

**Explanatory note to the Agenda of the  
Ordinary and Extraordinary General Meetings of Shareholders of  
Fortis SA/NV on 28 April 2010**

This document contains explanations of most of the items on the agenda of the Ordinary and Extraordinary General Meetings of Shareholders of Fortis SA/NV to be held on 28 April 2010. It further clarifies whether an item is put to a vote by the General Meeting of Shareholders for approval or adoption or whether the item is only for discussion or information purposes.

As expected, the required quorum of 50% of the issued capital for the Extraordinary General Meeting of Shareholders of 12 April 2010 was not attained. The Extraordinary General Meeting of Shareholders convened to be held on 28 April 2010 will be able to validly deliberate and decide on items 7 and 8 of the agenda, regardless of the issued capital represented.

## **2 Annual Report and Accounts, Dividend and Discharge**

### **2.1 Annual report and accounts**

### **2.2 Dividend**

Fortis did not pay a dividend over the 2008 financial year, as the distributable reserves of Fortis SA/NV were exhausted as a result of the loss incurred over 2008. The rationale of the capital restructuring, and in particular of the second capital reduction, approved by the General Meeting of Shareholders of 28 April 2009 of Fortis SA/NV was to restore the dividend payment capacity.

The proposed dividend of EUR 0.08 per Fortis Unit over the 2009 financial year represents a pay-out ratio of approximately 41% of the net profits of the insurance operations of EUR 456 million. The proposed dividend is in line with Fortis's dividend policy, announced on 25 September 2009, of having a target dividend pay-out ratio of 40% to 50% of the net profit of the insurance operations. This dividend policy aims at allowing shareholders to benefit fully from the cash generative activities of Fortis while still being able to enjoy long-term value creation in growth markets.

The Board of Directors proposes to the Ordinary General Meeting of Shareholders to adopt a gross cash dividend of EUR 0.08 per Fortis Unit for the 2009 financial year.

This proposed resolution requires an absolute majority of the votes cast in order to be approved.

### **2.3 Discharge**

#### **2.3.1 Discharge of the members of the Board of Directors**

This year, departing from its tradition of proposing a collective vote on the discharge of directors, the Board of Directors exceptionally proposes to the shareholders to vote the discharge of the directors on an individual basis.

This will enable the shareholders to assess the actions of each director individually. The reason for opting for an individual vote on the discharge for the financial year 2009 is to be found in the high number of changes on the Board in 2009 and the resulting differences in the terms of appointment of the various directors (several directors having served less than 2 months on the Board of Fortis in 2009). It is also due to the fact that shareholders must vote, once again (but this time for the period between 1 January 2009 and 13 February 2009), the discharge of directors for whom an individual vote had been requested at the General Meeting of Shareholders of 28 April 2009.

In view of all these circumstances, the Board of Directors proposes to the Ordinary General Meeting of Shareholders to vote, on an individual basis, on the discharge of the directors relating to the financial year 2009.

The various proposed resolutions in relation to the discharge require an absolute majority of the votes cast in order to be approved.

Fortis intends to return to its tradition of proposing a collective discharge for the financial year ending on 31 December 2010.

#### **2.3.2 Discharge of the auditor**

The Board of Directors proposes to the Ordinary General Meeting of Shareholders to discharge the auditor, KPMG Réviseurs d'Entreprises/Bedrijfsrevisoren, for the performance of its duties in the financial year 2009.

This proposed resolution requires an absolute majority of the votes cast in order to be approved.

### **3 Corporate Governance**

This agenda item deals with information on Fortis's governance relating to the reference codes and the applicable provisions regarding corporate governance.

This agenda item is for information and discussion purposes only, and there is no vote on this item.

Since 2005, Belgian listed companies have to explain in their annual report the provisions of the Belgian Code on Corporate Governance that were not complied with during the year under review. Since 1 January 2009, the applicable reference code is the 2009 Belgian Code on Corporate Governance. Likewise, Dutch listed companies have been obliged since the beginning of the 2004 financial year to state in their annual reports that they apply the Frijns Code (which replaces the Tabaksblat Code) or to explain any deviations.

Notes on how Fortis applies both Codes can be found in the Corporate Governance section of the Fortis Annual Review 2009.

Fortis attaches great importance to sound corporate governance. On 9 March 2010, the Board of Directors approved a new version of the Fortis Governance Statement, henceforth called the Fortis Corporate Governance Charter. The purpose of the Board's review of the Fortis Governance Statement was to reflect Fortis's new status as an international insurance

group and to take into account new regulations and directives that were issued in the course of 2009 following the financial crisis of end of 2008 and 2009.

Set out below are, for information purposes only, the main differences between the 2008 version of the Fortis Governance Statement and the 2010 version of the Fortis Corporate Governance Charter:

