

Fortis Investments

# Eurosif Transparency Guidelines: SRI at Fortis Investments

October 2008



## **Fortis Investments Statement of Commitment**

Fortis Investments is strongly committed to Sustainable and Responsible Investments (SRI). We have been involved in SRI since 1997 and welcome the European SRI Transparency Guidelines.

Our full response to the European SRI Transparency Guidelines can be accessed below and is available in the annual report of the retail funds and on our web site:

[www.sri.fortis.com](http://www.sri.fortis.com) .

## **Fortis Investments Compliance with the Transparency Guidelines**

Fortis Investments is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate.

Fortis Investments meets the full recommendations of the European SRI Transparency Guidelines for its SRI funds listed in section 1a.

1 October 2008

## Section 1: Basic Details

### 1a Provide the name of the fund(s) and fund manager to which these guidelines apply.

Name of funds <sup>1</sup>	Fund Managers
Fortis L Fund Green Future	Stewart Armer, Francois Perrin
Fortis L Fund Green Tigers	Stewart Armer, Francois Perrin
Fortis L Fund Equity SRI World <sup>2</sup>	Stewart Armer
Fortis L Fund Equity SRI Europe	Stewart Armer
FLF SRI Bond Euro	Dr. Heike Dengler
Fortis L Fund Strategy (Growth, Balanced, Stability) SRI Europe	Dr. Heike Dengler
Altevisision Balanced Europe / Altevisision Red Cross	Dr. Heike Dengler

### 1b Provide contact details for further information regarding the funds.

Investors can access these funds via <http://www.asset.fortis.com/countries.html>

Depending on their county of domicile, investors can contact their local advisor for more information on our SRI funds.

### 1c What is the size of the fund? In currency at a specified date.

All details on the funds, depending on the domicile of the investor, can be found under <http://www.asset.fortis.com/countries.html>

### 1d Where can financial performance history data about the fund be found?

All details on the funds, depending on the domicile of the investor, can be found under <http://www.asset.fortis.com/countries.html>

### 1e Provide details of the content, frequency and means of communicating information to investors.

Fortis Investments strives to continually keeping its investors informed. Alongside its main website portal for all Fortis Investments fund <http://www.asset.fortis.com/countries.html> where information on the funds is updated on monthly, quarterly and annual basis, investors are offered access to our specialized SRI website [www.sri.fortis.com](http://www.sri.fortis.com) dedicated specifically to our SRI offering.

<sup>1</sup> The funds described are compartments of the UCITS III compliant SICAV Fortis L Fund and Altevisision respectively registered under the Luxembourg and Belgium law.

<sup>2</sup> Fortis L Fund Equity SRI World Fund is the new name of AAF Sustainable Global Equity Fund, taken over by SRI team in March 2008.

## Section 2: SRI Investment Criteria

### 2a How does the fund define SRI?

'SRI is an investment strategy that seeks to meet both financial- and values-driven needs.'

This definition recognises the two central needs of SRI investors. Firstly, they are concerned about sustainability and would like to contribute to more sustainable world through their investment. Secondly, they want attractive investment returns according to their investment requirements.

Fortis Investments offers SRI solutions that do not make a compromise between the two needs. Our integrated SRI products aim to provide investors with attractive investment returns and help them to contribute to a more sustainable world.

### 2b What are the SRI investment criteria of the fund?

Our proprietary "Fortis Sustainability Radar <sup>TM</sup>" is the core framework for all SRI funds. The individual SRI funds differ in terms of SRI approach, regional focus, and other criteria. The table below illustrates the key differences of the funds. Further detailed information can be found at:

[http://www.sri.fortis.com/sri\\_sust\\_invest\\_solutions.asp](http://www.sri.fortis.com/sri_sust_invest_solutions.asp)

	Thematic: Companies with Sustainable Products Services	Best in Class: Companies with Best Practices	Absolute Exclusion Overlay (set of 15 exclusion criteria)*	Human Rights & Weapons Exclusion Policy**	Countries with high ESG Standards (government issuers)	Regional Focus
FLF Green Future	✓			✓		World
FLF Green Tigers	✓			✓		Asia
FLF Equity SRI World	✓	✓		✓		World
FLF Equity SRI Europe	✓	✓		✓		Europe
FLF Strategy SRI Europe	✓	✓		✓	✓	Europe
Altevisión Funds	✓	✓	✓	✓	✓	Europe
FLF SRI Bond Euro	✓	✓		✓	✓	Europe

