



Sustainable Development 2003



## Table of contents

- 1 Contribution to the Global Compact: the signing of the Equator Principles
- 2-3 Introduction by Pierre Richard, CEO and Chairman of the Management Board
- 4-5 Dexia's sustainable development profile
- 6-7 A global managerial responsibility

## 8-23 *The challenges*

of sustainable development in our business lines



- 10-15 A financial engineering dedicated to local public services
- 16-19 Performance and expertise at the service of responsible investment
- 20-23 Commitment and innovation in customer relations

## 24-41 *Our environmental, social and citizen responsibilities*



- 26-31 Controlling the environmental impacts
- 32-37 HR management and social dialogue
- 38-41 Our citizenship commitment

## 42-47 *Good governance*



- 44-45 Corporate governance
- 46-47 Ethics, risk management and audit

## 48-56 *Appendices*

# Dexia, a “sustainable development” asset

Dexia Group has been reviewed by different research consultancies and non-financial rating agencies. Some of these organizations deliver a special social and environmental rating; some do not publish the rating but did select the Dexia share to become part of a directory of companies taken into account for the management of stock exchange indexes based upon the principles of Socially Responsible Investment (SRI). Since the merger between Dexia France and Dexia Belgium in November 1999, the rating applies to Dexia SA a company under Belgian law listed on Euronext Brussels in the BEL20 index and on Euronext Paris in the CAC 40 index and listed on the Luxembourg stock exchange.

## ■ Rating based on social and environmental responsibility criteria

The so-called “unsolicited” or “automatic” rating of Dexia is as follows in 2003:

	Vigeo	Innovest	CoreRatings
Human resources	=	A	B
Environment	++		
Clients & suppliers	=		
Shareholders	+		
Community & society	++		
	Min - / Max ++	Min CCC / Max AAA	Min D / Max A

**Innovest:** In December 2003, the Innovest Strategic Value Advisors agency gave an A rating on the environment criterion to Dexia; moreover, Dexia also ranked 10<sup>th</sup> in the sub-panel of 57 banks in the continental Europe zone. Dexia also received the A rating for the social, society and governance criteria based upon an assessment of intangible assets.

**Vigeo:** For 2003, it can be noted that compared to 2002 Dexia has progressed on two of the five criteria of the Vigeo rating agency:

Min - - / Max ++	2002 rating (Arèse)	2003 rating (Vigeo)
Human resources	=	=
Environment	++	++
Clients & suppliers	=	=
Shareholders	=	+
Community & society	+	++

**CoreRatings:** In August 2003, the CoreRatings rating agency granted a B rating to Dexia (on a scale from A to D).

## ■ Stock exchange indexes

Index managers selected Dexia to be part of the panel of stock exchange indexes managed on the basis of Social Responsible Investment (SRI). In 2003, Dexia was selected as part of the following four main indexes:

Dow Jones Sustainability Index “World”	ASPI Eurozone	FTSE4Good “Europe” and “Global”	Ethibel Sustainability Index “Europe” and “Global”

## ■ Miscellaneous initiatives and rankings

Amongst the many awards and benchmarking surveys made public in the course of 2003, the following rankings are worth mentioning:

- Dexia was one of the three companies listed in the sustainable development category of the 2003 Belgium-Luxembourg Award for best environmental and sustainable development report for 2002 that Institut des Réviseurs d’Entreprises handed in Brussels on December 18<sup>th</sup>, 2003.
- 1<sup>st</sup> amongst the banks listed in a panel of 150 companies (SBF 120 and public companies) and 17<sup>th</sup> of this same panel when all sectors are included on the “quality of information of French companies” criterion. This result has been obtained through a survey carried out by the Utopies (Paris) and Sustainability (London) consultancies in October 2003.
- 24<sup>th</sup> in the ranking of the 2002 annual reports of the SBF 120 companies within the framework of the survey carried out by Terra Nova (Paris) for Observatoire des pratiques de reporting social et environnemental. This ranking was published in November 2003.



The 2003 Sustainable Development Report - published in appendix to the Dexia Annual Report - has been published in partnership between the Sustainable Development Department and the External Communication Department of the Group.

It has been drafted in cooperation with the Communication Departments of Dexia Bank Belgium, Dexia Crédit Local and Dexia Banque Internationale à Luxembourg.

If you wish to let us know your opinion, please write to: [sustainabledevelopment@dexia.com](mailto:sustainabledevelopment@dexia.com)



This report is also available in French, Dutch and German. It just needs to be requested at the Dexia head office in Brussels or in Paris.

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## Contribution of Dexia to the UN Global Compact

This page illustrates thanks to a practical example the way Dexia implemented in 2003 the principles and objectives of the UN Global Compact signed by the Group in 2002.

- ▶ In September 2003, Dexia adhered to the Equator Principles (EP). Drafted on initiative of a group of international banks, this set of rules advocates respect for the environment and social equity and is applicable to all those loans aimed at financing projects for an amount of USD 50 million and above.

Formalizing our endorsement implies an additional move by the bank in order to deepen up and explain the assessment methods it applies to projects when looking at their impact on environment and society and to report the process to the parties concerned. Assessing the potential impact of a project means listing the project in question in one of three categories. *A* category projects – projects which might have a significant impact on the environment, on people or on cultural heritage – require an impact study and a plan for compensatory actions as well as the opinion of an independent environment expert. *B* category projects – projects with less harmful consequences – require at least an impact study. *C* category projects – projects which have no negative impact or only a marginal impact – do not require any particular assessment. Abiding by the EP implies that the lending bank must check that the borrower has carried out the necessary studies and consultations and that he is able to carry out the action plans.

Dexia has defined a new procedure for the handling and following up of projects, launched a training program for all people involved internally and appointed a coordinator and spokesman of the bank for all issues pertaining to the Equator Principles.

- ▶ Financial engineering and direct or PPP (Public Private Partnership)-based financing by Dexia Crédit Local also illustrate some of our commitments to the Global Compact, e.g. really facilitating access to basic goods and answering to the social and environmental demands of populations.

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*For additional information, please refer to pages 10-15 of this report.*

# Sustainable development, our distinguishing feature



▷ **Pierre Richard**  
*CEO and Chairman of the Management Board*

Born from an audacious challenge between the banks of the three different countries Dexia SA is an atypical group as it is the result of one of the first successful cross-border mergers in the banking sector between Belgium, France and Luxembourg. The unprecedented implementation of such an incorporated strategy was done first in a European context: it corresponds indeed to the evolution of our continent market successively by the completion of the Single Market, then by the switch over to the euro and finally, soon, by the enlargement of the EU to 25 members. The times of such first tentative developments are now over and the scope of our action is now resolutely European. And today, it appears that one of the most crucial challenges in this new political and economic landscape is to strengthen the social and environmental responsibilities in companies. It is therefore against the particular background of sustainable development that Dexia wishes to place its future action from now on.

The choice of “Dexia, the bank for sustainable development” as a corporate identity is not just opportunistic, it is in line with the sheer nature of the

Group’s activity. Our first business line – focusing on public project finance – directly supports society’s major choices in terms of equipment and infrastructure. Our clients’ projects are long – even very long – term projects which contributed to turning Dexia into the global leader of the financing of the sustainable development of the local level. Our expertise in the management of funds based upon responsible investment criteria is also positioning us amongst market leaders – we rank 4<sup>th</sup> in Europe. Our long commitment next to local stakeholders and the history of our corporate culture are here in line with a development and growth policy which is very significant for the Group.

