

# Sustainability Report 2009

## Dexia AM: a Responsible Asset Manager

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# Sustainability Report 2009

## Dexia AM: a Responsible Asset Manager

### 1. Introduction

As a pioneer in Sustainable and Responsible Investment, Dexia AM believes that economic growth can only be sustainable when companies behave responsibly, i.e., when they look beyond the immediate present and integrate social, environmental and governance aspects in their strategy. Thus sustainable growth can meet the needs of today without compromising the ability of future generations to fulfil their needs and expectations.

Corporate and social responsibility (CSR) is about establishing long-term relationships with all stakeholders, properly taking into account the long-term trends which will shape tomorrow's world.

Dexia AM commits to being a **responsible asset manager**.

At Dexia AM, we are convinced that **giving due consideration to sustainability challenges in our investment portfolios** is not only in the best long-term interests of our clients, but also contributes to fostering sustainable economic growth.

Also, **as a company**, we want to continue to **develop our long-standing culture of responsibility**: building long-term partnerships with clients, developing the potential of our employees, reducing our carbon footprint and engaging with the communities we operate in.

In the latest (2009) CSR report, we outline the countless efforts and initiatives we deployed in 2009 at Dexia AM to make good upon our commitment to being a responsible asset manager.

# Responsible in our Investments

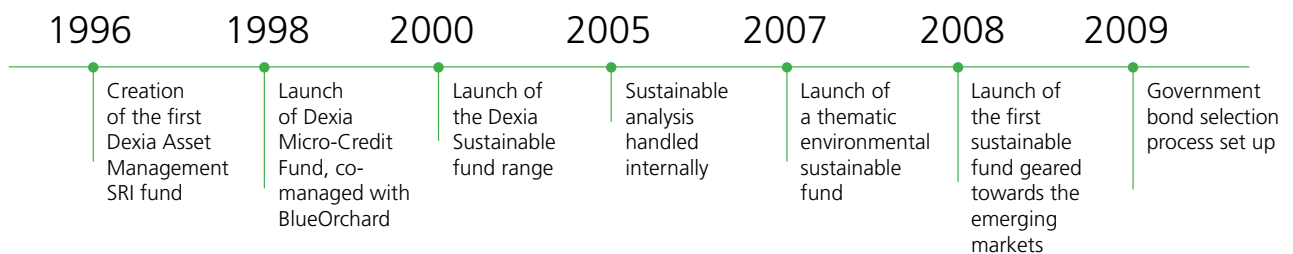
## 2. Fostering sustainable growth

As a responsible asset manager, Dexia Asset Management is committed to acting in the best long-term interests of its clients. Dexia Asset Management therefore wants its investment portfolios to give appropriate consideration to environmental, social and corporate governance (ESG) challenges.

**Dexia AM, committed to implementing the UN Principles for Responsible Investment**, became a signatory to the UN PRI (<http://www.unpri.org/about/>) in 2006.

### 2.1 Dexia Asset Management: an SRI pioneer

Dexia AM: A true pioneer that has been adding to its range of Sustainable & Responsible Investment solutions since 1996.



**In 2008, Dexia AM launched its Sustainable Emerging Markets fund**, one of the very first SRI emerging market funds. The SRI selection process combines an assessment based on compliance with major international treaties and an analysis of long-term key sustainability challenges such as climate change and ageing populations.

**In 2009, the SRI screening of government bonds was enhanced and extended.**

Dexia AM enriched its existing norms-based selection of public issuers with a best-in-class analysis aiming at selecting those countries that manage their human, natural and social assets in the most sustainable way.

At Dexia AM, we are convinced that countries that invest in their human capital while appropriately managing their natural resources and social capital will develop in a sustainable way, securing – in the long term – stronger economic growth and well-being for themselves.

The combination of the existing norms-based approach with a best-in-class analysis, and the introduction of other indicators, offers a consistent rating methodology that takes into account the specificities of each country and allows meaningful cross-country comparisons.

# Responsible in our Investments

Today Dexia AM offers clients a full range of SRI solutions across all asset classes and regions and helps clients select the SRI approach that best fits their objectives and commitments:

- best-in-class approach;
- norms-based approach;
- thematic focus;
- tailor-made criteria.

## Dexia AM's SRI selection process distinguishes itself by its depth, its relevance and its solidity

- Dexia AM's SRI process (SRI being one of Dexia AM's key strategic business lines) is sustained by extensive dedicated resources:
  - one of the **largest dedicated SRI teams** in Continental Europe, with over 20 sustainability experts (analysts and fund managers)
  - exclusively **in-house sustainability analysis**
  - **an in-house database**, with detailed SRI scores and indicators for over 2,500 companies worldwide.

**Proprietary Research is critical to integrate Sustainability challenges into portfolio management, confirms Wim Vermeir, member of the Executive Committee of Dexia Asset Management**

- Dexia AM's SRI process has the backing of an **active SRI Advisory Board**, comprising five prominent external experts from academia and industry. The Board:
  - helps Dexia AM identify emerging challenges in sustainability;
  - ensures a relevant and consistent methodology.
- Dexia AM's **best-in-class** approach assesses companies from **two angles**:
  - the company's exposure to the **Key Sustainability Challenges** (such as Resource Depletion, Ageing and Climate Change – the long-term trends that shape future market challenges and opportunities);
  - the company's ability to appropriately manage its **Stakeholder relations** – a source of business opportunities and of business risk.
- Dexia AM's **SRI assessment is carefully modulated** in accordance with the varying societal and business relevance that sustainability challenges and stakeholders' relations may have **for different industries**. In-depth impact studies and exposure-analyses of business revenues and projects are performed.