\* More information about the exclusion overlay and criteria can be found on the Fortis SRI website:  
[http://www.sri.fortis.com/sri\\_excl\\_overlay.asp](http://www.sri.fortis.com/sri_excl_overlay.asp)

\*\* The Human Rights and Weapons Exclusion Policy can be viewed on the Fortis SRI website:  
[http://www.sri.fortis.com/sri\\_human\\_rights.asp](http://www.sri.fortis.com/sri_human_rights.asp)  
[http://www.sri.fortis.com/sri\\_weapons\\_policy.asp](http://www.sri.fortis.com/sri_weapons_policy.asp)

### 2c How are the SRI criteria defined, and how frequently and by whom are they criteria reviewed?

The Fortis Sustainability Radar analyses key social and environmental trends in society and identifies related investment risks and opportunities. It is the core process for clarifying weightings for different

ESG issues and prioritising different Sustainability thematic strategies (further information see section 3). This process is reviewed and validated on an annual basis by an independent International SRI Advisory Committee (see [http://www.sri.fortis.com/sri\\_sust\\_network\\_iac.asp](http://www.sri.fortis.com/sri_sust_network_iac.asp))

## 2d How are the criteria changes communicated to investors?

Any significant changes are communicated via Fortis Investments' SRI website (<http://www.sri.fortis.com/>) and to individual clients as appropriate.