2003 was a decisive year: a steering committee has been established, a sustainable development action plan is now being applied for the whole Group and is placed under the auspices of a project leader who reports straight to me. Without wishing to be exhaustive the 2003 “Sustainable Development” report allows to concretely understand the diversity of commitments, of the best practices identified and of the results

obtained following the implementation of this action plan.

Here are the main elements of this report:

- ▷ in the area of public sector financing, we must underline the implementation of financial engineering solutions allowing local authorities to best benefit from the future European trading exchange for emission quotas, the launching of a reference set of indicators on sustainable development within local authorities and the development of innovative arrangements for the financing of local public services.
- ▷ the business plan of our retail banking activity in Belgium is explicitly aimed at improving the link between the bank and its clients whilst reinforcing good internal governance and employee participation. Moreover, the bank's commitments are maintained and even reinforced, be it its timeless dedication to cultural and humanitarian sponsorship or its leadership in the marketing of investment products based upon social and environmental responsibility criteria. For several years now, Dexia Bank has also been the only financial organization in Belgium to provide social welfare centers (the so-called CPAS in the French acronym) a set of financial products especially adapted to people facing difficulties.

- ▷ Speaking of Dexia BIL, the bank published early 2004 a brochure highlighting its socially responsible role in the Grand Duchy of Luxembourg. The prime objective of this process is to get the public at large acquainted with the values of sustainable development through concrete examples of the bank's involvement in this area. Hence, Dexia BIL has developed template actions, e.g. in the areas of HR management – the “Reshaping your working life” program –, of quality-based management and of the environmental management of buildings. Finally, Dexia Asset Management has been developing, for several years now, sustainable investment and savings products based upon the principles of social and environmental responsibility. The 2003 “Sustainable Development” report is also an opportunity to introduce different horizontal policies

whose challenge is essential for the ethics and long-term development of the company. While we keep taking into account best practice in corporate governance, we have set for ourselves increasingly demanding criteria for e.g. issues like the independence of Board members. By adhering to the Equator Principles drafted by a group of international banks, we strengthened our social and environmental commitment in project financing. Finally, we reinforced and finalized the overarching architecture of our Compliance policy, which is aimed at scrupulously respecting the rules of ethics applicable to the banking sector.



Presented as such with its diversity, continuity and sustainability, the sustainable development policy of Dexia Group is not a peripheral part of our activities. It is a full part of the company's value creation policy and it strengthens its constant care for innovation and listening to needs of its employees, clients and shareholders. The concept of sustainable development is really the one that best summarizes Dexia's originality.

As CEO of the Group, I must tell you how proud I am to be at the service of such a federating project, which is so meaningful internally as well as vis-à-vis our clients, and which could bring us towards a really responsible future.

# Dexia's sustainable development profile

## Scope of the report

- ▶ The 2003 sustainable development report aims at presenting concrete results drawn from several initiatives and best practices taken in 2003 by all of the Group's business units in compliance with the Group's sustainable development strategy. The report also presents and analyzes from the point of view of sustainable development – and with referrals to the Annual Report – some important structural and horizontal functions of the company.
- ▶ The Group's social data (pages 32 to 37 and appendices) are covering a scope which corresponds to all entities, i.e. to 100% of all our 23,865 employees distributed in 21 countries.
- ▶ Environmental reporting (pages 26 to 31) deals with a scope expressed in full-time equivalent (FTE) headcount and only covers the three operational entities – Dexia Bank in Belgium, Dexia BIL in Luxembourg and Dexia Crédit Local in France – i.e. between 8,462 and 17,698 FTEs depending on the indicators, compared to the total number of FTEs of the Group (21,545). This reporting does not include the environmental balance sheet of some subsidiaries that are nevertheless involved in certification processes or that have environmental management structures (Dexia banka Slovensko, Dexia Sofaxis).

## Reporting methodology

Dexia SA is a company under Belgian law. Given its European specificity, the Group has produced its own summary of indicators based on a set of very diverse recommendations and guidelines. It is necessary to point out that experiments are being tried across the

Group, e.g. by DVV Insurance in Belgium and Dexia Sofaxis in France in order to implement the recommendations of the Global Reporting Initiative (GRI). Moreover, Dexia Sofaxis regularly releases its results according to the GRI and based on this expertise, the company has been called on helping other business units of the Group in the implementation of their certification procedures.

## "Dexia, the bank for sustainable development"

In 2002, Dexia adopted a new corporate identity explicitly referring to the notion of sustainable development: "Dexia, the bank for sustainable development". The aim was clear: put the challenge of sustainable development at the heart of the Group's activity and hence claim that sustainable development is Dexia's new frontier.

The long-term horizon of Dexia's intervention, its outreach role with its clients and its socially responsible corporate culture are the bases of its commitment as the bank for sustainable development. This commitment takes all its significance in the first business line with the financing of collective equipment. In essence, this activity aims at improving access to essential services and at improving the life environment, e.g. in the areas of transport, education, health, social housing and the environment. This commitment also illustrates itself in retail banking activities and in asset management, which, whilst offering increasingly well-performing products and services, are being exercised in a way that is more and more respectful of collective interests.

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See "Sustainable development section" on [www.dexia.com](http://www.dexia.com)

## Main performance indicators identifying the "sustainable development" profile of Dexia in 2003

<b>Commitments</b>	
(pp. 1 and 6 of the sustainable development report)	<ul style="list-style-type: none"> <li>● Signing of the Equator Principles in 2003.</li> <li>● Other commitments (UNEP, Global Compact, Charter for local public services...).</li> </ul>
<b>Economic performance</b>	
(financial profile of the annual report)	<ul style="list-style-type: none"> <li>● Financial ratings from AA to AAA.</li> <li>● Financial results (net banking income: EUR 5,160 million).</li> </ul>
Geographic and economic impact of activities (pp. 10-23 of the sustainable development report)	<ul style="list-style-type: none"> <li>● Dexia is the first European actor in the financing of projects structuring the equipment and the economies of local entities: <ul style="list-style-type: none"> <li>- EUR 177 billion in outstanding under management (FSA excluded) for local authorities and project financing.</li> <li>- Average yearly growth rate of outstanding long-term loans at Dexia in Europe by 8.3% p.a. between 1996 and 2002 (to be compared with the evolution of the outstanding debt of local authorities in Europe which is at +1.3% p.a. over the same period).</li> </ul> </li> <li>● Dexia Asset Management is a major European player in SRI products: EUR 1.5 billion in outstanding under management, i.e. +16.6% compared to 2002.</li> <li>● Retail banking activity: outstanding assets of the clientele at EUR 82.5 billion as of December 31, 2003 (Slovakia excluded), i.e. +4.8% compared to 2002.</li> </ul>
<b>Environmental performance</b>	
(pp. 26-31 of the sustainable development report)	<ul style="list-style-type: none"> <li>● Implementation of environmental reporting for the three operational entities of the Group.</li> <li>● Best practice examples.</li> </ul>
(pp. 20-23 of the sustainable development report)	<ul style="list-style-type: none"> <li>● 14001 and EMAS certifications in some subsidiaries.</li> </ul>
(pp. 10-15 of the sustainable development report)	<ul style="list-style-type: none"> <li>● Emulation effect vis-à-vis local authorities through the offering of environmentally mindful solutions and products.</li> </ul>
<b>Social performance within the Group</b>	
(pp. 32-37 of the sustainable development report and its appendices)	<ul style="list-style-type: none"> <li>● "Social data": 90% of the 23,865 employees of Dexia Group are based in countries of the euro zone, countries with high demands in terms of social rules and regulations.</li> <li>● "Principles of Social management" of the Dexia Group.</li> <li>● Employee shareholding: 4.14% in 2003 (3.5% in 2002).</li> <li>● Draft action plan specifically designed for HR management.</li> </ul>
(pp. 20-23 of the sustainable development report)	<ul style="list-style-type: none"> <li>● EFQM process and certifications (SA 8000, OHSAS 18001, GIPS...) in some subsidiaries.</li> </ul>
<b>Social performance towards community</b>	
(pp. 38-41 of the sustainable development report)	<ul style="list-style-type: none"> <li>● Most Dexia subsidiaries are taking concrete actions to involve citizens and to sponsor activities.</li> </ul>
(pp. 20-23 of the sustainable development report)	<ul style="list-style-type: none"> <li>● Provision of basic banking services to people in need.</li> <li>● Social engineering products.</li> <li>● Analysis of client satisfaction and consideration for their expectations.</li> </ul>
<b>Good governance</b>	
(pp. 44-47 of the sustainable development report)	<ul style="list-style-type: none"> <li>● Implementation of best practice to corporate governance and independence of managing directors.</li> <li>● Ethics and Compliance ("Code of Business Ethics", "Compliance charter", "Integrity policy", endorsement of the Wolfsberg principles, implementation of the recommendations of FATF...)</li> <li>● Draft "Compliance charter on the relation between purchasing departments and suppliers".</li> <li>● Risk management including sustainable development (implementation of the Basel II agreements).</li> <li>● Audit including notions of sustainable development.</li> </ul>