- The name, composition and responsibilities of the various Board committees (i.e. now the Remuneration Committee, the Corporate Governance Committee and the Audit and Risk Committee) were reviewed by the Board of Directors. Each Board committee is composed of independent non-executive directors and has a minimum of three and a maximum of five members. In view of the strengthening of the corporate governance model, it was decided to establish a Corporate Governance Committee to promote the highest standards of governance, in keeping with the expectations of all Fortis's stakeholders. The stand-alone Risk & Capital Committee was abolished. Risk issues are now addressed by the Audit and Risk Committee, while capital management matters are directly addressed by the Board of Directors. The responsibilities of the former Nomination and Remuneration Committee are now carried out, as the case may be, by the Remuneration Committee and by the Corporate Governance Committee. The nominations process is no longer the responsibility of the Remuneration Committee, but is covered by the Corporate Governance Committee. The remuneration of executive and non-executive directors and executive management is handled by the Remuneration Committee. The Board of Directors also decided to establish two temporary task forces to deal with the legacy issues of the old Fortis. One task force covers the financial aspects, the other the legal aspects. They are both made up of non-executive independent directors and report directly to the Board.
- The role of the Corporate Governance Committee is to help the Board of Directors (i) develop a more proactive and transparent dialogue with shareholders, (ii) ensure that corporate governance practices are fully compliant with relevant laws and regulations and reflect the importance attached by the Board to the proper fulfilment of its fiduciary tasks and (iii) evaluate the effectiveness of the corporate governance structure. More specifically, the Corporate Governance Committee advises the Board of Directors within this context on the appointment and re-election of directors and the appointment of executive managers.
- The role of the Audit and Risk Committee is to assist the Board of Directors in fulfilling its supervision and monitoring responsibilities in respect of internal control in the broadest sense within Fortis, including the financial reporting process. The Audit and Risk Committee also addresses risk within Fortis.
- The role of the Remuneration Committee is to assist the Board of Directors in all matters relating to the remuneration of directors and members of the Group Executive Committee and the Group Management Committee, and to Fortis's employee and management stock and option plans, if any.
- A streamlined management structure was put in place. Executive management consists of the Chief Executive Officer, the Group Executive Committee referred to in the articles of association and the Group Management Committee. The role of the executive management is to manage Fortis in keeping with the values, strategies, policies, plans and budgets endorsed by the Board. In exercising this role, the

executive management is responsible, together with the boards of directors and the executive management of the respective entities of Fortis and each within its respective capacity, for complying with all relevant legislation and regulations, and specifically with the legal and regulatory framework applicable to each company within Fortis.

- The Group Executive Committee develops proposals to the Board of Directors related to the business strategy and business development of Fortis, develops proposals to the Board of Directors for Fortis wide policies, ensures the leadership and general management of Fortis within the strategic guidelines and policy frameworks set by the Board, ensures proper communications with all relevant external stakeholders and ensures proper monitoring of the legacy issues.
- The Group Management Committee advises the Group Executive Committee on matters related to the business strategy and business development of Fortis, matters related to Fortis wide policies to be submitted to the Board of Directors for approval, matters related to the leadership and general management of Fortis within the strategic guidelines and policy frameworks set by the Board and on such other matters as the Group Executive Committee may require.
- The Board of Directors may comprise up to 11 members, but the actual number may vary according to the needs of Fortis. It has a majority of non-executive and independent Board members.
- The primary responsibilities of the Board of Directors are to provide strategic direction for Fortis, to monitor Fortis's affairs, to decide on the executive management structure and to determine the powers and duties entrusted to the executive management.
- The independence criteria for the Board members reflect the requirements of article 526ter of the Belgian Companies Code and the 2009 Belgian Code on Corporate Governance as well as of the Dutch Corporate Governance Code.

The new version of the Fortis Corporate Governance Charter can be found on Fortis's website (<http://www.holding.fortis.com/en/Pages/governance.aspx>).

#### **4 Remuneration Policy**

The Board has reviewed the Fortis remuneration policy, which aims at fairly remunerating Fortis directors and the members of the Group Executive Committee.

The Board of Directors adheres to full transparency, including in particular in the area of executive remuneration. Therefore, the Board of Directors decided to submit the remuneration policy for the Board members and the members of the Group Executive Committee to the Ordinary General Meeting of Shareholders of Fortis SA/NV for approval.

Having the General Meeting of Shareholders approve the remuneration policy insofar as it relates to the members of the Group Executive Committee is not required in the current state of Belgian law. However, the Board of Directors believes it is a matter of good corporate governance to do so. Moreover, submitting the remuneration policy for the members of the Group Executive Committee for approval to the General Meeting of Shareholders of Fortis SA/NV anticipates the law aimed at reinforcing corporate governance in listed companies.

The main principles of the proposed remuneration policy, which is to be applicable as of 1 January 2010, are set out below. The full text of the new remuneration policy is attached as an annex to this explanatory note.

(i) General

The remuneration policy developed by the Board of Directors for Board members and Group Executive Committee members is a tailor-made system appropriate both for the performance of Fortis and its executives and employees. It is to be applicable as from 1 January 2010.

(ii) Remuneration of Fortis 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.

(a) Non-executive Board members

- The remuneration of non-executive Board members includes both regular basic remuneration for Board membership and Board committee meeting attendance fees.
- Non-executive Board members can also receive remuneration in the Fortis subsidiaries in which they hold a board position.
- 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.
- Detailed proposals for the remuneration of non-executive Board members are formulated by the Remuneration Committee based upon advice from outside experts.

(b) Executive Board members

- The remuneration of the executive Board members is related exclusively to their executive positions.

(iii) Remuneration of members of the Group Executive Committee

The remuneration of the Group Executive Committee members is determined by the Board of Directors, upon recommendation by the Remuneration Committee, in compliance with the prerogatives of the General Meetings of Shareholders.

The four major components of the remuneration are a base salary, an annual incentive (short-term performance related bonus), a long-term incentive and pension.

In calibrating the various remuneration components, the objective is to position the overall remuneration levels in line with compensation practices of other insurance companies.

The variable components are subject to a maximum. A large portion of the total compensation package of Group Executive Committee members consists of variable remuneration and is therefore “pay at risk”. At target levels this part of the

compensation represents 50% of the basic base salary for the short-term performance related incentive and 45% for the long-term incentive.

As from 1 January 2010, the contracts provide for a maximum severance pay in case of termination without cause of members of the Group Executive Committee of 12 months base salary and annual incentive (total cash compensation). In specific circumstances such as seniority in excess of 20 years, circumstances related to health and others to be determined by the Remuneration Committee, a higher severance pay (up to max. 18 months of base salary and annual incentive) is allowed upon recommendation by the Remuneration Committee.