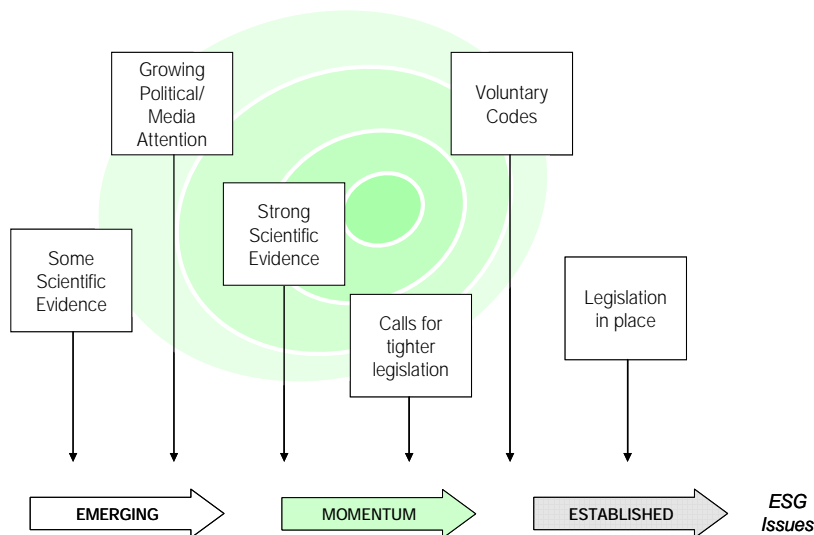
## Section 3: Research Process

### 3a Describe your SRI research methodology and process

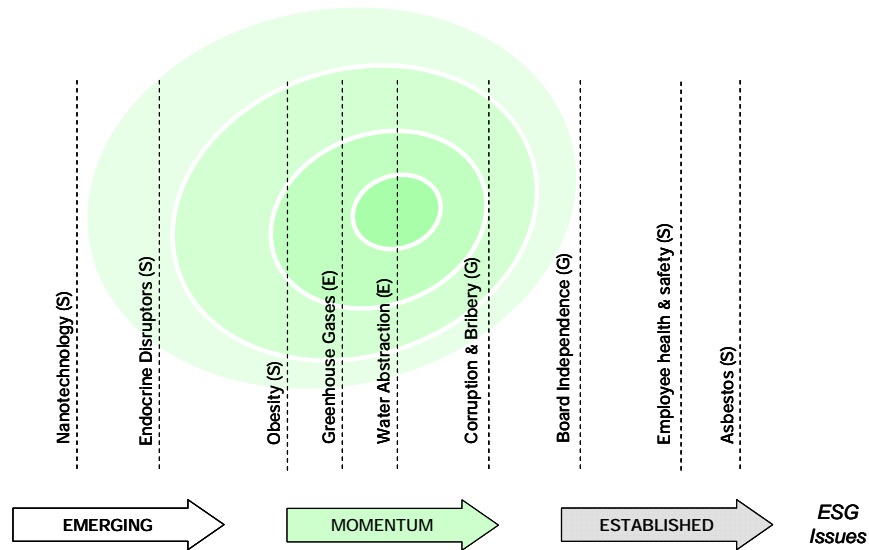
The Fortis Sustainability Radar™ process can be divided in three steps: Analysing ESG trends, analysing companies, and identifying investment risks and opportunities.

#### Analysing ESG trends

Businesses face a constantly evolving social and political agenda that is ultimately driven by society's values and shifting understanding of key trends. A range of factors including new scientific evidence, developing public opinion and changing political priorities form a complex landscape.



Investors who integrate environmental (e.g. greenhouse gases, waste), social (e.g. health and safety, obesity) and governance (e.g. transparency, corruption) factors – known as ESG factors – into their analysis need to see through this complexity to spot related investment risks and opportunities. Importantly, ESG issues are not static but tend to develop towards legislation driven by new scientific evidence, NGO activities and changing political landscapes, public opinion and consumption patterns.



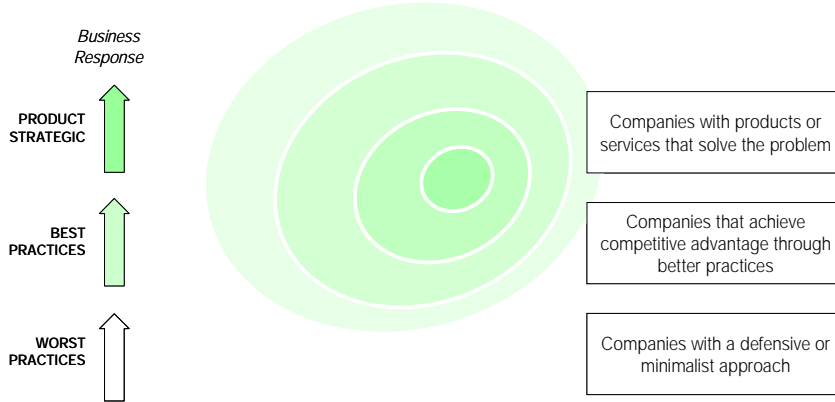
The graph above shows selected ESG issues in different phases. The key features and indicators of each phase are outlined below.

Emerging phase	Momentum phase	Established phase
<ul style="list-style-type: none"> <li>Low scientific evidence of and consensus on the social and environmental impact.</li> <li>Uncertainty as to how policy makers will tackle the issue.</li> <li>Risks and opportunities cannot be quantified.</li> </ul> <p><i>ESG mispricing not clear = too early</i></p>	<ul style="list-style-type: none"> <li>Strong scientific evidence &amp; consensus.</li> <li>High media attention and NGO activity.</li> <li>Strong political momentum and increasing clarity of future policy frameworks.</li> <li>Likely corporate winners and losers can be identified.</li> <li>Feasible for ESG investment specialists to quantify risks and opportunities.</li> <li>The market tends to misprice risks and opportunities. Few mainstream analysts take these issues into account.</li> </ul> <p><i>ESG mispricing can be exploited = investment opportunity</i></p>	<ul style="list-style-type: none"> <li>Regulations and norms are established.</li> <li>Risks and opportunities are identified and integrated in mainstream analysts' valuation models.</li> <li>The market efficiently prices companies in relation to these issues.</li> </ul> <p><i>ESG parameters clarified = too late</i></p>

The Momentum phase is the most important phase for SRI investors. This is where market mispricing on ESG issues occurs, which we can exploit by employing our specialist understanding on ESG issues and their underlying dynamics.