# Responsible in our Investments

Dexia AM's SRI philosophy is based on the idea that a company's long-term value is not purely affected by financial criteria such as revenue and margin growth.

By taking into account environmental, social and governance (ESG) criteria, Dexia AM identifies additional factors that affect a company's long-term value and competitiveness but that are not always apparent in traditional financial analysis.

At Dexia AM, our mission is to maximise clients' return on investment over the long term by generating two sources of added value that are interdependent and result from sustainability and financial analysis, states Isabelle Cabie, Head of Sustainable & Responsible Investment at Dexia Asset Management.



## Dexia AM in the vanguard of SRI transparency

At Dexia AM, we widely publicise our ESG and SRI research & selection process, sharing it with clients, the media and the investment community at large.

- We have been actively **involved** in the elaboration of the industry-wide **guidelines for SRI transparency** (active member of the AFG transparency workgroup, president of the BELSIF transparency workgroup and contributor to the Eurosif summary for signatory to the transparency code)
- In keeping with the "European SRI transparency guidelines", we provide a **detailed insight into our SRI selection process for all our major SRI funds**:
  - we have done this since 2006 for Dexia AM's Core SRI Range. Dexia AM was the first asset manager in Belgium to receive the Eurosif "Transparent Logo" and we have continued to receive it every year since 2008;
  - since 2009, we have also provided full insight into the selection process for Dexia AM's thematic SRI funds, for the sustainable emerging market fund and the sustainable money market fund.

# Responsible in our Investments

- All **holdings in our SRI funds** are disclosed monthly on our corporate website.
- For various flagship SRI funds, we include a **graph with the portfolio's ESG performance** in the fund's monthly fact sheets.
- Novethic, the French SRI research centre, has granted the '**Novethic SRI**' label to all 22 of Dexia AM's SRI funds commercialised in France. The Novethic label scrutinises SRI funds from four angles:
  - the extent to which the funds take into account ESG matters;
  - the quality of the transparency of the sustainability research process;
  - the existence of an ESG reporting facility; and
  - the disclosure of the SRI fund holdings.
- A **website entirely dedicated to SRI-related matters** has been developed (on-line as of April 2010) .  
<http://sri.dexia-am.com>

Dexia AM is an opinion leader in SRI, advocating its wider acceptance in the market place and sharing knowledge with clients\*

- **Dexia AM's SRI analysts and traditional analysts jointly produce, for example, in-depth SRI research papers** (available on the Dexia AM website), press releases and customer events. Papers completed in 2009:
  - "Health & Wellness in the Food & Beverage Sector";
  - "Pricing carbon in Hydrocarbon Portfolios";
  - "How sustainable is packaging?"
- **Dexia AM publishes a quarterly newsletter on SRI, "Looking Ahead"**. The 2009 editions included contributions on key sustainability themes such as resource depletion, sector studies such as the automobile sector, transport (European operators) and utilities (electrical equipment), and the Global Reporting Initiative.
- **Dexia AM regularly organises well-attended SRI events and round tables:**
  - **"Club Washington": SRI breakfast meetings** with Dexia AM's SRI experts, external speakers and investors. Two sessions took place in 2009: "The cars of tomorrow – sustainability challenges going forward" and "Pricing carbon".
  - **Debate and conference on climate change:** on 19 October 2009, Dexia AM hosted a debate in Brussels on investor power/actions in the face of the investment risks and opportunities linked to climate change. After Dexia AM's presentation on "The impact of carbon emissions on the long-term financial performance of the energy sector", the company welcomed a panel of well-known experts for a round table on the topic "Climate change: the Power of Investors". This event was part of the very first Sustainable & Socially Responsible Investment Week, organised by BELSIF (the Belgian Sustainable Investment Forum) between 17 and 23 October 2009.

\* All studies and analyses mentioned above can be consulted on Dexia AM's dedicated SRI Website: <http://sri.dexia-am.com>

# Responsible in our Investments

■ **Dexia AM shares its SRI expertise through dedicated articles and interviews in investor media and as a regular speaker at key SRI conferences in Europe and abroad:**

- Dexia AM's SRI experts were quoted in 206 articles published in media from eight European countries and in other pan-European and Middle-Eastern media. Of these, 107 were entirely dedicated to Dexia AM's SRI expertise and fund range.
- Dexia AM's SRI experts spoke at numerous high-profile conferences such as the EDHEC Institutional Days in Paris, the Fachkonferenz nachhaltigen Geldanlagen in Germany, the ATRI conference in Ottawa, the ECCE conference in Maastricht, the Canadian Responsible Investment Conference and the TBLI Conference Europe 2009.

## Advising clients on how to adopt an SRI approach

- Dexia AM's clients can avail themselves of our long experience in managing SRI portfolios and our extensive expertise in sustainability challenges and the norms and criteria that respect the interests of all stakeholders.
- We are thus well positioned to advise clients on the SRI approach that best suits their objectives and engagements.

