audit firms are subject to local statutory independence requirements. The current policy document should be regarded as the minimum standards for independence to which Fortis commits itself on a voluntary basis, and which may be more stringent than local independence legislation.

General policy

Fortis, its parent companies and all of its majority-owned legal entities maintain a strict policy of avoiding, both in fact and in appearance, any conflict of interest when using the services of external audit firms.

This policy is guided by the following principles:

- The external audit firm is not involved in the decision-making process at Fortis.
- The external audit firm assures that no direct or indirect financial, business, employment or other relationship exists which would cause an objective, reasonable and informed third party to conclude that the external audit firms' independence has been compromised.

In line with the European Commission Recommendation¹ implemented in Belgium and the Netherlands, Fortis and Fortis directors and officers shall refrain from entering into any financial or business relationship with Fortis's external audit firms, their partners or employees which could, or could be seen to:

- create a conflict of interest

- place the external auditor in a position to audit their own work
 - result in the external auditor acting as a Fortis manager or Fortis employee
 - place the external auditor in the role of advocate for Fortis.
- Fortis also recognises that its relationship with external audit firms must be managed in a consistent and transparent manner, and is committed to defining clear roles, responsibilities and processes in order to achieve this.

Services provided

In accordance with the policy referred to above, the external audit firms of Fortis are entitled to provide the following services:

Audit services

Audit services are services that provide assurance on the fair presentation of financial statements and encompass the following specific services:

- Issuing an audit opinion on Fortis's consolidated financial statements
- Issuing an audit opinion on the statutory financial statements of the holding company and its subsidiaries, where legally required
- Issuing a review opinion on interim financial statements
- In general: issuing any opinion assigned to the statutory auditor by local legislation or regulations.

Audit-related services

Audit-related services are assurance services or other work that is reasonably related to performing the audit and review of Fortis's financial statements. Audit-related services result in a certification, a specific opinion, a report or an investigation and can be characterised as non-recurring. These services include the following:

- Due diligence services pertaining to potential business acquisitions/dispositions;
- Accounting consultations related to accounting, financial reporting or disclosure matters not classified as 'audit services';
- Assistance with understanding and implementing new accounting and financial reporting guidance from rule-making authorities;
- Financial audits of employee benefit plans;

¹ Commission Recommendation of 16/5/2002, Statutory Auditors' Independence in the EU: A Set of Fundamental Principles.

- Established or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters;
- Consultations regarding internal control reporting requirements;
- Opinions/audit reports on information provided by Fortis at the request of a third party (prospectus, comfort letters).

Non-audit services

The external audit firms are permitted to provide Fortis with any non-audit service that is not otherwise prohibited (as outlined below).

Permitted non-audit services include:

a. Tax services such as tax compliance, tax planning and tax advisory services including advice on transfer pricing

Tax compliance generally involves preparation of original and amended tax returns, claims for refund and tax payment planning services. Tax planning and advice encompasses a diverse range of services, including assistance with tax audits and appeals, tax advice related to mergers and acquisitions, employee benefit plans and requests for rulings or technical advice from the tax authorities. In no event shall the auditors negotiate with the tax authorities on behalf of Fortis.

b. Consulting services

Under the Fortis Policy on the Independence of External Audit Firms, external audit firms may not provide services which could violate the basic principles of independence referred to above. This implies that the following categories of services are prohibited (Fortis colleagues can consult the appendix for more details):

1. Bookkeeping or other services related to the accounting records or financial statements of Fortis
2. Appraisal or valuation services or fairness opinions
3. Financial information systems design and implementation
4. Actuarial services
5. Internal audit outsourcing services
6. Management duties, executive recruiting and human resources services
7. Broker-dealer services, investment advisory or investment banking services
8. Legal and expert services
9. Forensic audit
10. Model validation
11. Commission and contingent fee arrangements
12. Tax services to any person who serves in a 'financial reporting oversight role' for the client or one of its major subsidiaries, with the exception of personal tax services at the request of Fortis
13. Tax services with the sole purpose of changing the taxable result or avoiding taxation, or tax treatment not endorsed by the tax authorities and related regulation
14. Any other service that by (local) regulation is illegal

In case of doubt, the final decision is taken by the General Auditor and communicated, together with the grounds on which it was taken, to the Audit Committee.

Pre-approval procedures

The Fortis Audit Committee delegates to the General Auditor the authority to pre-approve all non-audit services to be delivered by Fortis's statutory auditors up to an amount of EUR 500,000.

For amounts in excess of EUR 500,000 the Audit Committee chair takes the decision based on advice provided by the General Auditor, including the grounds on which the advice is based.

A tendering process is required for each non-audit service (or each group of interrelated non-audit services) which are anticipated to generate fees in excess of EUR 500,000, unless the General Auditor grants an exception.

The General Auditor reports all such approved non-audit services to the Audit Committee on a quarterly basis.

Rotation of key audit partners

Fortis requires its external audit firms to adhere to a rotation policy that achieves an appropriate balance between going concern (effectiveness and efficiency, e.g. audit costs), risk management, independence and credibility. This implies a rotation of the Lead Audit Partners after a maximum period of seven years. For the purpose of this policy, Lead Audit Partners are defined as the partners who take responsibility for signing off the auditors' opinion on the consolidated financial statements. Other key audit partners at parent company level or at the level of major subsidiaries also rotate after seven years.