### Analysing Companies

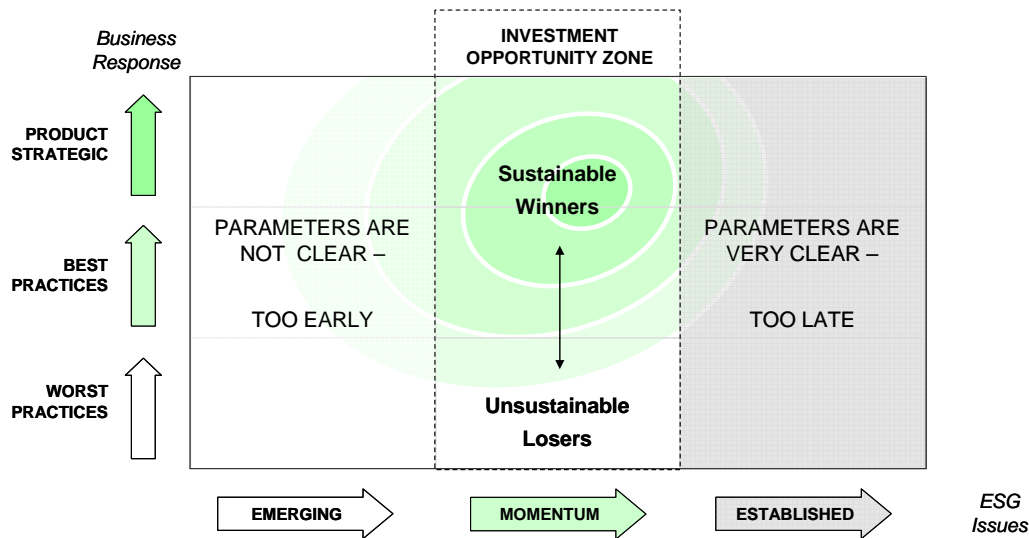
Our framework helps us to analyse how individual companies respond to the most important ESG issues. We observe three types of responses. Some companies barely address ESG issues (worst practices) and therefore are exposed to a range of risks, including compliance and reputation issues. In some cases there are risks to the business activity itself. Other companies develop robust management approaches to key issues and related risks (best practices). Finally, there are “product strategic” companies that provide products and services that help to solve the issue itself. For example, the products of a solar company help to tackle climate change.



### Identifying Investment Risks & Opportunities

By bringing together the two dimensions of 'ESG issue maturity' and 'business response', our Sustainability Radar™ gives us a clear framework for identifying those companies most at risk from the sustainability agenda, and those companies building competitive advantage by responding strategically to these challenges. Take "Greenhouse Gases" as an example, which is positioned in the momentum phase (i.e. investment opportunity zone). Clean Technology companies such as those involved in wind and solar have been clear beneficiaries of the climate change agenda. On the other hand, major greenhouse gas emitters such as the utility sector are facing increasing risks due to internalisation of external costs associated with greenhouse gas emissions.

### Fortis Sustainability Radar™



### 3b Does the fund manager use an in-house research team and/or an external research team?

The SRI Team complements its own research with research from three data providers: Asset4 (data on environmental, social issues), Governance Metrics International (data on corporate governance issues) and Trucost (on data on environmental external costs).

### **3c Is there an external control or external verification process in place for the research process? Where an Advisory Committee is used, please state its responsibilities.**

The SRI process is reviewed and validated annually by an independent SRI Committee which is made up of five international experts in key areas of sustainability. The role of the SRI Advisory Committee is:

- To advise upon the SRI framework and the relative importance given to specific social, environmental and governance factors within this framework;
- To validate, or otherwise, the robustness, appropriateness and integrity of the SRI framework and research methodology for the SRI products at Fortis Investments that fall within its scope.
- To provide a forum for debate and to advise the SRI team on trends in the corporate responsibility and wider sustainable development agenda relevant to the SRI funds.