Sustainable and Responsible Investment (SRI)	2005	2006	2007	2008	2009
AuM of the SRI funds and mandates managed by Dexia AM (EURbn)	12.2	14.2	17.6	16.1	18
AuM of assets managed in a «norm-based» approach (EURbn)	NC	9.9	11.24	12.1	13.2
Proportion of SRI AuM vav the total AuM managed by Dexia AM	13%	13%	16%	20%	22%

# Responsible in our Investments

## 2.2 Putting our sustainability expertise at the service of our traditional strategies and...vice-versa.

### Appropriate consideration of material ESG issues in all investment portfolios

As a responsible asset manager, Dexia AM undertakes to act in the **best long-term interests of our clients**. We thus wish to give appropriate consideration to ESG challenges in all investment portfolios, to the extent that these **challenges materially benefit companies' results**. To this end, we actively **foster collaboration and productive synergies between our traditional and our sustainable experts**.

### Access to central SRI database for traditional investment professionals

All our financial analysts have access to a central SRI database containing detailed company ESG assessments and research papers produced by our team of sustainability analysts. Knowledge-sharing grants Dexia AM's traditional investment management team access to the same information.

### Financial and sustainability analysts jointly research relevant ESG themes

Dexia AM's traditional financial analysts and sustainability analysts work together to identify relevant ESG-related elements, taking into account both the financial and the sustainability aspects.

In 2009, two important research papers resulted from this integration of financial and ESG research. Both papers received widespread coverage in the international media:

- a comprehensive research paper on the 'Oil & Gas sector', which investigated the challenges pertaining to the transition towards a low-carbon future and measuring the **material impact of CO2 emissions on business models** and on a company's P&L
- a second paper, focusing on healthy products in the 'Food & Beverage sector' and how they affect business models and sector-competition dynamics.

Dexia AM, incidentally, also includes the quality of the input received for its ESG Research as a factor in its regular broker assessments

# Responsible in our Investments

## SRI portfolio managers integrated within traditional investment team

In early 2009, Dexia AM integrated its SRI portfolio managers into its traditional investment management team, a move which has made an important contribution to the appropriate incorporation of ESG factors into traditional investment management, as it brings SRI and traditional fund managers into closer contact, facilitating the exchange of ideas and research.

## Investments aligned with strongly held societal norms

Corporate issuers involved in the use of anti-personnel landmines, cluster munitions or depleted uranium weaponry have been excluded from all investment portfolios managed by Dexia AM.

## Active proxy voting policy

Furthermore, since 2003, Dexia AM has engaged in an increasingly **elaborate active proxy voting** policy, relying on the guidance of a "Proxy Voting Committee" which includes independent external members. Dexia AM produces an annual report summarising our voting activity. The list of companies at whose AGM Dexia AM voted is included in the respective funds' annual report. Dexia AM votes in favour of resolutions that uphold the principles of sustainable development.

## Participation in collaborative initiatives

In general, Dexia AM participates in a wide range of **collaborative initiatives that** engage with companies and aim to enhance disclosure on a non-discretionary basis:

# Responsible in our Investments

## Dexia Asset Management is a signatory of the following initiatives:

Name of collaborative initiative	Date joined
Principles for Responsible Investment (PRI)	-2006
European SRI Transparency Guidelines	-2004
EITI - Extractive Industries Transparency Initiative	-2004
CDP - Carbon Disclosure Project	-2004
EM DI - Emerging Markets Disclosure Project	-2008
FFD - Forest Footprint Disclosure Project	-2009
ICOS - Investor Collaboration on oil sands	-2009
CCCC - The Copenhagen Communiqué on Climate Change	-2009
ISGACC - 2009 Investors Statement on a Global Agreement on Climate Change	-2009

## Dexia Asset Management is a member of:

Name of Association	Date joined
AFG (Association Française de la Gestion financière), and its Commission « Investissement Socialement Responsable »	-2003 -2004
BEAMA (Belgian Asset Managers Association) Committee Socially Responsible and Sustainable Investing	-2002
EABIS - (European Academy of Business in Society)	-2005
Several Social Investment Forums, such as:	
Eurosif (European Sustainable Investment Forum)	-2004
Belsif (Belgian Sustainable and Socially Responsible Investment Forum)	-2003
Swesif (Swedish Sustainable Investment Forum)	-2007
VBDO (Dutch Sustainable Investment Forum)	-2007
SIO (Canadian Association for Socially Responsible Investment)	-2008
ORSE (Observatoire sur la Responsabilité Sociétale des Entreprises) : Club Finances	-2004

# Responsible towards our Clients

## 3 Building long-term sustainable partnerships

### 3.1 An entire organisation re-focused on client needs

2009 was a challenging year for the asset management industry. In the aftermath of the financial crisis, trust in the financial sector as a whole had to be restored and clients were asking for a greater degree of quality, simplicity and transparency.

Dexia AM decided to consolidate its existing client-oriented business model in order to **place the client at the very heart of its activities**. Dexia AM strongly believes that **sustainable added value for clients can only be created through a long-term partnership based on proximity, responsiveness, transparency and trust**.

In order to be able to build even stronger long-term partnerships with its clients, Dexia AM enhanced the client-oriented nature of its teams as follows:

#### A single client relations & solutions team

The links between the Client Relationship team and the Client Solutions & Financial Engineering unit were **tightened**. This regrouping has allowed Dexia AM to respond even more efficiently and effectively to client needs for enhanced transparency, sound investment advice compatible with long-term objectives and proximity. It has also increased synergies and stimulated innovation throughout the organisation.