# A global managerial responsibility

In order to gain from the knowledge of best practice and to move forward, the “sustainable development” action plan is based upon a structured organization, clear commitments and a continuous dialogue with stakeholders.



*Pierre Richard receives the 2004 EDC Trophy in presence of Jean-Pierre Raffarin, the Prime Minister of the French government.*

## An internally structured organization

A “sustainable development” action plan was defined in 2003 on the basis of an internally structured organization:

- ▶ The “sustainable development” strategy is defined and managed at the highest level under the impulse and monitoring of Dexia’s Management Board.
- ▶ In order to provide for the consistent implementation of the action plan, Daniel Caille, Managing Director of Dexia Crédit Local, has been appointed Head of Sustainable Development for Dexia Group. He is assisted in his task by Eric Flamand.

.....  
Contact address: [sustainabledevelopment@dexia.com](mailto:sustainabledevelopment@dexia.com)

- ▶ A “sustainable development” steering committee has been established. It brings together representatives of business units, business lines and Dexia management teams and therefore allows for the implementation and coordination of the action plan at all levels of the company.

## Participation in international initiatives

Dexia is proving its willingness to be the incarnation of sustainable development values and objectives by supporting several international initiatives and declarations involving e.g. companies in the banking sector.

## Exchanges and partnerships with stakeholders

Dexia is regularly involved in different exchanges, consultations and partnerships with a wide range of stakeholders – local elects, public authorities, shareholders, investors, citizens, consumers, NGOs... Dexia also supports several initiatives more particularly in the areas of sustainable development and socially responsible investment (SRI).

## 2004 EDC Trophy “Ethics and Governance”

On January 15, 2004 in Paris, in presence of Jean-Pierre Raffarin, the Prime Minister of the French government, Pierre Richard received – as CEO and Chairman of the Dexia Management Board – in the “experienced business” category the 2004 Ethics and Governance trophy of the EDC, the school of managers and entrepreneurs. Created in 2003 this trophy rewards entrepreneurs and passionate people for their ethical initiatives that emphasized social, environmental, citizen and humanitarian entrepreneurship attitudes.



## Participation in international initiatives

<b>United Nations Environmental Program</b>	<ul style="list-style-type: none"> <li>• Since April 1998, Dexia is signatory party to the "UN Declaration of financial institutions on environment and sustainable development" of the United Nations Environmental Program (UNEP).</li> <li>• In January 2003, Dexia sponsored the European seminar on "Finance, Environment and Sustainable development" organized by the UNEP in Paris.</li> </ul>
<b>Charter of local public services</b>	<ul style="list-style-type: none"> <li>• In December 2002, Dexia signed the "Charter of local public services" (see page 10).</li> </ul>
<b>UN Global Compact</b>	<ul style="list-style-type: none"> <li>• Launched in July 2000 under the direct auspices of Kofi Annan, UN Secretary General and Peace Nobel Prize, the Global Compact is based upon nine principles reflecting the horizontal and global dimension of sustainable development.</li> <li>• In January 2004, Dexia participated in an international conference in Paris whose purpose was to discuss the integration of a 10<sup>th</sup> commitment in the Global Compact in favor of transparency and of the struggle against corruption.</li> </ul>
<b>Equator Principles</b>	<ul style="list-style-type: none"> <li>• In September 2003, Dexia adhered to the Equator Principles (see page 1).</li> </ul>

## Methodological debate and exchange of expertise

<ul style="list-style-type: none"> <li>• Since 2003, Dexia Asset Management has been member of Eurosif (the European Sustainable and Responsible Investment Forum), a European non-profit-making organization whose aim is to promote the development of responsible investment. As such e.g., Dexia Asset Management participates in different methodological debates.</li> </ul>
<ul style="list-style-type: none"> <li>• In November 2003, DVV Insurance took the initiative of creating the BelSif, the Belgian Sustainable Investment Forum. DVV Insurance is holding the chairmanship of this body.</li> </ul>
<ul style="list-style-type: none"> <li>• In Italy, Dexia Crediop has become a member of the ABI Corporate Social Responsibility Working Group created by the Italian association of banks to discuss issues of corporate social responsibility particularly in the banking and financial sectors.</li> <li>• Dexia Crediop also participated in February 2004 in the "Forum per la Finanza Sostenibile", a non profit-making association which is the Italian representative to Eurosif, gathers different stakeholders and has as a mission to promote the culture of sustainable development inside the financial community of Italy.</li> </ul>
<ul style="list-style-type: none"> <li>• In France, Dexia participates in the work of Paris Europlace on sustainable development and to the activities of different bodies like Committee 21, the Observatoire sur la Responsabilité Sociétale des Entreprises (ORSE in its French acronym) and the association Entreprises pour l'Environnement (EpE in its French acronym).</li> </ul>
<ul style="list-style-type: none"> <li>• On the occasion of the Actionaria fair held in Paris on November 20 and 21, 2003, Dexia published for the second year running an exclusive opinion poll carried out in partnership with Sofres on a representative national sampling of 515 individual shareholders from France. Sustainable development remains a significant investment criteria: it was mentioned by 86% of shareholders in 2003 compared to 74% in 2002.</li> </ul>

*It is with its clients that Dexia is trying to push for the implementation of sustainable development. Hence, Dexia is offering a very wide range of products and services based on innovation and performance and allowing fulfilling the very diverse expectations of its clients in the areas of public equipment, asset management and retail banking.*