(a) Base salary

Base salary levels are determined per executive position for top management, taking into consideration general prevailing market rates for equivalent type positions, and are subject to regular annual reviews.

(b) Annual incentive (short-term incentive)

Designed to stimulate, recognize and reward strong individual contribution by the Group Executive Committee member as well as solid performance as head of or as team member within the Group Executive Committee, the annual incentive is determined by the Group Executive Committee member's actual performance on the basis of pre-agreed performance criteria (KPIs) determined by the Board of Directors.

"On target" performance results in the award of an annual incentive equal to 50% of annual base pay of the Group Executive Committee member. Outperformance results in an annual incentive of up to 100% of base salary. The annual incentive can therefore range from 0% to 100% of base salary.

The annual incentive is paid in cash but payment is spread over 3 years. The portion of the annual incentive earned over the year N to be paid out in the first year is not to exceed 50% of the total awarded amount. A significant part is deferred for one year and paid in the year N+2 subject to the achievement of sustained performance over the years N and N+1. A final part is deferred for two years and paid in the year N+3, again subject to the achievement of sustained performance over the years N up to and including N+2. The deferred parts of the annual incentive therefore remain at risk.

Paid out bonuses will be reclaimed in case of fraud or material misstatement.

(c) Long-term incentive

For each Group Executive Committee member the Board decides a maximum value of the long-term incentive of up to 90% of the annual base salary. The long-term incentive is paid exclusively in the form of performance shares. These shares are ordinary Fortis shares and can only be sold after 31 December of the 5<sup>th</sup> year following the end of the year over which the performance is assessed. Any restriction on the sale of these

shares shall however end six months after termination of the professional relationship between Fortis and the Group Executive Committee member.

The shares are qualified “performance” shares in view of the fact that their granting is dependent on the performance of the Fortis share and their vesting on the business performance of Fortis over a period of 3.5 years so as to take into account sustainability. Vesting further assumes that the Group Executive Committee member is employed by Fortis during the entire reference period. At the time of the vesting, the Group Executive Committee member will be allowed to sell a maximum of 50% of those shares within 10 days in order to finance any tax liabilities associated with the grant.

The number of performance shares attributed under the long-term incentive plan is determined each year on the basis of the following key features:

- The long-term incentive is delivered in the form of performance shares and the vesting is conditional upon continuation of the professional relationship: the long-term incentive over the year N will not vest until the year N+4, subject to the attainment of sustainable performance over the four-year period and will be adjusted as explained below.
- Initial Grant: Based on the ranking of the Fortis share performance within a peer group of European institutions<sup>1</sup> at the end of the first performance year N, the Board will decide in the year N+1 on an initial grant value between 0 and the maximum percentage of fixed salary in the year N. The number of shares of the initial grant is obtained by dividing the initial grant value determined by the Board by the value of the Fortis share at the time of the grant. So the maximum number of shares of the initial grant corresponds to the maximum percentage (90%) of the annual base salary. At market performance (i.e. median level performance of Fortis within the peer group) the initial grant of shares will have a value up to 45% of base pay.
- Final Grant: The number of shares granted at the end of the 3.5 year period will be equal to the number of shares of the initial grant multiplied by the following multiplier: the average of the overall performance used for the annual incentive over the years N, N+1, N+2 and N+3 divided by the initial performance in the year N. The number of shares of the final grant, the actually vested long-term incentive, thus can never exceed the maximum number of shares of the initial grant.

The Board of Directors has the discretionary power to adjust variable remuneration components (annual incentive and long-term incentive) either upwards or downwards in those cases where the implementation of the remuneration policy would result in unintended or undesirable effects.

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<sup>1</sup> For information purposes only, at present the peer group consists of KBC, Dexia, AXA, BNP Paribas, Aegon, Eureko, ING, Generali, Mapfre, Allianz, Munich Re, Zurich Financial Services, Swiss Life, Swiss Re, Aviva and Prudential.

In addition to these three components, the Group Executive Committee members participate in Fortis's pension schemes and have benefits such as medical and other insurance coverage.

The Board has the authority to amend the remuneration policy as it sees fit, on the basis of recommendations made by the Remuneration Committee and in compliance with the prerogatives of the General Meetings of Shareholders.

The Board of Directors proposes to the Ordinary General Meeting of Shareholders of Fortis SA/NV to approve the remuneration policy for the Board members and the members of the Group Executive Committee as set out above and as set out in the annex to this explanatory note.

This proposed resolution requires an absolute majority of the votes cast in order to be approved.

## **5 Remuneration of the Non-Executive Members of the Board of Directors**

The Board of Directors proposes to the Ordinary General Meeting of Shareholders to approve the remuneration per non-executive member of the Board of Directors of Fortis SA/NV and Fortis N.V. as follows: a fixed annual retainer of EUR 45,000, an attendance fee of EUR 2,000 per Board meeting and an attendance fee of EUR 1,500 per Board committee meeting in case of members of the relevant committee and EUR 2,000 in case of the Chairman of the relevant committee; for the Chairman of the Board of Directors a fixed annual retainer of EUR 60,000 and an attendance fee of EUR 2,500 per Board meeting.

This proposed resolution requires an absolute majority of the votes cast in order to be approved.

As set out in the remuneration policy in item 4 of the agenda, the proposed remuneration of the non-executive Board members is based upon a proposal to the Board of Directors by the Remuneration Committee. The amounts set out above constitute an adjustment to the amounts applied for the directors who have been appointed since December of 2008. The adjustment is made to bring the amounts in line with the median of amounts generally applied for listed companies. In December of 2008 the continuity of Fortis was uncertain and remuneration amounts had been lowered in a very substantial way. Today, Fortis has a future as an international insurance group, with a market capitalization of over EUR 6 billion, more than 10,000 employees and a large number of operating companies and joint ventures, and also with a specific legacy and heritage to manage.