Some examples of the innovative solutions set up by, or developed jointly with, Financial Engineering:

- integration of a norms-based (SRI) filter within indexed solutions (end 2009);
- SRI Investment Advisory Services;
- launch of a new fund: "Dexia Bonds Euro Convertible 2015";
- a fully customised liability-driven investment swap-overlay for a pension fund;
- a renewed and comprehensive asset allocation offer (see below);
- research on capital preservation.

# Responsible towards our Clients

## A single client asset allocation team

Asset Allocation becomes even more important for UCITS. Aiming to give the best possible advice and provide investment management services as regards the optimal allocation of client assets, Dexia AM, in 2009, merged several of the business units active in asset allocation (Institutional Portfolio Management, Insurance, Private Clients, Global Balanced Management) into a single business unit. This merge allowed us to leverage our existing but fragmented expertise and to create synergies between different processes. This reshuffling also consolidates and develops our tradition in innovative developments in client-oriented solutions. Dexia AM now offers a range of comprehensive asset allocation solutions, which helps clients reconcile short- and medium-term constraints with their long-term objectives. **As a result, Dexia AM's allocation solutions can be completely tailor-made and take into account multiple objectives, investment constraints and risk aversion, including sustainable and responsible investment criteria.**

## A single client reporting & client servicing team

In 2009, the Client Servicing & Reporting department contemplated several initiatives designed to make Dexia AM and its **reporting more responsive to its clients**. Examples of initiatives currently "under construction" include: the daily availability of the client portfolio on a dedicated web space, and dynamic fund reporting adapted to client needs.

# Responsible towards our Clients

## 3.2 Client relationships based on transparency, trust, proximity and responsiveness

Forging long-term partnerships with clients, based on a true understanding of their needs and the offer of a high-quality service, is a central pillar of Dexia AM's strategy. The key words are: transparency, trust, proximity and responsiveness

### Transparency & trust

#### STRONG COMPLIANCE PROCEDURES AND SYSTEMS

Strong compliance procedures were a key element in Dexia AM retaining the trust of its clients.

The organisation and mission of Dexia AM's compliance department are as follows:

- An independent compliance function, reporting directly to the Executive Committee;
- 4 dedicated staff
- The establishment and supervision of internal procedures that conform to international and local regulations.

The main areas covered by Dexia AM's compliance functions are:

#### Professional ethics and client servicing

The ethical code of conduct of Dexia group has been duly adapted to the specific needs and environment of Dexia Asset Management. All staff members are obliged to respect these rules. This framework aims to ensure, on a daily basis, professionalism vis-à-vis our clients, ensuring that they are fairly treated and that potential conflicts of interest of any nature are promptly resolved.

#### The prevention of market abuse and fraud

Dexia Asset Management has established strong procedures aimed at preventing, inter alia, market abuse, insider trading, price manipulation and fraud. By means of training courses, e-learning, dedicated compliance mails, the recurrent publication of the compliance rules and codes of conduct on the Intranet and internal sensitisation campaigns encouraging staff to consult the published information on the Intranet regularly, all Dexia AM staff members are actively made aware of the need to adhere to the highest standards of professionalism. New recruits receive a complete compliance information pack, as well as detailed presentations on, for example, Mifid-rules, Business Continuity Procedures, fraud mechanisms, and ways and means of preventing money-laundering.

#### Prevention of money-laundering

The country policy defined at Dexia group level (what are the basic rules of this policy?) is implemented at Dexia AM and the 'Know-your-customer' validation system is embedded in the internal client database to prevent money-laundering and the financing of terrorism. The country policy is based on a matrix of risks, with the risk profile of the client on one axis and the country typology (defined via international criteria) on the other axis. The used obligations concerning identification, precautions and authorisations change with the criteria used.

# Responsible towards our Clients

**In 2009, various policies and procedures were put in place and/or overhauled:**

## **The principles pertaining to the independence of the external auditors**

The independence of the external auditors is crucial to public trust in corporate financial reporting. Dexia group has therefore drafted a reference document entitled "Dexia group's policy seeking to guarantee the independence of the external auditors". This document also holds for Dexia AM. The general principle is that it is forbidden to entrust to a statutory auditor – or to any possible future statutory auditor of any of the Dexia group companies – any new assignment that might create conditions likely to jeopardise the auditor's independence in exercising his auditing duties.

## **Policy governing gifts, favours or invitations**

This procedure implements, within Dexia AM, the Dexia group policy with respect to gifts, benefits and invitations. In the exercise of professional activities, gifts and other advantages offered by third parties may create an inappropriate expectation or feeling of obligation. In this regard, a framework of reasonable practices has been defined. Concretely, no staff member of Dexia AM can accept (or solicit) gifts, benefits, invitations or other advantages for themselves or for members of their family, from persons or companies with whom, or with which, Dexia AM has, or is likely to enter into, a business relationship, if such a gesture might influence (or appear to influence) their professional impartiality.

## **The procedure with respect to the treatment of claims and incidents**

Dexia AM has an effective and transparent procedure covering the reasonable and efficient processing of claims/complaints, all of which are, in theory, recorded, as are the measures taken to resolve them. With respect to "incidents", the operational risk to which each Dexia AM entity is exposed has to be quantified and reported to Dexia S.A.

