



June 2008

## **Position of the Dexia Group on the issues associated with financing the armaments industry**

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As already indicated at the General Meeting of Dexia on 12 May 2004 and recalled at the General Meeting on 10 May 2006, in this regard, Dexia does not consider that the defence sector should to be avoided per se: indeed, it contributes in particular to the security and defence of populations.

For all that, however, Dexia considers the armaments sector to require particular attention.

### **1. Position adopted by Dexia**

- **Antipersonnel mines:** under the conditions of the Belgian Act of 20 March 2007 and pending the publication of the King's list, it has been decided to exclude companies associated with the sale, manufacture, use or possession of antipersonnel mines from all Dexia's banking and insurance activities<sup>1</sup>.
- **Cluster munitions:** under the conditions of the Belgian Act of 20 March 2007 and pending the publication of the King's list, it has been decided to exclude companies of which the involvement is certain and known in the sale, manufacture, use and possession of cluster munitions from all the banking and insurance activities of Dexia<sup>2</sup>.

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<sup>1</sup> The position adopted by Dexia is intended to apply the spirit of the Ottawa Convention forbidding the manufacture of antipersonnel mines, and Belgian legislation forbidding the financing of the manufacture, use or possession of antipersonnel mines. Moreover, the Belgian Law of 20 July 2004 (Law and Royal Decree published in the *Moniteur Belge* on 9 March 2005) transposed the UCITS III Directive forbidding funds under Belgian Law (non-index-linked funds) to acquire the securities of companies the activities of which consist of the manufacture, use or possession of antipersonnel mines.

<sup>2</sup> The position adopted by Dexia is intended to apply the Belgian Law of 20 March 2007 (the Decrees and the List indicating the names of companies concerned, have not yet been published) forbidding the manufacture, use, storage and financing of cluster munitions.

- **Other armament assets**

**Project finance:** it has been decided to apply extremely selective criteria regarding “project finance” (companies, local authorities...) by excluding assets in the following categories:

- assets responding to the fulfilment of an offensive intervention objective;
- assets responding to an objective of research, development and manufacture of offensive weapons.

In contrast, finance may be provided for:

- detection and communication assets;
- assets responding to an objective of logistical support and other civil defence tasks;
- assets exploited with an objective of prevention or training.

**Corporate finance:** in the case of “loans” and “treasury lines” granted to companies to cover their finance requirements, Dexia excludes companies when more than 50% of the turnover is generated by the manufacture of armaments responding:

- to the satisfaction of an offensive intervention objective;
- assets responding to an objective of research, development and manufacture of offensive weapons.

**Management of so-called “SRI” (Socially Responsible Investment) funds open to the public (non-index-linked):** all companies active in the armaments sector are excluded, on the basis of the following exclusion rules:

- companies directly involved in the manufacture or sale of antipersonnel mines, cluster munitions, nuclear weapons, depleted uranium weapons and chemical or biological weapons are excluded a priori, irrespective of the amount of sales, income or profits generated by those types of weapons;
- companies which are not active in one of the six categories of weapons mentioned above but which nonetheless have links with any other type of armament are excluded if the known proportion of income resulting from activities associated with weapons<sup>3</sup> is greater than 3%;
- companies financing activities directly associated with armaments through holdings or credit portfolios are also excluded. Companies with a holding of more than 10% in a company in the armaments sector are excluded if the income of that subsidiary contributes 3% or more to the total income of the parent company. Finally, companies holding more than 10% of the credit portfolio in companies in the armaments sector are excluded.

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<sup>3</sup> These activities include research and development, production, testing, maintenance, service, repair and sale of weapons systems. By weapons system we mean end products as well as strategic components or services designed specifically to be used in armament end products.

### **Management of traditional asset funds**

Dexia excludes from investment funds under traditional management all companies involved in weapons systems for which there is a legal ban on financing, such as antipersonnel mines and cluster munitions. Dexia applies this exclusion to its investment funds under traditional management active in all countries, even if the legal ban is only applicable in a particular country.

**Holdings (capital and strategic assets):** Dexia S.A. and the main entities of the Group (Dexia Bank, Dexia BIL, Dexia Crédit Local) ensure they do not have holdings in companies in the armaments sector.

## **2. Summary of steps taken during the year 2007**

- Regarding “**project finance**”, the Group’s policy takes full account of the defined rule in this field, as the projects which have been examined (examples: trucks, communication networks, ...) do not represent excluded assets.
- The Group’s positions under “**corporate finance**” in the field of armaments represent a relatively limited overall amount, essentially involving companies of which the core activity does not represent excluded assets under our policy (examples: coastguard vessels, IT maintenance, ...).
- As for **management of traditional asset investment funds**, the exclusion of companies involved in the manufacture, use and possession of cluster munitions has been in place since the beginning of 2007.
- Finally, neither Dexia S.A. nor the main entities of the Group (Dexia Bank, Dexia BIL, Dexia Crédit Local) had **holdings** in the armaments sector as at the end of 2007.