To allow Fortis to attract competent Board members, Fortis has to align the remuneration of its Board members with the remuneration offered by its Belgian and international peers. For board members the median of the remuneration package is EUR 53,000 for BEL20 companies respectively EUR 76,000 for the international peers. Therefore, the proposed remuneration for the Fortis Board members of EUR 69,000 (the fixed annual retainer and assuming 12 Board meetings) would be situated between the BEL20 median and the international peers median. For the Chairman this median is EUR 134,000 for BEL20 companies respectively EUR 409,000 for the international peers. Therefore, the proposed remuneration for the Fortis Chairman of EUR 90,000 (the fixed annual retainer and assuming 12 Board meetings) would remain substantially below the BEL20 median and represents only approximately 20% of the international peers median.

## 6 Board of Directors - Appointments

### 6.1 Proposal to appoint Bart De Smet

The Board of Directors proposes to the Ordinary General Meeting of Shareholders to appoint Mr. Bart De Smet as executive director until the end of the Ordinary General Meeting of Shareholders in 2013. Mr. Bart De Smet will hold the title of Chief Executive Officer in accordance with the articles of association.

This proposed resolution requires an absolute majority of the votes cast in order to be approved.

Bart De Smet was provisionally appointed a director by the Board of Directors of Fortis SA/NV on 1 July 2009. In accordance with article 13 c) of the articles of association of Fortis SA/NV, if a Board member is appointed and is not already a member of the Board of Directors of Fortis N.V., his appointment shall not take effect until such member has been appointed a member of the Board of Directors of Fortis N.V. As a result, Bart De Smet's appointment only became effective after his appointment by the General Meeting of Shareholders of Fortis N.V. on 18 September 2009.

Pursuant to article 519 of the Belgian Companies Code, when a director is provisionally appointed, the next shareholders' meeting should proceed to his definitive appointment. It is therefore proposed to the Ordinary General Meeting of Shareholders to confirm Mr. Bart De Smet's appointment by appointing him executive director until the end of the Ordinary General Meeting of Shareholders in 2013.

The Board of Directors feels that Bart De Smet, who has spent his entire career in the insurance sector, is the right man to lead Fortis to a new era and to expand it further as an international insurance company.

Bart De Smet was born in 1957 and is a Belgian citizen. He graduated in mathematics and actuarial science from the Catholic University of Louvain where he subsequently gained a postgraduate degree in management science. Bart De Smet started his professional career at Argenta in 1982 and has worked in the insurance sector ever since. After holding various positions at Nationale Suisse and ING Insurance Belgium, he joined Fortis in 1998 as Managing Director Fortis Employee Benefits. In 2005, he became Managing Director Broker Channel and then in 2007 CEO of AG Insurance.

The length of Bart De Smet's term of office is in line with the recommendations of the Belgian Code on Corporate Governance (i.e. a maximum of four years). Bart De Smet holds various other secondary positions in the insurance sector. Bart De Smet was appointed president of Assuralia on 24 February 2010. He is a member of the Royal Association of Belgian Actuaries (KVBA-ARAB). He also sits on the Advisory Board of the pensions department at the Catholic University of Louvain. Bart De Smet holds no other directorships of listed companies.

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The main aspects of the contract between Fortis and Bart De Smet in connection with his appointment as CEO of Fortis are given below:

- His annual base salary is between EUR 500,000 and EUR 600,000 gross in a period of two years. Initially, his annual base salary is EUR 500,000 gross.
- Any revision of this base salary requires a resolution by the Board of Directors. The structure and size of Mr. De Smet's variable remuneration, as well as the performance criteria that will apply to him, have been laid down by the Board of Directors.
- Bart De Smet's annual bonus amounts to 50% of his annual base salary, provided all targets are met. If these targets are exceeded, this amount may, if appropriate, be increased to a maximum of 100% of annual base salary.
- The existing long-term incentive plan, equal to 45% of annual base salary, continues to apply and will be reviewed in the future in line with the new remuneration policy.
- Mr. De Smet belongs to a pension scheme, the health insurance scheme and other insurance schemes for Fortis staff.
- If Fortis terminates his contract, Mr. De Smet will receive gross compensation equal to one year's gross base salary plus annual incentive. However, no compensation will be paid if the contract is terminated due to gross negligence or wilful misconduct on the part of Mr. De Smet.
- Mr. De Smet receives a standard expense allowance and a company car.
- Mr. De Smet does not receive any stock appreciation rights and did not receive a sign-on bonus.
- Mr. De Smet only receives remuneration for his executive position and is as such not remunerated as a member of the Board of Directors.

## 6.2 Proposal to appoint Bridget McIntyre

The Board of Directors proposes to the Ordinary General Meeting of Shareholders to appoint Bridget McIntyre as a non-executive member of the Board of Directors until the end of the Ordinary General Meeting of Shareholders in 2013, subject to the approval of the Banking, Finance and Insurance Commission and to the appointment as a member of the Board of Directors of Fortis N.V. Bridget McIntyre complies with the criteria set out in article 526ter of the Belgian Companies Code and will qualify as independent director within the meaning of this article.

This proposed resolution requires an absolute majority of the votes cast in order to be approved.

The remuneration of Bridget McIntyre is that of a non-executive member of the Board, as set out in item 5 of the agenda.