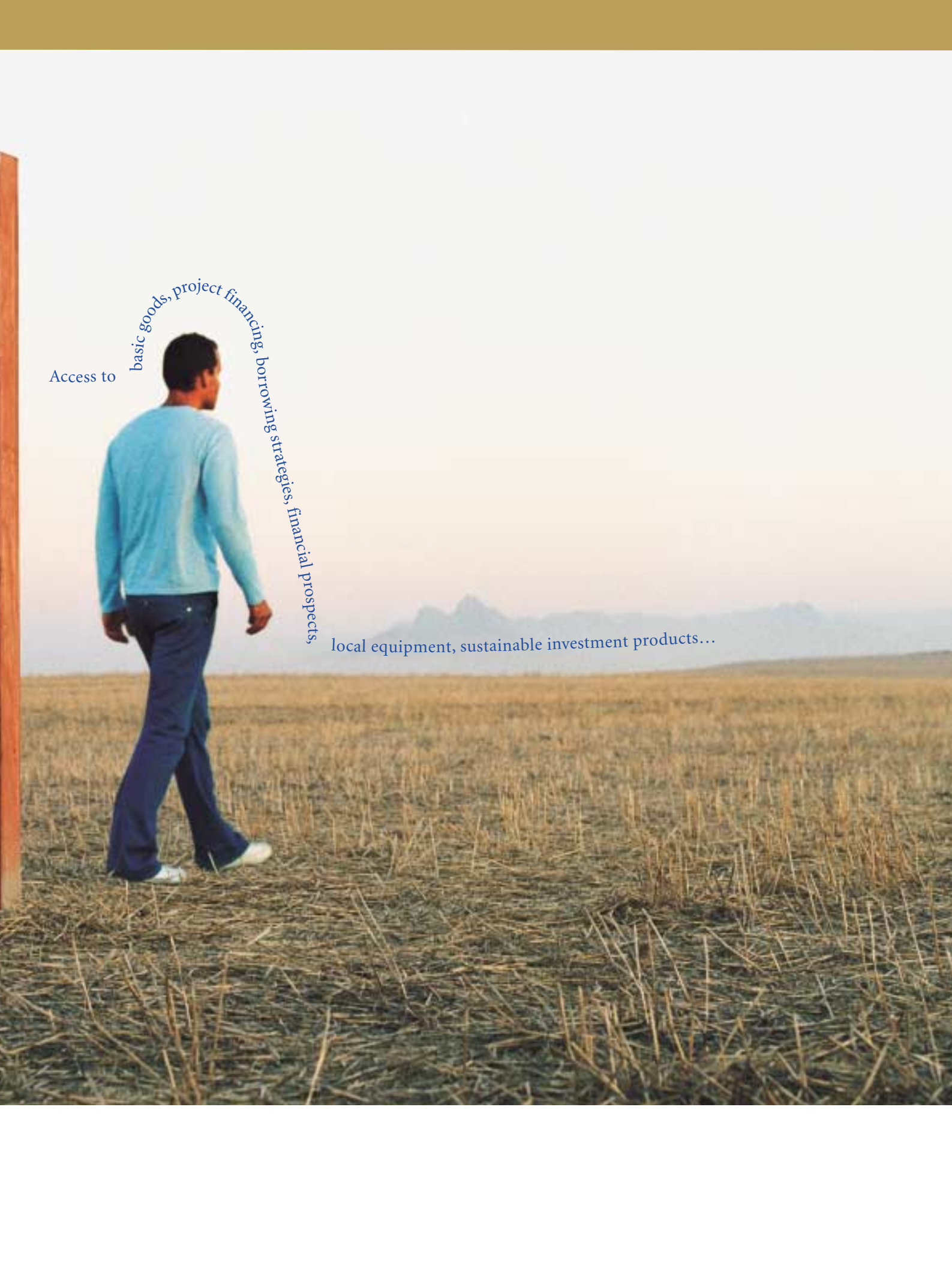


**The challenges**  
*of sustainable  
development  
for our business lines*

Access to

basic goods, project financing,  
borrowing strategies, financial prospects,

local equipment, sustainable investment products...



# Financial engineering dedicated to local public services

For several years now, Dexia has had a sustainable development support policy at local level. Strengthening its opening towards European countries which are soon to become members of the European Union, the bank provides them with a full expertise which is the reflection of the great diversity of its products and services.



Out of more than EUR 26 billion which correspond to the new financing granted by Dexia Crédit Local to the public sector in 2003 (Germany excluded), EUR 3 billion have been lent as project financing. On the basis of a survey carried out internally it seems to be realistic to consider that 45% of the monies lent contribute to the sustainable development of the local level.

## Facilitating access to essential goods

The issue of accessing essential goods and local public services has really emerged at the Johannesburg Summit in the summer of 2002. The goal is to better combine the principles of social justice to be dealt with by the public sector and the principles of efficiency based upon the market as well.

## Alternative financing solutions

Dexia has developed an innovative product aimed at guaranteeing local authority bonds. This arrangement allows providing for competitive solutions for their funding in local currency by promoting their distribution to local investors – pension funds and insurers, e.g. a first transaction was agreed in *Mexico* together with SFI from the World Bank group in June 2003 for the city of Tlalnepantla – 730,000 inhabitants, located in the close vicinity of Mexico-city – for the financing of an industrial waste water treatment plant

which will allow the water to be reused in the industry. This concrete case is a good example of Dexia's contribution to the reflection started in Johannesburg and further developed by Michel Camdessus at the G8 Summit in Evian in June 2003: mobilization of local savings through the development of local financial markets and support to private investors thanks

## Dexia, a recognized stakeholder in project financing

- The Global Project Financer Providers League Tables produced by Dealogic (of the Euromoney group) for 2003 indicate that Dexia ranks 17<sup>th</sup> on the list of banks active in this sector worldwide.
- The *Project Finance* magazine (of the Euromoney group) has e.g. rewarded Dexia with the 2003 European Water Project of the Year Prize for the water treatment project in The Hague, with the Latin America Municipal Finance Prize for the water treatment project in Tlalnepantla in Mexico, and with the European Renewable Energy Acquisition of the Year Prize for the wind energy project of Sistemas Energéticos Cando in Spain.
- The *Infrastructure Journal* has awarded the Renewables Arranger of the Year 2003 Prize to Dexia. This award rewards the efforts deployed by Dexia Group in the structuring of the bank debt in the area e.g. of renewable energies.

to systems of partial guarantee to cover political and financial risks, support to private operators – temporary coverage of cash flow risk in case of devaluation, contribution to the strengthening of local financial markets, creation or restructuring of local development banks to offer long-term loans in local currency, search for financial arrangements alleviating the burden of loans.

### The environmental challenges in the EU member states and in future EU candidates

Dexia wishes to support the countries of Central and Eastern Europe which will become members of the EMU in 2004 in the improvement of the quality of their infrastructures. Hence, e.g. in **Slovakia**, a country whose urgent needs for environmental projects have been assessed at EUR 7.2 billion, Dexia banka Slovensko is actively involved in the financing of investments adding on to EU funds like Phare, Ispa, Sapard and has e.g. arranged funding for the renovation and upgrading to European standards of the domestic waste incinerator of the city of Košice, the second biggest town in Slovakia with a population of 250,000 inhabitants. In **Poland**, Dexia Crédit Local has co-funded with ERDB the renovation of a drinking water plant in the town of Wrocław (635,000 inhabitants) and in **Croatia** it has co-financed the new waste water treatment plan of Zagreb, which will service one million people.

### Investment funds

In the course of 2003, Dexia Crédit Local has pursued the development of *Dexia FondElec Energy Efficiency & Emissions Reduction Fund* further. This fund was created by ERDB and is aimed at funding, over 10 years, the reduction of energy consumption and greenhouse gas emissions in Central and Eastern Europe. For its activity in Poland *Dexia FondElec* received the “Gazele Biznesu 2003”, a prize awarded by the newspaper *Puls Biznesu* which rewards a company each year for its dynamism, its results and its action for the community.



► Funding of an electric rail to get the city center for the Joint Union of Public Transport of the greater Bayonne area.