Further detailed information on the committee and annual validation statement can be accessed at: [http://www.sri.fortis.com/sri\\_sust\\_network\\_iac.asp](http://www.sri.fortis.com/sri_sust_network_iac.asp)

### **3d Does the research process include stakeholder consultation? If yes, please provide details.**

As part of the Sustainability Radar we are liaising with a range of different stakeholders (e.g. NGOs, academics, policymakers, companies) to identify key trends which will then influence our selection and weightings of different ESG issues. Further information about our sustainability network:

[http://www.sri.fortis.com/sri\\_sust\\_network\\_network.asp](http://www.sri.fortis.com/sri_sust_network_network.asp)

### **3e Do companies have the opportunity to see their profile or analysis? If yes, how often?**

The SRI team liaises regularly with company delegates and discusses relevant ESG aspects and aspects of our analysis. In general, we do not send companies our SRI analysis. However, we use SRI data from data providers that has been cross checked with companies.

### **3f How frequently is the research process reviewed?**

The core SRI research process is updated on an on-going basis. The process is formally reviewed by the International SRI Advisory Committee on an annual basis. Further information:

[http://www.sri.fortis.com/sri\\_sust\\_network\\_iac.asp](http://www.sri.fortis.com/sri_sust_network_iac.asp)

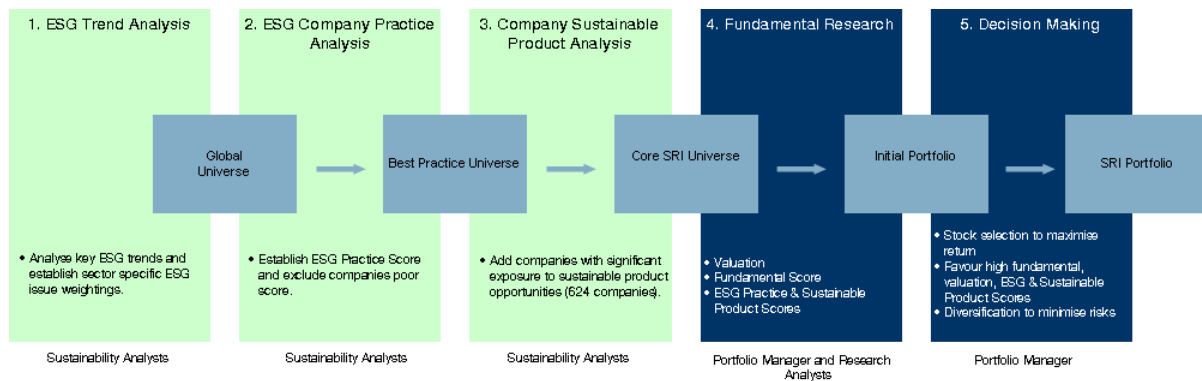
### **3g What research findings are disclosed to the public? How?**

Research findings are made available to clients upon request. Top 10 holdings are disclosed to public in regular reporting and fund factsheets. The SRI team is also frequently presenting its approach and research at SRI conferences.

## Section 4: Evaluation and Implementation

### 4a How are the results of research integrated into the investment process, including selection and approval of companies for investment?

The core SRI investment process is outlined below. The results of the Strategic Sustainability Research (e.g. ESG Practice Score, Turnover in sustainable products) are taken into account in the context of fundamental research and portfolio decision-making. Any change in the SRI investment universes for different funds are communicated to the fund managers immediately.



Sources: Fortis Investments

### 4b What internal or external measures are in place to ensure portfolio holdings\* comply with SRI investment criteria?

The SRI team sends the SRI universe to the Compliance Team of Fortis Investments at least every month. Any significant changes to the SRI universe are forwarded immediately. The compliance team integrates the universe in the compliance database and triggers alerts immediately in case of a compliance violation.

### 4c What is the policy and procedure for divestments\* on SRI grounds?

Securities that do no longer qualify for the SRI investment universe should be sold as soon as possible taking market conditions (safeguarding investors' financial interests) into account, and have to be sold within three months.

### 4d Are investors informed about divestments on SRI grounds? If yes, how frequently and by what means?

Investors are informed about divestments upon request.

### 4e Does the fund manager inform companies of portfolio exclusions\* or divestments due to non-compliance with its SRI policy and criteria?