Bridget McIntyre is a British national and holds a BSc Administration from Aston University in the United Kingdom. She is a Chartered Management Accountant and a highly experienced insurance specialist. After qualifying as an accountant and working in a variety of industries, she began her insurance career at Norwich Union, where she was Finance Director for General Insurance and Direct Operations from

1994 to 1998. She went on to become Managing Director, London and Edinburgh, and Director, Finance, Long-term Savings, and was Non-executive Chairman of Norwich Healthcare from 1999 to 2000. She played an important role in the merger of CGU and Norwich Union in 2000 to create Aviva PLC.

Bridget McIntyre then became Marketing & Underwriting Director for the newly merged general insurance business, with responsibility for product and underwriting strategies, brand development, communications and public affairs. In 2003-2008, as Director, Sales and Marketing, she was responsible for Corporate Partnerships and Retail Business with a turnover of GBP 3 billion. Her role included developing and implementing the Retail strategy for Norwich Union and growing the partnership business.

She joined RSA Insurance Group in 2005 as UK Chief Executive and a Board Director. She led the UK Business, implementing new IT systems, improving efficiency and service, and profitably growing the business. She was part of the Group Executive, which consistently exceeded analysts' expectations. Most recently, she has been a consultant to the insurance sector in both the UK and Australia.

Bridget McIntyre is Governor of the Health Foundation and a former member of the ABI General Insurance Council.

### **6.3 Proposal to appoint Belén Romana**

The Board of Directors proposes to the Ordinary General Meeting of Shareholders to appoint Belén Romana as a non-executive member of the Board of Directors until the end of the Ordinary General Meeting of Shareholders in 2013, subject to the approval of the Banking, Finance and Insurance Commission and to the appointment as a member of the Board of Directors of Fortis N.V. Belén Romana complies with the criteria set out in article 526ter of the Belgian Companies Code and will qualify as independent director within the meaning of this article.

This proposed resolution requires an absolute majority of the votes cast in order to be approved.

The remuneration of Belén Romana is that of a non-executive member of the Board, as set out in item 5 of the agenda.

Belén Romana is a Spanish national and holds a degree in economics from the Universidad Autónoma de Madrid. During her career she has held a number of senior-level positions as a key economic and strategic adviser within the private and public sectors. From 1994 to 2000 she was Economist to the Spanish Ministry of Economy and Finance, later becoming Director General for Economic Policy. She was responsible there for coordinating macroeconomic policy and forecasting; and for the Spanish Stability Programme, which operated across several industry sectors. Between July 2003 and 2005, Belén Romana held the position of Director General for the Treasury, with responsibilities that spanned public debt issuance and management, financial legislation and management of the Social Security Reserve Fund. At the same time she was a member of the Governance Boards of both the Bank of Spain and the Spanish Stock Exchange Agency.

In 2005-2008 she was Chief Economist to the "Circulo de Empresarios" – a private institution representing top business leaders in Spain. Most recently she has served as Director of Strategy and Corporate Development for ONO, the second-largest

Spanish telecommunications company, with responsibility for internal audit, risk management and investor relations.

Belén Romana is a director of Banco Español de Crédito (Banesto) and Acerinox, one of the world's largest stainless steel producers. She chairs the Audit and Compliance Committees of both companies.

## **7** Acquisition and Disposal of Fortis Units

The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to authorize the Board of Directors of the company and the Boards of its direct subsidiaries for a period of 18 months starting after the end of the General Meeting which will deliberate this point, to acquire Fortis Units, in which twinned Fortis SA/NV shares are incorporated, representing up to a maximum of 10% of the issued share capital, for a consideration equivalent to the closing price of the Fortis Unit on Euronext on the day immediately preceding the acquisition, plus a maximum of fifteen per cent (15%) or minus a maximum of fifteen per cent (15%).

The Board of Directors further proposes to the Extraordinary General Meeting of Shareholders to authorize the Board of Directors of the company and the Boards of its direct subsidiaries for a period of 18 months starting after the end of the General Meeting which will deliberate this point, to dispose of Fortis Units, in which twinned Fortis SA/NV shares are incorporated, under the conditions it will determine.

These proposed resolutions require a majority of at least 80% of the votes in order to be approved.

The reason for this authorization to allow the Board of Directors to acquire and to dispose of Fortis shares is to provide the Board of Directors with the flexibility necessary to manage own funds and to respond appropriately to any demand for Fortis twinned shares that may arise at any time. This authorization is asked for 18 months only and limited to 10% of the issued share capital, despite the possibility under Belgian law, since 1 January 2009, to grant such authorization for 3 years and to extend it to 20% of the issued share capital. The purpose of these limitations is to subject this authorization to a continuous shareholders' review.

By law, this authorization must specify the maximum number of shares that the Board can acquire and the maximum and minimum price that may be paid.

This proposal concerns a regularly recurring item on the agenda.

## **8** Amendments to the Articles of Association

All of the proposed resolutions set out in item 8 of the agenda in relation to the amendments to the articles of association and set out below require a majority of at least 75% of the votes in order to be approved.

### **8.1** Section: NAME – FORM – REGISTERED OFFICE – PURPOSE

#### **8.1.1** Name - Form

The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to modify the name of the company from Fortis SA/NV to ageas SA/NV, subject to the condition precedent that the General Meeting

of Shareholders of Fortis N.V. approves the modification of the name of Fortis N.V. to ageas N.V.

The name change anticipates the expiration, in May of 2011, of the license granted to Fortis SA/NV and Fortis N.V. to use the Fortis trademarks following the transfer thereof to Fortis Bank nv-sa in May of 2009 in the framework of the implementation of the agreement with BNP Paribas S.A., the Belgian State, the Federal Participation and Investment Corporation (SFPI/FPIM) and Fortis Bank nv-sa.

The purpose of the new name ageas is to reflect the rebranding and the new focus of the group following its evolution from bank-insurer to international insurance company. The new name confirms the rebirth as a new company, but one that will benefit from past experience and the professional expertise concentrated within the group.