In **Italy** Dexia Crediop signed in November 2003 an agreement with the Council of the European Development Bank for the creation and management of a EUR 150 million fund for the funding of stocks aimed at valorizing the nation's artistic and historic heritage. In **Slovakia** Dexia banka Slovensko is working in close cooperation with public institutions which have entrusted it with the management of several funds – waste recycling and treatment fund of the Ministry for the Environment, State fund for the development of housing...

- On December 20, 2002, Dexia signed the “Charter of local public services” initiated by the French associations of local authorities and Institut de la Gestion Déléguée. Dexia supports the transposition of the Charter at international level through a project aimed at developing a legal instrument granting access to basic public services for all.
- Dexia has taken an active part in the “3<sup>rd</sup> Forum of the Union of Mediterranean Cities against poverty” organized in Monaco in April 2003 by the UNDP (United Nations Development Program).
- Finally, in September 2003, Dexia organized the “International Summit of Mayors” in Paris. 250 major players from the local sector came to Paris from all over the world. This summit revolved around two themes: local development policies and the techniques and means implemented by the public and private sectors in favor of urban development.



## The financing of local infrastructures

In Europe Dexia has a true and legitimate expertise in the financing of projects e.g. pertaining to the environment. In **Belgium** for instance Dexia Bank is the reference banker of the local public sector with 84% market share in 2003. The financing is e.g. dedicated to supporting sustainable development projects – mobility, water treatment, waste sorting, heritage renovation...

Dexia can intervene in two different ways: by the direct funding of local authorities or by the funding of private operators through public-private partnerships (PPP).

### The direct funding of local authorities: different projects were supported and funded in 2003

In **France** an agreement was signed in November 2003 with the Regional Council of the Rhône-Alpes region for the implementation of a regional scheme for the support of real estate operations in the region of Rhône-Alpes which include sustainable development objectives.

In **Greece** Dexia Crédit Local has granted a EUR 150 million loan to the city of Athens over 15 years; the purpose of this loan is to improve the quality of life of Athens inhabitants mainly with a view to the organization of the 2004 Olympic Games.

In **Italy** Dexia Crediop is confirming its financial leadership in several programs related to water, irrigation and the struggle against natural catastrophes. Hence, in 2003 EUR 162 million were dedicated to preservation works in Venice and in the Venice Laguna

area thanks to three arrangements with the Venetia region and the city of Venice. Dexia Crediop also asserted itself as a privileged partner for the Venezia Nuova consortium, the prime contractor of the works; it played the role of arranger for the whole financing operation for an amount of EUR 565 million. The participation of Dexia Crediop in the investment *per se* is at EUR 200 million.

## A “CO<sub>2</sub>” low-interest loan against climate change

The EU directive of October 13, 2003 foresees – as of 2005 – the creation of an emission quota trading scheme for greenhouse gases. This market is for now mainly aimed at those managing plants with a capacity equal or higher than 20 MW. Against this background Dexia supports local authorities wishing to take voluntary steps to reduce their greenhouse gas emissions by helping them benefit from the creation of the upcoming emissions trading exchange. Together with its partners, Dexia has launched in the first quarter of 2004 a financial engineering solution and an operation allowing the bank to support such investments and upgrade the future financial value of the emission quotas generated by the projects.

## A water treatment project under PPP

The biggest European PPP project in water for the time being is in the **Netherlands** with the building of two waste water treatment plants in The Hague, for which Dexia intervened as lead arranger with a total funding of EUR 370 million. This project shall allow respecting the new EU environmental standards and covering the need of the 1.7 million people who live in the area of The Hague.

### The financing of public-private partnership project

Dexia Crédit Local has become one of the key players in the area of public-private partnership. Developed in the UK in the early 1990 through the PFI (Private Finance Initiative) this type of arrangement spread to other European countries like Italy, Portugal and Austria and allows public institutions to delegate the design, building, management and maintenance of their equipment to private companies in areas like health, education, transport, environment, etc. for time spans that may go up to 20 to 30 years.

Amongst those projects with a high energy saving and greenhouse gas emission reduction potential there is also the sector of clean transport. In *France* important projects of regional express trains (TER in their French acronym) have been funded e.g. with the Regional Council of the Provence-Alpes-Côte d'Azur region on the basis of an innovative cooperation with Dexia Crédit Local, Dexia Flobail and Dexia GSF which combined a classical lease with a financing through US Lease for an amount of EUR 210 million.

Water treatment is an area which is also calling for significant investments. In this area, most projects are arranged as public-private partnerships. This is due to the sheer nature of water distribution infrastructures which are the competency of local authorities but whose cost and technical conditions for management are pushing local authorities to call on the private sector for help.

Dexia Bail has also launched a particularly attractive lease solution for the Transdev group and for its subsidiary called "STAB" upon the mandate from the Joint Union of Public Transport of the greater Bayonne area in order to fund an electrical light rail to get to the city center.

## High Environmental Quality (HEQ)

In *France* Dexia Crédit Local helps local public players invest in non-polluting or energy-saving equipment like e.g. the acquisition or long-term lease of clean vehicles, energy performance in partnership with EDF and GDF, the leasing of waste collection containers or the standardization of waste and water treatment equipment. At the national conference on HEQ held in Bordeaux on November 24 and 25, 2003 Dexia Crédit Local signed a draft agreement with the National Association for HEQ, whose objective is to facilitate the circulation of the process to French local authorities through a dedicated working party, through financial arrangements based upon practical examples and through the publishing of a thematic guidebook in 2004.

## Renewable energies

In the area of renewables Dexia has participated in the funding of 25 windmill projects in 8 countries – Spain, Italy, France, Belgium, the UK, the US, Morocco and Australia – of which 20 were carried out in 2002-2003 and for half of which Dexia was lead arranger. Dexia's outstanding in this sector has recently passed the EUR 200 million threshold, which corresponds to a total investment of over EUR 2 billion – 3/4 of which is being funded by banks. Dexia Crédit Local intervened in *Spain* as single mandated lead arranger for the purchase of two windmill parks (64 MW in effective power) located in Galicia from the Spanish company Sistemas Energéticos Canda (SEC) part of the Gamesa group for an amount of EUR 76 million. The reimbursement of this operation will happen through the income generated by the energy production sold within the framework of the Spanish law on renewables. Finally in the south of *Australia* Dexia Crédit Local has participated for EUR 21 million in the funding of a windmill park of 80.5 MW (the Lake Bonney project). With an investment of EUR 99 million in total, it is so far the biggest project of this kind funded by the banking community in Australia against the background of a brand new legislation.



## A long-term vision at the service of future generations

Over the last few years Dexia has raised the awareness of local stakeholders to the opportunity of using long-term financing to fund sustainable development infrastructures in order to spread the burden of the reimbursement over several generations of users. In **France** e.g. the amount of loans granted by Dexia Crédit Local which are spread over 30 years or more is about 11.7% of the total amount of loans for 2003. Generally speaking Dexia has allowed large French and European local authorities – particularly through Dexia Finance, its financial engineering subsidiary – to optimize and secure true diversification strategies for their outstanding debt.

In the area of financial prospective Dexia is accompanying local decision-makers in Europe and is mobilizing its expertise and counseling skills to help them understand and follow up on standards and regulations. Each year Dexia Crédit Local publishes for France and for Europe macroeconomic conjuncture reports on the local authority sector. Hence, analyzing the financial environment is a concrete part in project support, be it for local authorities or for hospitals.

