

FORTIS SA/NV

Explanatory note on the proposed amendment to the articles of association

The proposed amendments to the articles of association of the two parent companies of the Fortis group, Fortis SA/NV in Belgium and Fortis N.V. in the Netherlands, are not all identical. This explanatory note refers to those amendments that are common to the two companies and the amendments specific to Fortis SA/NV.

Explanatory note

The proposed amendments to the articles of association, which appear on the agenda of the general meeting, have a fourfold objective:

1. to modify the composition and the powers of the main corporate bodies;
2. to simplify the articles of association, in particular by avoiding the textual reproduction of legal provisions;
3. to bring the articles of association of Fortis SA/NV and Fortis N.V. into line to the extent possible, in order to enhance the clarity for the shareholders;
4. to take into account the latest developments in the field of corporate governance.

1. Changes to the composition and powers of the main corporate bodies

The new articles 13 up to and inclusive 16 will keep unchanged the principle of the “one-tier board”, composed of non-executives and executives (*Remark: the current Articles of Association provide for only one executive member*). The current strict parity rules governing the composition of the board are deleted in the new Articles of Association. The new Articles of Association also provide for more flexibility for the governance of Fortis, notably, for the determination by the board of the additional responsibilities of the CEO and of the responsibilities of the Executive Committee.

Composition and role of the board of directors

- maximum of 17 members, non-executives or executives (*Remark: to allow an international composition of the board, whilst ensuring an optimum balance between the 2 national communities (NL/B), the current strict parity rules (A-B members) are deleted*).
- 1 chairman and 1 deputy chairman appointed by and from members board (*Remark: current Articles provide for 2 Chairmen and 2 deputy Chairmen. Related to strict parity rules which are to be deleted*).
- the board’s internal rules will specify inter alia the matters specifically reserved for the decision of the board and not to be delegated by it.
- the board shall maintain an audit committee and other committees, covering matters such as nominations, remuneration and risk management (*Remark: these committees already exist today. Unchanged*).

Management of the company:

- The board delegates the day-to-day management to the executive member named Chief Executive Officer (CEO) - unchanged.

- The CEO is in charge of studying, defining and submitting to the board strategic options that may contribute to the development of Fortis as well - unchanged.
- The CEO will also exercise other powers and duties delegated by the board
- The board will maintain the Executive Committee, composed of the CEO (chairman), other executive members of the board (if any) and executives of the Fortis group appointed by the board upon the CEO's proposal
(Remark: unchanged, provided that executive members to the board, if appointed in addition to the CEO, also will be members of the Executive Committee).
- The board will determine the powers and duties of the Executive Committee upon the CEO's proposal
(Remark: amendment allows other duties to be entrusted directly to the Executive Committee where appropriate, on top of the current tasks (i.e. rendering assistance to the CEO)
- The CEO is accountable to the board for the performance of powers and duties entrusted to the Executive Committee.

Representation

Fortis SA/NV will be duly represented by either:

- the board of directors
- two board members acting jointly
- the CEO acting solely, in the framework of the day-to-day management
- the CEO, and/or any other special attorneys, pursuant to any specific mandate
- any person, to who the CEO has subdelegated its representation powers

2. Simplification of the articles of association

The following provisions have been adapted or removed:

- ***Authorised capital:*** (Article 10 of the present articles of association, Article 9 of the new articles)

Reference is no longer made to the ban on use of the authorised capital in the event of a capital increase through a contribution in kind made by a shareholder holding more than 10% of the capital, this provision merely being a reiteration of Article 606 of the Companies Code.

- ***Capital reduction*** (Article 12 of the present articles of association)

The provisions concerning capital reduction have been removed insofar as they merely constituted a repetition of the Twinned Share principle.

- ***Notification of major shareholdings*** (Article 15 of the present articles of association, Article 27 of the new articles)

The obligation to give notification, in application of the law of 2 March 1989, is maintained in the event of 3% (or a multiple of 3%) of the company's capital being acquired or alienated, but the text no longer mentions the legal provisions relating to the notification procedure.

- **Control** (Article 23 of the present articles of association)

This provision concerning control has been removed, since it merely constitutes a repetition of the legal provisions.

- **General meetings** (Article 18 b) of the new articles of association; Article 24 of the present articles

Article 18 b) of the new articles of association allows any shareholder or group of shareholders holding 10% or more of the capital to request an extraordinary general meeting to be convened, whereas the Companies Code only grants this right to those holding at least a 20% stake. Moreover, the provisions relating to the deadlines for the convening of meetings (the present Article 24) and the adjournment of meetings (the present Article 24, para. 4) are no longer included.

- **Section Seven – General Provisions**

The miscellaneous provisions appearing in this final section of the current articles of association are removed, since two of them merely constitute a repetition of the law or the principles of common law, whilst the third is a transitional provision which is now outdated.

3. Harmonisation of the articles of association of Fortis SA/NV and of Fortis N.V.

The third objective of the proposed amendments to the articles of association is to bring the articles of Fortis SA/NV into line with those of Fortis N.V., insofar as is possible, in order to enhance the clarity for shareholders.

The structure of the two texts has been reviewed so that the same articles deal with the same subjects, and in the same terms, insofar as Belgian and Dutch legislations so allow.

Detailed comments on this subject are given in the agenda of the meeting.

4. Corporate Governance

The proposed amendments to the articles of association also aim to take into account the latest developments in the field of corporate governance.

The new Article 17 on the ordinary general meeting has been supplemented in order to take account of certain developments in the field of corporate governance, in particular in the Netherlands (Corporate Governance Code).

Two aspects deserve to be highlighted:

- In accordance with expected legal provisions or on the basis of recommendations made by corporate governance codes, the meeting may have to be consulted in the future on certain matters, such as the policy on directors' remuneration or major decisions affecting the identity of the company.
- Shareholders holding 1% of the company's capital or holding Units for a market value of EUR 50 million may put forward certain points for inclusion on the meeting's agenda.

5. Other amendments

Finally, the general meeting is called upon to decide on a few other amendments to the articles of association, such as mentioned in the agenda, of which the most important one is explained below.

Dividend in shares

The new Articles 5, 6 and 7 bring together all the provisions relating to the twinning of the Fortis SA/NV and Fortis N.V. shares. The principles of this twinning have not been altered, with the exception of the provisions of the new Article 5 b), however, which makes it possible to depart from the twinning principle in order to enable a dividend to be paid out in shares.