“ageas” is the key to this new identity. The name reflects who the group is, what it does and where its focus and priorities lie.

- the first two letters honour the group’s roots: they have been synonymous with excellence since the creation of AG Leven in 1824, and represent over 180 years of know-how and experience in insurance and bank-insurance;
- the “e&a” at the heart of the new name refers to the group’s two key markets: Europe and Asia, the combination of which accounts for the lion’s share of the global insurance market. This international character is an essential part of the group’s identity: the group employs 10,000 people, each with their own individual talents, cultural background and expertise, but united by a common vision. The group is part of the fabric of the local communities in which it operates, allowing it to adapt more easily to market conditions and customs.
- the final “as” stands for “assurance” and a single-minded focus on the core insurance business. The ambition now is to become the benchmark for the insurance sector.

Like the group, the name “ageas” is more than the sum of its parts. It derives from the Latin word “agere”, meaning action, drive, and a conviction to forge ahead. Each of these attributes is important. They are the key to creating value for all stakeholders.

The name “ageas” is not capitalized. This understated approach is deliberate. The group knows its business, but doesn’t want to force its opinions on anyone. It seeks an open and transparent dialogue between equal partners. At the same time, the lack of capitals heightens the sense of unity within the group. No part stands above the rest. All at the new company have the same goal: to fulfil their potential as an international insurance business.

The Board of Directors therefore proposes to the Extraordinary General Meeting of Shareholders to modify the first sentence of article 2 of the

articles of association as follows: *“The name of the Company is: ageas SA/NV.”*

**8.1.2** Registered office

The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to insert the following new paragraph in article 3 of the articles of association: *“It may be transferred to any other place in the Brussels Capital Region by resolution of the board of directors.”*

The proposed modification of article 3 aims at clarifying that the Board of Directors is competent to transfer the registered office within the Brussels Capital Region.

**8.2** Section: CAPITAL – SHARES

**8.2.1** Special report

Reference is made to the special report by the Board of Directors on the use and purpose of the authorized capital prepared in accordance with article 604 of the Belgian Companies Code.

**8.2.2** Proposal to authorize the Board of Directors to increase the company capital by a maximum amount of EUR 88,200,000

The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to authorize the Board of Directors to increase the company capital by a maximum amount of EUR 88,200,000 to issue shares to meet the coupon payment obligations under the financial instruments mentioned in the special report by the Board of Directors and to consequently cancel the unused balance of the authorized capital, as mentioned in article 9 a) of the articles of association, existing at the date of the publication in the Belgian State Gazette of the amendment to the articles of association of the company resolved by the Extraordinary General Meeting of Shareholders of 28 April 2010.

**8.2.3** Proposal to authorize the Board of Directors to increase the company capital by a maximum amount of EUR 168,000,000

The Board of Directors further proposes to the Extraordinary General Meeting of Shareholders to authorize the Board of Directors to increase the company capital by a maximum amount of EUR 168,000,000 to issue shares to meet the obligation to redeem the principal amount of the Redeemable Perpetual Cumulative Coupon Debt Securities issued by Fortis Bank nv-sa in September 2001 and to consequently cancel the unused balance of the authorized capital, as mentioned in article 9 a) of the articles of association, existing at the date of the publication in the Belgian State Gazette of the amendment to the articles of association of the company resolved by the Extraordinary General Meeting of Shareholders of 28 April 2010.

**8.2.4** Proposal to modify the paragraph a) of article 9 of the articles of association

Finally, the Board of Directors proposes to the Extraordinary General Meeting of Shareholders to modify the paragraph a) of article 9 of the

articles of association worded as follows: “a) *Subject to the Twinned Share Principle, the board of directors is authorized to increase the Company capital, in one or more transactions, with a maximum amount of [two hundred and fifty-six million two hundred thousand (256,200,000) euro] [or] [eighty-eight million two hundred thousand (88,200,000) euro] [or] [one hundred and sixty-eight million (168,000,000) euro]. This authorization is granted to the board of directors for a period of 3 years starting on the date of the publication in the Belgian State Gazette of the amendment to the articles of association of the Company resolved by the extraordinary general meeting of shareholders of 28 April 2010.*”, whereby it is understood that the exact amount for which the Board of Directors will ultimately be authorized to increase the company capital will depend on the outcome of the vote in relation to the proposed resolutions under items 8.2.2 and 8.2.3 of the agenda by the Extraordinary General Meeting of Shareholders of 28 April 2010.

These proposed resolutions are required in order to enable Fortis SA/NV to comply with its commitments entered into in the context of the issue of various financial instruments, as set out in greater detail in the special report of the Board of Directors on the authorized capital prepared in accordance with article 604 of the Belgian Companies Code. This report explains in general terms the circumstances in which the authorized capital can be used and the objectives pursued.

#### 8.2.5 Form of the shares

The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to modify article 10 a) and d) of the articles of association as follows:

*“a) Twinned Shares shall be registered, bearer or dematerialized shares, within the limits set by law. However no new physical bearer Twinned Shares will be issued. Holders of existing physical bearer Twinned Shares must have their bearer Twinned Shares converted into registered Twinned Shares or dematerialized Twinned Shares by the 31 December 2013 at the latest.*

*d) At the shareholder’s request, registered Twinned Shares may be converted to dematerialized Twinned Shares only, by cancellation of the entry in the register. Bearer Twinned Shares and dematerialized Twinned Shares may be converted to registered Twinned Shares, by submitting the physical share, if any, and the corresponding entry in the shareholders’ register. Nevertheless, the conversion of a Twinned Share into another form is suspended as far as the Twinned Shares have been lodged for a general meeting of shareholders pursuant to article 21 a) until the end of the general meeting of shareholders, unless the board of directors has determined a registration date in accordance with article 21 c).”*

The proposed modification of article 10 aims at deleting the references to the date of 1 January 2008 in relation to the issuance of bearer shares. This is a mere technical amendment.