In **Belgium** the MAHA – Model of Automatic Hospital Analysis – tool allows developing a sectoral analysis of hospitals each year and having compared ratios at hand. Moreover, Dexia Bank has created *SocioNet*, the first web site dedicated to the association sector and providing an overall response to legal, taxation or financial questions social organizations might have in close cooperation with specialized consultants from the sector as well as INFORUM a legal databank specialized in administrative law. Finally, in December 2003 an agreement was signed with the Union of Belgian Cities and Municipalities to produce in 2004 an inventory of local initiatives in sustainable development and organize an exchange session.

## Credit enhancement

In the **United States** the financial engineering of the Public Finance department of FSA allows optimizing the cost of funding for municipalities and contributes to the creation and the functioning of local public services in the long run. Indeed, in 2003 FSA guaranteed bonds issued by local governments and public authorities for an amount of USD 54.9 billion including USD 14.8 billion for education, USD 2.5 billion for access to housing and USD 2.3 billion for health care.



## Promoting sustainable development through housing

Within the framework of their proprietary strategy social housing organizations are faced with the issue of permanent upgrading of their housing and wish to make sure their offer fits the profile of the housing market. In **Portugal** e.g. Dexia Crédit Local has granted a structured finance loan for EUR 15 million to the city of Porto for the renovation and upgrading of several hundreds of homes.

Housing organizations are very much involved in sustainable development e.g. through the strengthening of the links with tenants, through care for the preservation of the environment, through the quality of the building and through the pursuit of urban renewal goals. In **France** Dexia Crédit Local has tested an innovative solution with housing organizations: the LOA, in its French acronym, which stands for rental with purchasing option and allows reaching the objective of mixing populations that is required by social investors. This solution aims at promoting an evolution from renting towards owning property for first-time owners with limited income who do not have any money to invest in buying property. Each household keeps the possibility of returning to being a tenant in case of financial difficulties. This arrangement is mainly for local authorities wishing – through social housing structures – to enlarge the offer of social housing on their territories whilst promoting social and economic mobility.



# Performance and expertise at the service of responsible investment

In just a few years Dexia Asset Management has become one of the European leaders in the area of socially responsible management and has a place of choice in this market because of the size of its range of funds authorized in seven countries and of the volume of outstanding under management.



## Sustainable funds

### Appraisal of the range

With a volume of assets under management of more than EUR 1.5 billion, sustainable management is a focus of Dexia Asset Management's strategic development. According to the last appraisal carried out by AVANZI SRI Research (member of SiRi Group) end of June 2003, Dexia Asset Management's market share in the management of sustainable funds was at 9.6% in continental Europe, ranking the Group amongst market leaders.

*The share of sustainable funds under management at Dexia Asset Management is more important than in Europe altogether:*



Source: AVANZI – Dexia Asset Management / 30.06.2003

► As of December 31, 2003 Dexia Asset Management had a range of 16 socially responsible “open” funds (see appendices on page 48). In terms of volumes under management the total of the 16 funds represented more

than EUR 921 million in outstanding in 2003 compared to EUR 790 million on December 31, 2002, i.e. an increase by almost 17%. This increase is due for 30% to the rebound of financial markets but – more importantly – for 70% to new subscriptions. The launch of the ETF *Trackindex* has also been responsible for 3% of the new outstanding.

- **Insurance and savings plan products** have also experienced a strong growth in terms of volumes under management (+33.2%).
- The outstanding of **guaranteed capital products** has increased by almost 1.5% in 2003.
- With an increase of more than 77% of the outstanding generated in 2003 dedicated **sustainable management** is clearly part of the preferred development solutions. This type of management translates into a range of tailor-made products fulfilling the specific expectations of institutional clients of the private banking network.

## Marketing of sustainable investment products

In *Belgium* Dexia Bank's branch network is market leader in the marketing of investment products based upon criteria of social and environmental responsibility with a 67% market share. Moreover, Dexia Bank is one of the 4 banks to which the federal government of Belgium has granted in 2003 the investment of the Fund for social and sustainable economy in tax-deductible bonds whose purpose is to contribute to the funding of the social economy sector. Dexia Bank has invested almost EUR 30 million out of the total EUR 75 million of the call for proposals.

## Product launch and marketing

In the course of 2003 Dexia Asset Management's teams kept developing new sustainable products fulfilling specific needs:

► Launched in June 2003 *Trackindex* is one of the first sustainable ETF – Exchange Traded Fund – based on the Dow Jones Sustainability STOXX Index. ETFs are unique financial instruments which combine the advantages of index-based funds with the ones of stocks – i.e. a valuation every 15 seconds. The *TrackinDex DJ STOXX Sustainability* is a product with a strong potential adapted to the expectations of the European market.

► In **Belgium** the reserve fund of the Flemish Ministry for Social Affairs, the Vlaams Zorgfonds, was the first institutional investor to invest in the *Paricor E10* fund launched by Dexia Asset Management in November 2003. This open-end investment fund of sustainable stocks is based upon the ESG-1 reference index created by Ethibel – a member of SiRi Group (Sustainable Investment Research International) – for the occasion and based upon the agency's register of investments.

## Events and commitments

In 2003 Dexia Asset Management participated in many external events aimed at promoting socially responsible investment, e.g. the "Fondskongress" in Mannheim, the "European Socially Responsible Investing Congress" in Stockholm, the "Triple Bottom Line Investing" Conference in Amsterdam, the "European Forum for Responsible Investment" in Paris or the "VBA Seminar Duurzaam Beleggen" in Rotterdam. In the spring of 2004 Dexia Asset Management kept on promoting socially responsible investment by launching a big European campaign to communicate the values behind the professional process and to present its own corporate identity and motto: "Money does not perform. People do." Many road shows have been organized and new research elements for the sustainable management policy have been announced.



In March 2003 Dexia Asset Management became shareholder of the European rating agency called Vigeo with 1% of its capital and is now a member of its financial managers and pension funds section.

## From corporate governance to voting rights

The decision to promote a proxy voting policy is in line with the choice of Dexia Asset Management to strengthen its position as leader of socially responsible investment in Europe and to distinguish itself from its competitors. Four major principles are the basis of the proxy voting policy of Dexia Asset Management:

- corporate governance must protect the rights of shareholders according to the golden rule of "one share, one vote, and one dividend" and therefore allow them to access Shareholders' Meetings and exercise their voting rights;
- all shareholders, including minority and foreign shareholders, must benefit from equal treatment and be able to seek redress if their rights have been infringed against;
- corporate governance must make sure that all the information on the company, on its financial situation, on its results or on its management is fair, precise and published within the mandatory deadlines;
- corporate governance must make sure that the Management Board respects the strategic orientations of corporate management and acts in the interest of the company and its shareholders. The members of the Management Board must act in the sustainable interest of the company and in the respect of applicable law. Some of the members of the Management Board must be people without managerial responsibilities in the company.



### Performance

If the amounts invested in sustainable funds are relatively limited compared to the bulk of traditional funds, sustainable investment has been experiencing steady growth and is appealing to more and more private and institutional investors. According to a 2003 survey, Belgium, the Netherlands, Sweden and Switzerland are the European pioneers in sustainable investment.

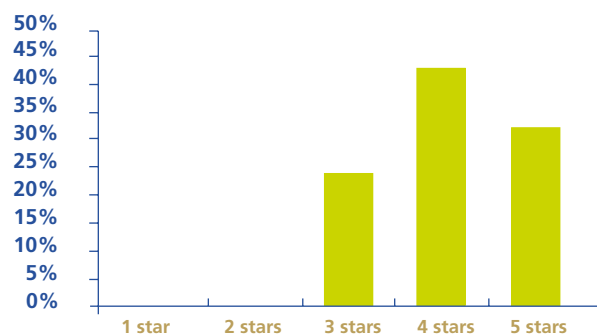
.....  
 See Appendices on page 48.