Hereunder, we list the number of complaints received in 2009, as well as their nature:

	Q4	Q3	Q2	Q1
Number of financial investment & services complaints	7	3	4	0
Number of marketing & commercial complaints	0	1	1	0
Number of MiFID complaints: classification / profile	0	0	0	0
Number of MiFID complaints: Best Execution	0	0	0	0

## **Rules with regard to external communication**

At Dexia AM, communication rules have been put in place and a list of staff members authorised to communicate with the press has been compiled. The goal is to streamline Dexia AM's communication efforts as a company and to ensure the transmission of coherent messages.

A new policy governing Marketing Communication & Financial Promotion was also put in place:

The MiFID Directive and its local transpositions require investment companies to act honestly, equitably and professionally when providing investment services to clients and to serve the best interests of those clients.

As such, promotional information must be accurate, clear and not misleading.

The objective of this policy is to set out a general code of conduct applicable to the commercialisation process implemented for financial instruments. The Dexia AM policy thus aims to guarantee information quality for clients and to provide clear support for those involved in the sales process.

# Responsible towards our Clients

## **Dexia AM committed to prevention and to staff training**

Prevention and training are key elements in ensuring that every staff member understands, adheres to and applies the rules. In 2009, staff received training on compliance awareness, anti-money laundering, market abuse & fraud, MiFid (the Markets for Financial Instruments Directive) procedures and the business continuity plan.

## **Dexia AM staying abreast of evolving compliance issues**

To keep at the forefront of evolving compliance issues, Dexia AM actively participates in public initiatives and forums (Forum Compliance in Belgium, The Association of Compliance Officers in Luxembourg and the Association Française de Gestion Financière in France). Compliance also works closely with Risk Management and Client Servicing in working groups to ensure a continuous exchange of information.

## **RIGOROUS & INDEPENDENT RISK MANAGEMENT**

Dexia AM has always paid particular attention to assessing and managing risk with clients' best interests in mind. The company's investment processes are overseen, at all stages, by a rigorous and independent Risk Management business unit.

During the start-up phase  
of fund and mandates

### **Setting-up of process in accordance with clients' needs and expectations**

- Calibration – Backtesting – Risk models and indicators – Validation

During the fund/mandate  
lifespan

### **Respect of needs and expectations: monitoring of regulatory and contractual rules**

- Rules – Performance versus Backtesting – Risk indicators

With periodic  
reporting

### **Reports on the respect paid to clients' needs and expectations**

- Breaches and events – state of the risk

Further added value  
initiatives for clients

### **Risk management knowledge-sharing with clients**

- Risk indicators from Risk Engine in client reporting
- Practice at Dexia Asset Management – Risk Review

# Responsible towards our Clients

## Size and mission of Dexia AM's Risk Management business unit

- 27 dedicated professionals with strong risk management skills;
- one of the Executive Committee members is exclusively dedicated to risk management;
- Wide scope of activities:
  - pro-active monitoring to ensure compliance with all constraints and objectives;
  - management of all regulatory, market, credit, liquidity, operational and modelling risks.

## Key aspects of Dexia AM's risk management:

- internal controls embedded in the investment procedures;
- market risk indicators and credit alerts output on a daily basis;
- countless daily controls on the legal and contractual rules pertaining to mutual funds and mandates;
- "a priori" checks to ensure respect of the main rules: orders sent by the portfolio managers are checked in terms of compliance with the legal, contractual and internal rules before being placed on the market.

## Risk management and transparency:

- Risk Management keeps the members of the Executive Committee and the senior executives informed of risk evolution;
- Dexia AM ensures that its clients are kept fully informed about the investment processes and the evolution of risk.

## Dexia AM's risk management in the light of the crisis:

- Dexia AM's rigorous risk management and internal controls are paying off;
- most of Dexia AM's funds have experienced no significant liquidity issues or counterparty failure.

## Risk management at Dexia AM in 2009:

### Continuation of controls and focus on the following points:

- the choice of a new market risk engine: this is the main driver of risk management development. Risk Management is in the process of replacing its current market risk engines by a single new tool, which will be used (a) to rationalise market risk monitoring and developments, (b) to integrate the new added-value indicators, (c) to speed up specific analysis procedures and (d) to enhance client reports;
- a permanent screening of credit exposure: the Credit Risk Committee now subjects the financial sectors, corporate issuers and specific financial instruments to more acute analysis than ever before;
- the setting-up of an anticipatory "frozen list" (in which positions are frozen, i.e., they are not added to) in order to limit the total exposure to certain issuers, even if the credit quality of the latter is not (yet) seen as critical.

# Responsible towards our Clients

## RESPONSIBLE AND TRANSPARENT COMMUNICATION AND MARKETING VIS-À-VIS OUR INVESTORS

Dexia AM's Communication department's mission is to communicate information in a timely and transparent way to internal and external target groups. The Global Head of Communication reports directly to the CEO and advises the Executive Committee on communication matters. Communication publishes extensive corporate documentation online and in printed format (respecting the principles of sustainability regarding paper use). Furthermore, a team of investment specialists, fully knowledgeable about their respective investment style, provides the relevant marketing documentation and ongoing support to the client relationship managers.