### **8.3 Section: BOARD OF DIRECTORS AND MANAGEMENT**

The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to modify article 17 of the articles of association as follows: *“The remuneration of the board members is determined by the board of directors in compliance with the prerogatives of the general meeting of shareholders.”*

The proposed modification of article 17 of the articles of association is merely a textual non-material amendment.

### **8.4 Section: NOTIFICATIONS**

The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to modify article 28 of the articles of association as follows: *“Article 28: Disclosure of major shareholdings. The requirements of the applicable legislation on the disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market apply in full to the acquisition of holdings in the Company, it being understood that the duty of disclosure arises on the acquisition of a first holding of three per cent (3%) of the voting rights in the Company, without prejudice to the disclosure requirements on the acquisition of a holding of five per cent (5%) or multiples of five per cent (5%) thereafter.”*

The proposed modification of article 28 of the articles of association aims at complying with the current transparency rules in Belgium, namely the Law of 2 May 2007 on disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market and laying down miscellaneous provisions. The duty of disclosure will arise on the acquisition of a first holding of three per cent (3%) of the voting rights in the company, without prejudice to the disclosure requirements on the acquisition of a holding of five per cent (5%) or multiples of five per cent (5%) thereafter.

### **8.5 General provision**

The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to authorize the Chairman, with the authority to sub-delegate, to make at the time when the coordinated text is drawn up the necessary modifications to the articles of association, including to give effect to the new names of Fortis SA/NV and Fortis N.V.

This proposed authorization enables the Chairman of the Board of Directors to draw up the coordinated text of the articles of association and to make such changes to the various articles of the articles of association to give effect to the new names of Fortis SA/NV and Fortis N.V.

## ***Remuneration Policy for Fortis Board members and Group Executive Committee members as from 1 January 2010***

When developing the new remuneration policy for Board members and Group Executive Committee members, the Board of Directors has taken its responsibility to design a tailor-made system, which is appropriate both for the performance of Fortis and its executives and employees. The Board recognised that in doing so, careful attention should not only be given to performance incentives, but also to Fortis's corporate values, strategy, quality and sustainability of the business, and risk profile.

The remuneration policy is established to be applicable as from 1 January 2010 *[and was adopted by the General Meetings of Shareholders on 28 and 29 April 2010 in respectively Brussels and Utrecht]*.

### **1. The remuneration of the Fortis 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 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 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 can also receive remuneration in the Fortis subsidiaries in which they hold a board position and such remuneration will be disclosed in the Annual Financial Statements. Non-Executive Board members are not entitled to any termination indemnity. The remuneration of the Executive Board members is related exclusively to their executive positions.

### **2. Remuneration policy for Fortis Group Executive Committee members**

The remuneration of the Group Executive Committee members is determined by the Board of Directors, upon recommendation by the Remuneration Committee, in compliance with the prerogatives of the General Meetings of Shareholders. Both the levels and structure of remuneration of Group Executive Committee members are analysed on an annual basis. At the initiative of the Remuneration Committee, the competitive positioning of Fortis's remuneration is regularly reviewed by and discussed with a leading international firm of compensation and benefits consultants, which does not provide compensation and benefit services to the executive management, nor to any other part of the Fortis organisation.

The remuneration of Group Executive Committee members is designed to:

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

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

In calibrating the various remuneration components, the objective is to position the overall remuneration levels in line with compensation practices of other insurance companies. The relevant reference market is a combination of the insurance industry on the one hand and all industries taken together of the main countries in which Fortis operates on the other hand.

The variable components are subject to a maximum. A large portion of the total compensation package of Group Executive Committee members consists of variable remuneration and is therefore "pay at risk". At target levels this part of the compensation represents 50% of the basic base salary for the short-term performance related incentive and 45% for the long-term incentive.

The total reward package is part of the contract with the Group Executive Committee member providing also the main characteristics such as and amongst others the expiration date (between 60 and 65 years), the termination clauses and various other clauses such as confidentiality and exclusivity.

As from 1 January 2010, the contracts provide for a maximum severance pay in case of termination without cause of members of the Group Executive Committee of 12 months base salary and annual incentive (total cash compensation). In specific circumstances such as seniority in excess of 20 years, circumstances related to health and others to be determined by the Remuneration Committee, a higher severance pay (up to max. 18 months of base salary and annual incentive) is allowed upon recommendation by the Remuneration Committee. Financially compensated non-compete provisions can be foreseen.

#### *Base salary*

Base salary levels are determined per executive position for top management and are intended to compensate the Group Executive Committee members for their position's responsibilities and their particular set of competencies. These levels take into consideration general prevailing market rates for equivalent type positions and are subject to annual reviews. There is, however, no mechanism for automatic adjustment.

*Annual incentive (short-term incentive)*

The annual incentive is designed to stimulate, recognise and reward strong individual contribution by the Group Executive Committee members as well as solid performance as head of or as team member within the Group Executive Committee.

The annual incentive is determined by the Group Executive Committee member's actual performance on the basis of pre-agreed performance criteria, Key Performance Indicators (KPIs).

"On target" performance results in the award of an annual incentive equal to 50% of annual base pay of the Group Executive Committee member. Outperformance results in an annual incentive of up to 100% of base salary. The annual incentive can, therefore, range from 0% to 100% of base salary.

