

## **KBC has the most far-reaching policy on controversial weapons in the world.**

In 2004, KBC drew up its policy on companies involved in the manufacture or development of controversial weapons or the trade in such weapons.

KBC Asset Management consequently no longer invests in companies that are involved in developing, manufacturing or trading in weapons whose deployment has caused disproportionate suffering among innocent civilians over the past 50 years. This decision has nothing to do with the turnover from the weapons in question nor with whether they are prohibited under international law, it is based rather on whether or not there is broad public support for banning them. Weapons in this category include **biological weapons, anti-personnel mines, cluster bombs and munitions and weapons containing depleted uranium.**

By extension, KBC Group has decided to no longer finance or grant loans to companies that are involved in manufacturing, developing or trading in controversial weapons. However, KBC is of course still bound by the terms of the contracts that apply to existing loans.

Shares and bonds issued by Singapore Technologies Engineering, EADS, Thales, Raytheon, Lockheed Martin, Alliant Techsystems and General Dynamics have been withdrawn from the investment universe of all our actively and passively managed funds. In 2005, Textron was added to the list. Only for certain index-linked investment funds for institutional investors (or 'Plato' investment funds), where it is the client who chooses the investment universe, may an exception be made. *Netwerk Vlaanderen* has been apprised of this.

The procedure followed in this regard entails three steps:

- a) when no international regulations exist, KBC Asset Management's External Sustainability Analysis Advisory Board investigates whether there is worldwide public support for banning a weapons system (which in the past was the case for cluster bombs and munitions, as well as for weapons containing depleted uranium), and advises the Executive Committee of KBC Asset Management on this. The Executive Committee of KBC Group will also take this advice on board when defining its lending policy going forward.
- b) when new names crop up on the list of companies that may be involved in such weapons systems, KBC Asset Management's Sustainable and Socially Responsible Investment Department ascertains whether irrefutable proof can be provided of such involvement. The company is given two months to provide information on the matter.
- c) the Executive Committee of KBC Asset Management decides whether or not to exclude the company from the investment universe.

For a conventional financial institution such as KBC, this policy on investments in and lending to companies that manufacture, develop and trade in controversial weapons is unique.