### Adequate and timely crisis communication

In 2008, at critical moments, Dexia AM's relationship managers organised conference calls and meetings with clients to update them on their portfolio. As this initiative was highly appreciated by the clients, Dexia AM decided to retain it throughout 2009.

### Instructive and reliable client reporting

Dexia Asset Management undertakes to provide, for each product, a clear and fair representation of its investment objective, risk/return characteristics, fees and historical performance.

Since 2000, Dexia Asset Management has voluntarily complied with the **GIPS® reporting standards** governing all mutual and dedicated funds and third-party institutional mandates. In 2004, Dexia Asset Management adopted the European **SRI Transparency Guidelines** for SRI funds, aimed at helping investors make informed choices. Dexia AM provides regular updates on client portfolios, with a detailed reporting mechanism that includes Dexia AM's take on the macroeconomic context.

### Eurosif Transparency Logo

Dexia Asset Management was the **first asset manager in Belgium to receive the 'Transparency Logo' in 2008**. This token of openness is a clear sign of our commitment to fostering transparency in the field of SRI by accurately communicating news about our SRI process. At Dexia AM, we believe that transparency is a key element in raising awareness of SRI and increasing confidence among clients and market participants.

### Disclosure of portfolio holdings

In line with its commitment to greater transparency, since autumn 2009 Dexia AM discloses the portfolio holdings of all its major SRI funds and of other key traditional funds on its corporate website.

### 22 Dexia AM funds have received the Novethic 'SRI label' in France

Dexia Asset Management has **more Novethic-labelled SRI funds (22 in total) than any of its competitors**. The label is granted by Novethic, the leading French research centre on Sustainable and Responsible Investment (SRI) on 29 September 2009.

This result confirms Dexia AM's status as a market leader in SRI and is a token of its well-established research and investment process, as well as its commitment to transparency and disclosure.

# Responsible towards our Clients

## Proximity & Responsiveness

### LOCAL PRESENCE AND TEAMS DEDICATED TO MEETING CLIENT NEEDS

Dexia Asset Management targeted client needs in 2009 by refocusing its **local commercial presence** on eight European countries and selected international regions such as Canada, Australia and the Middle East, and by offering clients proximity to their local relationship managers. The latter, highly flexible and fully aware of local needs, guide and advise Dexia AM's clients in their investment choices and decisions.

In order to guarantee the most appropriate response to specific investor requirements and local constraints, Dexia AM further organised its Sales Academy in 2009. The Academy was founded in 2008 to give the relationship managers the opportunity to glean first-hand information on the existing investment processes from senior investment professionals within Dexia AM. In the last Sales Academy cycle, about sixty staff members, half of whom were client relationship managers, attended courses on Equity Management, Fixed Income Management and Alternative Management.

In addition to its local relationship managers, Dexia AM also has a "Client Servicing" team, which strives to enhance the quality and responsiveness of its services.

### KNOWLEDGE-SHARING WITH CLIENTS THROUGH EVENTS, SEMINARS AND ONE-TO-ONE MEETINGS

Dexia AM's Communication department organises regular client seminars on specific investment processes and changes within the financial market.

Events and seminars organised in 2009 included:

- a macro-economic roadshow (June and November/December);
- the Alternative Investment Conference (October);
- Belsif SRI Week (October)
- the Investors' Seminar in the Middle East ((November))

### CLIENT SATISFACTION SURVEY

In December 2009, Dexia AM organised a Client Satisfaction Survey, the results of which will be analysed and communicated to clients in the course of 2010, helping Dexia AM to adapt continuously to clients' needs. The survey will be repeated on a regular basis in order to keep the company informed of client needs and expectations.

# Responsible towards our Employees

## 4 Developing potential

**Integrity, discipline, innovation and research** are considered to be prime factors in building and motivating professionals and are thus key values of Dexia AM's Human Resources (HR) policy.

The commitments made in Dexia group's Principles of Social Management and in the Charter of HR Quality apply to Dexia AM as they do to all Dexia group entities. They guarantee:

- a consistent and constructive dialogue with the social partners;
- the development of expertise through training;
- a systematic assessment of employee performance;
- the possibility of internal and international mobility.

Working in the financial industry in 2009 had its ups and downs. During the general upheaval in the financial markets, Dexia Asset Management could count on the perseverance and loyalty of its teams, all of whom committed to a structured and rational management of the many challenges posed by giving the best of themselves. Thanks to their experience, creativity, expertise and tenacity, they were able to consolidate Dexia AM's position as a leading pan-European asset manager. At Dexia AM, we are convinced that our employees will continue to drive our organisation to even higher levels, quite simply because "Money does not perform. People do."

### 4.1 Social dialogue

Dexia AM's Human Resources department places the necessary instruments and processes at managers' disposal to help them optimise their HR-related decisions. They also allow for the development of each employee's talents in line with corporate strategy in order to meet the challenges facing the company. In addition, at Dexia AM, we are pulling out all the stops to facilitate and encourage a constructive and open dialogue with our social partners in a spirit of mutual respect and feedback. We are convinced that staff members who appreciate their working environment and conditions will contribute to reinforcing the trust that clients invest in us and which they deserve.

### 4.2 Expertise through training

Dexia Asset Management's HR department closely monitors the training and development of its employees.