Performance measurement level / relative weight of KPIs	Group Executive Committee member
Corporate business performance (group objectives, both quantitative and qualitative)	70%
Individual performance (personal objectives linked to responsibilities of function)	30%
<b>Total</b>	<b>100%</b>

Business performance is measured on the basis of Key Performance Indicators determined by the Board. The performance targets at group and operating company level are set by the Board on an annual basis taking into account the relevant budgets. The KPIs which are determined by the Board incorporate criteria reflecting the growth of EPS, the cost and quantities of capital required, the risks assumed in the conduct of the business, the cost levels and the value creation.

The annual incentive is paid in cash but payment is spread over 3 years. The portion of the annual incentive earned over the year N to be paid out in the first year is not to exceed 50% of the total awarded amount. A significant part is deferred for one year and paid in the year N+2 subject to the achievement of sustained performance over the years N and N+1. A final part is deferred for two years and paid in the year N+3, again subject to the achievement of sustained performance over the years N up to and including N+2. The deferred parts of the annual incentive therefore remain at risk.

Paid out bonuses will be reclaimed in case of fraud or material misstatement.

### *Long-term incentive*

The long-term incentive plan is designed to:

- encourage and support the creation of shareholders' value and to ensure that the Group Executive Committee members, like the shareholders, share in the company's successes and setbacks;
- provide the opportunity for Group Executive Committee members to receive, within their overall package, competitive rewards for performance as a result of sustained group performance over a longer period of time; and
- enable the organisation to outperform a group of Fortis's peers in the market, and also take into account the growth potential of the Fortis share.

For each Group Executive Committee member the Board decides a maximum value of the long-term incentive of up to 90% of the annual base salary. The long-term incentive is paid exclusively in the form of performance shares. These shares are ordinary Fortis shares and can only be sold after 31 December of the 5<sup>th</sup> year following the end of the year over which the performance is assessed. Any restriction on the sale of these shares shall however end six months after termination of the professional relationship between Fortis and the Group Executive Committee member.

The term restricted shares is no longer used: reference is made to performance shares but their transfer remains restricted as explained above.

The shares are qualified "performance shares" in view of the fact that their granting is dependent on the performance of the Fortis share and their vesting on the business performance of Fortis over a period of 3.5 years so as to take into account sustainability. Vesting further assumes that the Group Executive Committee member is employed by Fortis during the entire reference period. At the time of the vesting, the Group Executive Committee member will be allowed to sell a maximum of 50% of those shares within 10 days in order to finance any tax liabilities associated with the grant.

The number of performance shares attributed under the long-term incentive plan is determined each year on the basis of the following key features:

- The long-term incentive is delivered in the form of performance shares and the vesting is conditional upon continuation of the professional relationship: the long-term incentive over the year N will not vest until the year N+4, subject to the attainment of sustainable performance over the four-year period and will be adjusted as explained below.
- **Initial Grant:** Based on the ranking of the Fortis share performance within a peer group of European institutions at the end of the first performance year N, the Board will decide in the year N+1 on an initial grant value between 0 and the maximum percentage of fixed salary in the year N. The number of shares of the initial grant is obtained by dividing the initial grant value determined by the Board by the value of the Fortis Share at the time of the grant. So the maximum number of shares of the initial grant corresponds to the maximum percentage (90%) of the annual base salary. At market performance (i.e. median level performance of Fortis within the peer group) the initial grant of shares will have a value up to 45% of base pay.

- **Final Grant:** The number of shares granted at the end of the 3.5 year period will be equal to the number of shares of the initial grant multiplied by the following multiplier: the average of the overall performance used for the annual incentive over the years N, N+1, N+2 and N+3 divided by the initial performance in the year N. The number of shares of the final grant, the actually vested long-term incentive, thus can never exceed the maximum number of shares of the initial grant.

In the structure of the annual incentive and the long-term incentive, the alignment of performance, risk and remuneration was taken into account by incorporating elements of risk management and control in the structure of these incentives:

- in the annual incentive: through the choice of the KPIs (including the risk and cost of capital adjusted features of such KPIs), the deferral component and the sustainable performance requirement in the two years following the performance year;
- in the long-term incentive: through the deferred vesting mechanism combined with sustainable performance in the period prior to the vesting, i.e. the vesting of performance shares at the end of the 3.5 year period is not only dependent on the continuous professional relationship of the Group Executive Committee member but also on sustainable performance of the Group Executive Committee member during the full period prior to the actual vesting of the shares, and through the mandatory blocking of the shares for 5 years, which provides a clear alignment between the interests of the Group Executive Committee member and those of Fortis shareholders. As a result, any excessive risk taken would ultimately be reflected in the share price.

#### *Discretionary authority*

The Board of Directors has the discretionary power to adjust variable remuneration components (annual incentive and long-term incentive) either upwards or downwards in those cases where the implementation of the Remuneration Policy would result in unintended or undesirable effects.

#### *Pension and other remuneration components*

The Group Executive Committee members participate in Fortis's pension schemes. These schemes are in line with predominant market practices in Fortis's geographic environment. For the members of the Group Executive Committee it is a defined contribution plan. These schemes provide retirement and pre and post retirement survivors' pensions or their lump sum equivalent. Other benefits, such as medical and other insurance coverage, are provided in line with competitive practices in the market where the Group Executive Committee member is employed.

### *Adoption of Remuneration Policy*

The policy as described above replaces the previous one[ *and was approved and adopted at the General Meetings of Shareholders of Fortis on respectively 28 and 29 April 2010*].

With respect to managers who are not members of the Group Executive Committee, the Board has decided to adopt the same principles as applicable for the Group Executive Committee members, adapted mutatis mutandis in order to adjust to local markets, practice and legislation. A long-term incentive can only be foreseen for members of the Group Management Committee.

The Board has the authority to amend the Remuneration Policy as it sees fit, on the basis of recommendations made by the Remuneration Committee and in compliance with the prerogatives of the General Meetings of Shareholders.