Appointment of the external audit firms

External audit firms are appointed for a period of three years. On such occasion the Fortis Audit Committee assesses the performance of the external audit firms and advises the Board of Directors on the outcome of the assessment.

To obtain an objective measure against stated criteria, the external audit process is assessed on a yearly basis by means of a survey completed by Fortis senior management and Audit Committee members.

Every three years, the Board of Directors advises the General Meetings of Shareholders on the appointment or reappointment of external audit firms. The General Meetings of Shareholders must approve the appointment and reappointment of external audit firms.

Responsibility of external audit firms

The external audit firms each maintain a quality control system that provides reasonable assurance that their independence will not be impaired. They report annually to the Fortis Audit Committee on all aspects relevant to independence, including any possible conflicts, and how these have been dealt with.

The external audit firms confirm their independence in writing each year. Furthermore, the external audit firms report annually to the Fortis Audit Committee on their quality control systems for audit independence in general, and on the quality control measures for the independence of audits relating to Fortis in particular.

Hiring arrangements

To prevent a potential conflict of interest, Fortis and its external audit firms have agreed on a restricted hiring policy:

- Fortis shall not hire partners of its external audit firms who have been involved in the Fortis audits within the previous two financial years.
- The external audit firms shall not hire senior managers from Fortis to participate in Fortis audits within two years of the termination of their employment contract with Fortis.
- Fortis shall obtain prior approval from its external audit firms to hire members from their audit teams involved in the current audit of Fortis. The same applies to the external audit firms.

Communication

Fortis will publish this Policy on the Independence of External Audit Firms, as well as any changes thereto, on its website. In its annual report, Fortis will disclose the audit and non-audit fees incurred for professional services provided by its external audit firms during the reporting period. In this disclosure, the total fee charged by the external audit firm will be broken down into fees for audit services and for non-audit services, in accordance with the main categories.

This policy came into effect on 1 February 2004 and was last updated on 10 May 2007.

5. Fortis as an institutional investor

1. Introduction

Investment activities within Fortis are spread across a number of entities, referred to hereafter as ‘asset management units’. Investment activities take place either with respect to the assets managed on behalf of Fortis clients, banking clients and insurance policy holders, or with respect to proprietary funds.

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

2. Fortis policy on voting behaviour of Fortis asset management units

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

1. act in accordance with Fortis values and with general principles of business conduct applicable within Fortis, and with all specific rules and best practices applicable to institutional investors in the country or countries in which they do business;
2. communicate to the Company Secretary their voting policies;
3. communicate to the Company Secretary any major issue they anticipate in the annual or extraordinary shareholders meetings of Benelux companies where they cast their votes¹.

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

3. Illustration: Fortis Investments and Fortis Insurance Netherlands

Assets managed on behalf of Fortis clients

The bulk of assets managed on behalf of Fortis clients are managed by Fortis Investments. Fortis Investments views proxy voting – the exercise of voting rights – as an integral part of the investment process of an active asset manager. It started a proxy voting procedure for Belgian and Luxembourg funds in early 2003. Meanwhile, the scope of this procedure has been broadened to include the funds in other jurisdictions and institutional mandates. For a number of institutional customers, including internal Fortis customers such as Fortis Insurance Netherlands, voting mandates are in place and operational.

The Fortis Investments' voting procedure uses the services of a proxy voting service provider. This service provider scrutinises the agendas of shareholders' meetings worldwide, taking into account Fortis Investments' voting policy. It issues proxy voting recommendations through its web-based application for each item which could raise questions and delivers voting instructions to the custodian bank. The voting recommendations for sensitive issues prompt an internal analysis by a dedicated Fortis Investments team. A proxy voting committee ultimately decides whether or not to agree with the voting recommendation and whether or not to exercise the vote. Votes are normally exercised through a proxy at the shareholders' meeting. If there are sensitive items on the agenda, e.g. if the item receives excessive media attention, Fortis Investments may decide to have a delegate attend the shareholders' meeting in person.

Fortis Investments has procedures in place to deal with potential conflicts of interest. With respect to the votes on Fortis stock, these procedures provide that if an alert is received for the Fortis share, Fortis Investments will not execute the voting rights on behalf of its clients. Institutional and other clients of Fortis Investments may opt to execute voting rights at the Fortis shareholders' meeting themselves, without the interference of Fortis Investments.

Fortis Investments has not systematically published its voting records in the past, but is considering doing so in future.

Proprietary assets

With respect to proprietary assets, the voting procedures vary between companies.

Fortis Insurance Netherlands, which has a proprietary portfolio consisting of participating interests in a limited number of Dutch small-, mid- and large-cap companies, actively exercises its voting rights. The proxy voting procedure is similar in all respects to the one used by Fortis Investments: Fortis Insurance Netherlands also receives voting recommendations from a proxy voting service provider. These recommendations are discussed in a Voting Policy Committee, which decides on the exercise of the voting rights.

Voting practices of other insurance companies within Fortis are currently in the process of being reviewed and, as required, developed in line with the general Fortis guidelines as described above.