In 2009, an annual **Performance Development Process** and a procedure for assessing career development ensured professional evolution and the advancement of expertise. In 2009, more than 72% of staff attended an average of 9.93 hours' training per individual. Dexia Asset Management makes it possible for its employees to enter the reputable **CFA** (Chartered Financial Analyst) exams by financing the study material and allowing time off to revise. We also had several staff members taking the **CQF** (Certificate in Quantitative Finance) and **Risk Management** (RFM, PRMIA) exams.

In 2009, 19 staff members enrolled on the CFA course. At the end of December 2009, Dexia Asset Management had 29 CFA- and four CQF-qualified staff. As previously mentioned, Dexia AM also organises its Sales Academy in such a way as

# Responsible towards our Employees

to ensure that the Client Relationship Managers can always provide the most appropriate response to specific investor requirements and local constraints.

## 4.3 Assessment of employee performance

Employee performance is continuously assessed and adjusted through the **Personal Development Process** and its follow-up throughout the year. This evaluation procedure is designed to increase dialogue between employees and managers and provides the employee with an individual report on his personal strengths and areas in need of improvement.

## 4.4 Internal mobility and international recruitment

With its workforce of just under 600, Dexia AM unites no fewer than **29 different nationalities**: another illustration that DAM values diversity. As well as France and Belgium, the following countries are currently represented within the company: Algeria, Australia, Austria, Belarus, Cameroon, Canada, China, the Democratic Republic of Congo, Finland, Germany, Greece, Guinea, Ireland, Italy, the Ivory Coast, Lebanon, Morocco, the Netherlands, Portugal, Romania, Spain, Sweden, Tunisia, the United Kingdom and Vietnam.

In the course of 2009, nearly 45 staff members took on another position, 39 of them moving from one Dexia AM department to another or from one country to another, five others transferring to Dexia group. These moves allowed Dexia AM to dynamically adapt its organisation to meet specific working needs and market conditions, and offered its staff the opportunity to fully develop themselves and maximise their talents. Finally, Dexia Asset Management ensures that remuneration levels are in line with industry norms and offers additional benefits to motivate and retain talent.

## 4.5 Building for the future

Dexia AM is committed to and is aware of the important role it has to play for the promotion of the profession triggering the interest of tomorrow's talent for the industry.

In 2009, we continued our partnership with several business schools in Belgium and France (e.g. Vlerick Management School;...). Furthermore, Dexia AM has renewed its financial involvement for the 'Sustainable Finance and Responsible Investment (SFRI)' Chair's research activities of the 'Ecole Polytechnique' (France). The SFRI Chair consists of high-qualified researchers which are internationally renowned for the developments and insights they bring along in the Sustainable and Responsible Investments (SRI) field.

These partnerships are based on various initiatives, such as: company presentations, welcoming students as trainee to work on specific projects, ...

With this knowledge-sharing, teaching and the financial support we want to give students a grip on the profession creating opportunities to help them make the right professional choice and develop investment competencies.

# Responsible towards our Employees

## Key figures on Dexia AM employees (as at 31 December 2009) – excluding Australia

	Female	Male	Total
<b>Personnel breakdown</b>	32.65%	67.35%	100.00%
DAM Belgium	16.70%	38.27%	54.97%
DAM France	9.76%	18.01%	27.77%
DAM Luxembourg	4.32%	8.07%	12.38%
DAM International	1.88%	3.00%	4.878%
<b>Personnel breakdown by country</b>			
Belgium	51.15%	56.82%	54.97%
France	29.89%	26.74%	27.77%
Luxembourg	13.22%	11.98%	12.38%
Other	5.75%	4.46%	4.88%
<b>Average age (years)</b>	37.1	37.6	37.4
<b>Seniority (years)</b>	6.0	6.2	6.1
<b>Contractors</b>			
Long-term contract	98.92%	100.00%	99.62%
Short-term contract	1.08%	0.00%	0.38%
<b>Executives</b>	28.14%	60.79%	88.93%
<b>Employees</b>	4.50%	6.57%	11.07%
<b>Senior Executives</b>	23.33%	76.67%	5.63%
<b>Part-time staff</b>	22.41%	0.56%	7.69%
<b>New recruits</b>	25.00%	75.00%	100.00%
Long-term contract	50.00%	83.33%	75.00%
Short-term contract	50.00%	16.67%	25.00%
<b>Nationality</b>			
Belgian	17.26%	38.46%	53.56%
French	11.82%	21.58%	37.57%
Other (27 nationalities)	3.38%	7.50%	8.87%
<b>Training 2009</b>			
Staff trained	75.29%	71.03%	72.42%
Average duration (hours)	10.70%	9.10	9.93
Training courses			306
<b>Turnover</b>			
2007			10.20%
2008			13.54%
2009			9.76%
<b>Mobility</b>			
Internal			7.1%
Dexia AM to Dexia group			5.0%
Dexia group to Dexia AM			25.0%

# Responsible towards our Environment

## 5. Reducing our carbon footprint

Dexia AM is committed to environmental responsibility within its own premises.

In 2009, the company took several steps to mitigate greenhouse gas emission, minimise waste and reduce our carbon footprint in general.

The following initiatives were taken by Dexia AM's Brussels and Paris offices (December 2009 perimeter: 440 staff out of a total of 565 = 78%).

### 5.1 Reduction in the amount of paper and printer toner used

Dexia AM has also taken steps to reduce printing, toner and related-element costs.

The printers, for example, have been configured to print, by default, recto/verso and black and white. This enables Dexia AM to save on paper and, notably, on expensive colour toners.