This is only done in special circumstances, for example, if the divestment is the outcome of an engagement activity.

## Section 5: Engagement Approach

### 5a What are the aims of the engagement policy?

The key objective is to raise awareness and facilitate change in companies aimed at improving their performance on environmental, social, and governance issues that are material for SRI investors.

### 5b How does the fund prioritise which companies it will engage with?

The Fortis Sustainability Radar is the core process for identifying key ESG issues and prioritising companies for engagement activities (see also section 3).

### 5c Who undertakes engagement on behalf of the fund?

The engagement activities are carried out by the SRI team of Fortis Investments and co-ordinated by the Head of Sustainability Research.

### 5d What methods of engagement are employed?

Fortis Investments employs dialogue and voting as two principal methods of engagement. The SRI team liaises with companies on a regular basis in relation to ESG issues. The key focus of this dialogue is to address material ESG issues that require attention either in terms of policy commitment, management structure, disclosure, or actual performance. ESG disclosure requirements are integrated in the proxy voting policy of Fortis Investments and the SRI team votes regularly against those companies that do not meet them (see also section 6).

### 5e How is the effectiveness of engagement activity monitored/addressed?

The SRI team is monitoring the ESG performance of all companies in the SRI universe on an ongoing basis using data from different ESG rating agencies. This is the general way for identifying ESG improvements of companies. On more specific engagement cases, the SRI team reviews progress towards agreed targets or milestones on a regular basis.

### 5f What further steps, if any, are taken if engagement is considered unsuccessful?

This depends on the engagement issue. For example, if the engagement is around ESG transparency and the company continues to fail the ESG transparency standard of the proxy voting policy, Fortis Investments will vote against the annual report and accounts (see also 7c). In general, a poor ESG performance will always be reflected in the ESG rating and can lead to exclusion of the SRI universe / divestment of the SRI portfolio.

### 5g How, and how frequently, are engagement activities communicated to investors and other stakeholders?

The general approach is outlined on the SRI website ([www.sri.fortis.com](http://www.sri.fortis.com)). Detailed engagement activities are communicated to clients and other stakeholders upon request.

## Section 6: Voting Policy

### 6a Does the fund have a voting policy? If so, what is it?

Yes. The proxy voting policy by Fortis Investments is applicable to all funds. It takes ESG issues into account and can be accessed at:

[http://www.sri.fortis.com/sri\\_sust\\_resources\\_overview.asp](http://www.sri.fortis.com/sri_sust_resources_overview.asp)

### 6b Does the fund disclose its voting practices and reasoning for decisions? If so, where can this information be found?

The reasoning for proxy voting decision are laid out in the proxy voting policy. Actual voting practices are made available to clients and other stakeholders upon request.

### 6c Does the fund sponsor/co-sponsor shareholder resolutions?

So far, the SRI funds of Fortis Investments have not sponsored or co-sponsored shareholder resolutions.

## Section 7: Periodical Activities

### 7a List the fund holdings at a specified date within the last 6 months.

Please refer to the most recent semi-annual or annual reports of the SRI funds which can be obtained through the address given in question 1b.

### 7b What engagement activity has been carried out on behalf of the fund during the past year?

Engagement activities focussed primarily on climate change issues/risks, nanotechnology risks, labour rights issues in China, use of PVC based products, GMO risks, and general ESG disclosure.

### 7c What voting actions occurred that were related to the SRI fund criteria?

It is the proxy voting policy of Fortis Investments to vote against companies that demonstrate poor transparency on social and environmental issues. This is applicable to all funds. A regular proxy voting update report is published. Further information see

<http://www.investments.fortis.com/global/AboutUs/governance.page?>

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Investors should ensure themselves that they read the last available version of this document.

Past performance or achievements are not indicative of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units.

For more information, please contact [fortisfunds@fortisinvestments.com](mailto:fortisfunds@fortisinvestments.com).

Fortis Investments is the trade name for all entities within the group of Fortis Investment Management. This document has been issued by Fortis Investment Management Belgium N.V./S.A. (address : Avenue de l'Astronomie 14, 1210 Brussels, Belgium, RPM/RPR 0882 221 433).