Many surveys carried out externally and internally by the Dexia Asset Management team demonstrated that in the long run the yield of money invested in sustainable assets is quasi comparable to the one of money invested in traditional non-sustainable investment solutions.

.....  
 See Appendices on page 49.

The sustainable investment process is disciplined and implemented by a team dedicated to socially responsible management. It integrates the sustainable social ratings issued by independent rating agencies as well as an adequate active management with special care for risk management. This process therefore generates excellent yields. All of Dexia Asset Management's sustainable funds have a very good ranking in the S&P-Micropal ranking.

*Ranking of Dexia Asset Management sustainable funds according to S&P-Micropal (October 2003)*



For instance, in **Australia** the *Dexia Sustainable World Equities Fund (Australia)*, a mirror fund based upon the *Dexia Sustainable Accent Social* compartment, has strengthened its very competitive position vis-à-vis other international funds available on the market. Launched at the end of 2002 this sustainable fund combines the advantages of quantitative management with a high-quality selection of stocks in line with Ethibel criteria. So by including *Dexia Sustainable World Equities Fund (Australia)* in their portfolios of international funds, Australian investors have the opportunity to reduce risk and increase yield.

## Solidarity funds

In 1998, Dexia BIL created the *Dexia Micro-Credit Fund* Sicav, the first commercial investment fund aimed at the refinancing of microfinance institutions specializing in the provision of financial services to micro business and small enterprises on emerging markets. Dexia BIL is the promoter of the fund and Dexia Asset Management is managing it.

*Dexia Micro-Credit Fund* represents a new range of assets which reconcile a considerable social impact dimension with an attractive yield/risk profile. Those investors – private individuals, foundations, pension funds, funds of funds – participating in the capital of the open-end fund are sensitive to the notion of socially responsible investment, to the struggle against poverty and to North-South cooperation. The financial criterion linked to the low level of default, to the attractiveness of the yield/volatility ratio and to the absence of correlation with other categories of assets, is an additional advantage of the fund.

*Dexia Micro-Credit Fund* now includes three categories of stocks – USD, CHF and EUR – for a total net value in inventory of USD 45,533,649 on January 7, 2004 i.e. a growth of more than 100% in 2003 only. The three categories of stocks are feeding into the same portfolio of loans. The structure of the fund is therefore bringing together the advantages of being able to choose an investment currency and participating in a single portfolio of perfectly diversified loans. A monthly coverage of the exchange rate between the subscription currencies and the asset currencies in the portfolio is being done to remove the exchange rate risk. The average maturity of the funds' loans is 19 months. It needs to be noted that the fund has granted a total of 146 loans since its creation without recording a single non-payment. The net performance rate in the combined USD category was at 27.39% on January 7, 2004 since September 1998.

For the management of its microfinance portfolio, Dexia Asset Management is supported by a Swiss company called BlueOrchard Finance SA ([www.blueorchard.ch](http://www.blueorchard.ch)) which specializes in the management of this type of assets. BlueOrchard takes care of the selection of microfinance institutions, does due diligence in the field and prepares the assessment for the loan committee. Its analysis is always completed by an external rating produced either by a “standard” rating agency or by a specialized rating agency which generates a full financial and operational audit of the institution. The credit committee then decides to invest or not on the basis of the assessment produced by BlueOrchard. If investing is chosen the institution will be submitted to careful follow-up – monthly reporting will happen during the whole term of the investment – and to yearly monitoring visits. Selection criteria will always focus upon the analysis of the quality and the impact of the work of each microfinance institution.

.....  
See Appendices on page 49.

## Concrete results for microfinance

The fund is active in 20 developing countries in Latin America, in Asia, in Africa and in Eastern Europe with 42 financed institutions, and allows for the funding of about 1.5 million micro enterprises. This figure is bound to increase due to the simple facts that the number of sustainable microfinance institutions is increasing and that the aim of the fund is to get in touch with an ever-increasing number of micro businesses.

# Commitment and innovation in customer relations



Innovation, attention and quality are the key features of an internal and external sustainable development policy and they allow making the commercial link between the bank and its clients a sustainable and lasting one.

## Banking innovations in social engineering

In **Belgium** DVV Insurance has developed a set of innovative social engineering products:

- ▷ since 1999 each client who subscribed to a full coverage – fire, accidents, and miscellaneous hazards – insurance contract was being offered the opportunity to consult – free of charge – psychologists to compensate the non-material consequences of a damage; this is being done in partnership with IvP/POBOS, an institute for the psychotraumatic and psychological support of victims of accidents;
- ▷ *Dexia PubliPension* is a pension insurance product aimed at providing for optimum management of the pension of those people who have a legal pension from the public sector. For each structure – municipalities, social welfare centers... – DVV Insurance assesses the present and future pensions on the basis of those people to be insured, manages the reserve deposited, calculates the pension of pensioners and participates in the management of the system;
- ▷ a sustainable car insurance product integrating several legitimate actuarial elements of the risk

premium is in preparation together with a campaign on the issue of road safety.

In **France**, Dexia Sofaxis is the sole French specialized company offering local authorities and hospitals insurance contracts for their staff integrating statutory guarantees. So the clients insured benefit from a range of operational services for the management of HR aimed at preventing professional risks and at reducing absenteeism. In 2003 Dexia Sofaxis has continued developing the coaching of local authorities for the implementation of a prevention management system and has also developed a tool for the follow-up of risk on the Internet for its clients.

Similarly, Dexia Epargne Pension has strengthened its support to the optimization of working time management and is now offering an overall support solution for the implementation of the 35 hours-week regulation thanks to a tool called the “time savings account” whose purpose is to provide for a better reconciliation of working time management and internal organization. Hence, in October 2003 a partnership agreement was signed with the SNALESS, the national union of employers in the medical, social and sanitary sectors for the implementation of the time savings account in those sectors.

## Providing basic services

In *Belgium* Dexia Bank has for several years been putting at the disposal of socially minded institutions a set of financial products specially designed for people in difficulties. Answering the expectations of local authorities, such products allow maintaining an access to basic banking services for the destitute.

For people in financial difficulties asking for specific aid Dexia Bank is offering the “budget management” solution based upon individual current or savings accounts entirely managed by appointed representatives. A bank card is granted to allow people to withdraw their pocket money. Similarly, Dexia Bank is also proposing particular management solutions for those people appointed by the distress judge and acting as indebtedness mediator.

With these different products Dexia Bank anticipated upon the passing of the law on basic banking services, which came into force in Belgium in September 2003. By a way of principle, any client who does not fulfill the criteria to open a normal current account is therefore granted a basic service including money transfers, deposits, withdrawals as well as the delivery of account statements. Since 1997 Dexia Bank has opened more than 30,000 bank accounts of this kind.

## Quality and certification

In *France* some French subsidiaries of Dexia Crédit Local are implementing quality and certification processes.

At the end of 2002 Dexia Sofaxis has implemented a QSEE – quality, safety, environment and ethics – integrated management system based upon the integration of ISO 9001 (quality), ISO 14001 (environmental management), OHSAS 18001 (health and safety at work) and SA 8000 (social and ethical responsibility) standards. Dexia Sofaxis has been awarded on October 30, 2002 the European Quality Award in the large companies’ category by the European Foundation for Quality Management (EFQM).