The next goal is to establish a "Secure Printing" set-up, whereby the print job will be started only after the user has entered a code on the printer. This would save an important amount of paper. (The user-friendliness of this project has, however, still to be ascertained.)

### 5.2 Reduction in the CO2 emissions generated by energy consumption

With respect to electricity, all light bulbs have been replaced by economical lighting, notably in the rest rooms. Also, the lights in the meeting rooms have been programmed to automatically switch off after a certain amount of time, so no need for colleagues to worry about forgetting to switch off the lights after a meeting finishes.

Beamers also shut down after 30 minutes of inactivity. Lighting in the office is put on a timer and shuts down automatically at night before resuming the next morning.

In 2008, Dexia AM also launched the "Thick Sweater Day", an initiative which was repeated in 2009. In February, the temperature was reduced by 2°C in the central office building in Brussels.

Finally, a project concerning an automated, software-driven, power on/off system for Dexia AM's desktop computers is a work-in-progress.

# Responsible towards our Environment

## 5.3 Reduction in the CO2 emissions generated by business travel

Dexia AM has introduced a specific action plan for its business travel, one designed to reduce the distances travelled and prioritise less polluting methods of transport.

Since 2008, Dexia AM has boosted its ability to use video-conferencing and telephone conference calls to reduce the amount of travel between our various entities, in particular between the main offices in Brussels, Luxembourg and Paris. To this end, a third video-conferencing room has been operational at Dexia Asset Management's Brussels headquarters since 2009.

In parallel to this, Dexia AM advocates the least polluting forms of transport:

- train travel is, where possible, preferred to air travel;
- all staff receive a free public transport pass to come to work (train, underground, bus);
- in order to encourage staff to cycle to work more often, Dexia Asset Management has endorsed the 2009 "Bike To Work" initiative, the purpose of which is to integrate cycling into the daily activities of European citizens. "Bike to Work" is part of the European LifeCycle project and supported by the European Union through the European Agency for Health and Consumers;
- in Belgium, Dexia Asset Management has also signed up to the new Villo! project, a service for hiring bicycles in four Brussels municipalities, including the City of Brussels. Dexia Asset Management staff can use this service, available since May 2009, for free.

The efficient operating of the capital markets depends, to a great extent, on the accuracy of, and confidence in, the financial statements. In this regard, one of the most important duties of the directors is to ensure that the annual report and other publications provide a true and fair view of the company's financial situation.

# Responsible towards our Community

## 6. Responsible towards our Community

### 6.1 Charity

In 2001, Dexia AM launched its first “Helping those who Help” operation, the idea being to take the budget traditionally allocated to year-end client gifts and use it to support charitable associations.

Today, the “Helping those who Help” operation is a part of life at Dexia Asset Management and is repeated every year. Its objectives have not changed:

- instead of sending year-end gifts to clients, use those funds to assist the less fortunate;
- support associations in which Dexia Asset Management employees are personally involved;
- focus on associations of modest size that are mainly volunteer-based and far from the normal support channels.

It is a project which elicits the involvement of Dexia AM's employees, who have enthusiastically committed themselves to this project and which enables them to highlight causes dear to their hearts.

It is also much appreciated by Dexia AM's clients, who are invited to sponsor one of the selected charitable associations, depending upon their personal affinities with the charitable actions presented.

The “Helping those who Help” operation is steered by Dexia AM's Associations Monitoring Committee, which organises the operation annually, chooses worthy associations and monitors all subsequent developments.

#### 2008-2009 drive

In 2009, the following eight associations met the criteria for selection established by the Associations Monitoring Committee. They shared a budget of €58,350:

ASSACVE (a pupil-tutoring association)	€9,787.50
Aide aux Enfants Cancéreux (child cancer victims)	€9,087.50
Mekong Plus (development NGO in Cambodia and Vietnam)	€7,987.50
Teddybjornefonden	€6,837.50
La Vie par un Fil (children suffering from severe digestive ailments)	€6,437.50
Mouvement pour la réinsertion sociale (newly released inmates)	€6,337.50
Enfants de l'espoir (children's chorus that raises funds for charity)	€5,987.50

# Responsible towards our Community

## 6.2 Micro-credit

**Dexia Micro-Credit Fund** was the first commercial investment fund designed to finance micro-finance institutions in the emerging markets. It thus represents a new class of asset that **combines considerable social impact with an attractive risk/return profile**. The number of outstanding funds under management made available was 26% up on 2008 figures, enabling the re-financing of 101 micro-finance institutions, compared with 97 in 2008. Currently, it has almost USD 500 million in assets and is one of the largest micro-credit funds of its kind.

Dexia AM's micro-finance portfolio is managed by the Swiss firm, BlueOrchard Finance, which specialises in managing assets of this type. In 2008, Dexia AM took a 5% stake in the capital of BlueOrchard. Dexia AM's CEO, Naïm Abou-Jaoudé, also joined its board of directors, showing Dexia Asset Management's strong commitment to micro-credit funding and to the consolidation of its leadership position.

With the co-sponsorship of the Social Investment Organisation Conference, organised in Canada in June 2009, Dexia Asset Management affirmed that its commitment to micro-credit funding is no dead letter. The conference focused on both the micro-finance breakthrough and on Dexia AM's realm of expertise in SRI.