## Banking services for the destitute

Dexia Bank is the only financial organization in *Belgium* which has a product range dedicated to social welfare centers (CPAS in the French acronym). Created for the electronic payment of minimum wages the social aid account is free of charge for its beneficiaries and allows them to have a debit card and an electronic wallet to withdraw the amount of their aid when needed. This product provides for increased security, reduces the workload of the CPAS and is a true social integration tool for the beneficiaries who are often excluded from other banks. Some 50,000 social aid accounts were active at the end of 2003.

Dexia Crédit Local has launched its quality project to allow the company to get ISO 9001 certification for the handling of a first part of its clientele – i.e. 25,000 municipalities – in 2004. The project led Dexia Crédit Local to reviewing all of its operating modes and to use non-compliance as a starting point to increase customer satisfaction. This process has been complemented by the creation of a new service: “quality of data storage”.

Finally, it has to be mentioned that Dexia CLF Bank has obtained in February 2003 the renewal of ISO 9002 certification for its local public sector credit line opening department and that Dexia CLF Lease Services, a subsidiary dedicated to the management of public vehicle fleets, is being supported by a partner called Arval, whose ISO 9002 certification has been renewed in 2001 for local branches and technical platforms.



In **Luxembourg** Dexia BIL has started an SLA (Service Level Agreement)<sup>(1)</sup>, process including all aspects of total quality. Ten commitments determine the quality objective for all products and all levels of internal and external relations. Respecting such commitments between the different services of the bank is being monitored on a periodical basis in the whole network of branches thanks to procedures aimed at checking compliance with internal quality standards. On the area of certification, Dexia BIL has renewed its ISO 9001 certification in 2003 for its transfer agent activity – and for its subsidiary First European Transfer Agent – as well as its SAS 70 certification for its transfer agent and fund management activities (Dexia Fund Services).

In **Belgium** Eural savings bank has obtained its ISO 9002 certification and has been renewing it ever since for all its banking activities. Since 1998 the EFQM model has been applied to the company's strategic plan. The new strategic plan (2003-2006) articulates the use of different tools: a communication and follow-up plan involving all employees, the drafting of individual objectives, assessment interviews following the PDCA (Plan, Do, Check, Adjust) principle, two days of brainstorming with all of the bank's executives each year, several surveys – on internal and external satisfaction, on stress, on leadership abilities...

(1) Contracts passed between services of the same company (or with external companies) to guarantee a predetermined level of quality.

Dexia Asset Management has been one of the first portfolio managers on the European continent to apply international standards for the reporting of performance based upon a GIPS (Global Investment Performance Standards) certification. Such system allows having a unified presentation of the history of performance as well as a fully rigorous and transparent presentation of management results. On December 31, 2003 compliance of Dexia Asset Management with GIPS standards was checked like each year by an independent third-party consultancy.

In **Slovakia** Dexia banka Slovensko adopted in 2003 new training (ISO 9001 and 14001 standards), assessment (ISO 9001 and 14001 standards) and protection schemes mainly in the area of health care for its employees.

### Measuring customer satisfaction

Trust and satisfaction are key factors for a sustainable relation with clients. Listening to clients is also an opportunity to improve the quality of products and processes.

## EMAS in Austria

Kommunalkredit Austria was one of the first financial organizations to implement its own environmental management system in 1997 and to be certified with the EMAS (Eco Management and Audit Scheme) system. In 2003 Kommunalkredit underwent its third external audit (the new environmental report is available on the company's Web site at [www.kommunalkredit.at](http://www.kommunalkredit.at)). As demonstrated by benchmarking with other financial institutions, the bank is amongst the ones with best organizational practices.



In **Belgium** a mediation service was created at Dexia Bank in 1992. It employs 8 people whose mission is to find amicable solutions in case of litigation between clients and services of the bank. A client who would not be satisfied with the solution put forward by his or her branch or by headquarters may write to this mediation service which then has to look for the most professional and objective solution possible. Moreover, in 1998 Dexia Bank became signatory of the “Code of Conduct” of the Belgian Bankers Association (BBA). Clients may therefore as a last recourse turn to the ombudsman of the BBA if they believe that the mediation service of the bank did not offer a satisfactory solution. For 2003, it needs to be pointed out that the number of referrals to the ombudsman remains inferior to the market share detained by Dexia Bank in Belgium. In order to optimize the handling of litigation dossiers, the Mediation Service has created a new integrated computer application supported by a database. Since January 1, 2004 the Mediation Service is fully incorporated into the new Organization Management Unit within which all signals of dissatisfaction or malfunction are rapidly considered.

In **Luxembourg** customer satisfaction is assessed through a barometer produced twice a year. With more than 90% in June 2003 the overall satisfaction index of the clientele has been constantly increasing since its launch in March 2001. In 2003 focus groups were also organized to be able to debate the strong and weak points of the bank in different areas with clients – e.g. confidentiality, welcome, counseling, information and communication, availability and proactivity...

In **France** the pending certification of Dexia Crédit Local implies an increased listening to clients which developed e.g. into a client survey carried out in October 2003 and will be renewed on a regular basis. This survey delivered a satisfaction index of 8.1 out of 10 – for the quality of listening, for the clarity of commercial relations and to the performance in management.

## A strengthened adequation of products to clients

In **Luxembourg** Dexia BIL has implemented the CRM (Customer Relationship Management) in October 2000 with a view to optimizing and upgrading each contact with clients thanks to a standard follow-up strategy. The prime aim of CRM is to favor the sharing of information and the overall knowledge of the client. This tool gives access to a full history of the customer relation on all media through a secure dataset and a centralized IT management structure. It therefore allows adapting and customizing the commercial approach according to each type of client and provides for better compliance with all legal and commercial obligations. E.g. CRM allows automatically accessing the client’s risk profile thanks to a tool summarizing his or her financial situation, investor profile, investment experience and risk aversion level.

In **Belgium** Dexia Bank is leading a similar project called “Know & Inform Your Customer”, which is aimed at strengthening trust between the bank and its private individuals’ clientele e.g. as far as marketing and communication of investment products are concerned.



*Be it the management of environmental impacts, the internal management of human resources or its impact on society, Dexia is the translation of overall responsibility and performance objectives which include the concerns of its stakeholders.*

## **Our environmental,** *social and citizen responsibilities*





more solidarity-based actions, developing cultural sponsorship, motivating employees, attracting talents...

# Controlling in the environmental impacts

In 2003 Dexia tried to strengthen the coordination and consistency of its three operational entities so as to elaborate a process of environmental reporting and better spread best practice.



Environmental reporting covers the Group's operational entities – i.e. Dexia Bank in Belgium, Dexia BIL in Luxembourg and Dexia Crédit Local in France, without their foreign subsidiaries – and therefore covers, depending on the indicators, between 40 and 82% of the 21,545 full-time equivalent employees of the Group. This reporting does not include the environmental balance sheet elements of all subsidiaries despite the fact that such subsidiaries are indeed involved in certification processes and have created environmental management processes in house, e.g. Dexia banka Slovensko or Dexia Sofaxis. Those results will be followed up and their evolutions reported on in upcoming reports.

## Awareness raising

Dexia is not a company that pollutes or consumes high amounts of energy. However the Group's entities are nevertheless aware of the fact that the way they work is the reflection of behaviors and practices which might have an impact on the environment.

In **Belgium** e.g. the role of the Prevention and Protection on the Workplace Unit of Dexia Bank is mainly to advise and raise the awareness of members of staff in order to improve the environment, be it on the workplace or outside the company. In order to

promote fair trade, it was decided to provide the branch network with coffee brands which received the Max Havelaar label.

In **France** Dexia Crédit Local has passed in the beginning of 1999 an internal charter with 10 commitments. An action plan has been drafted that includes the implementation of selective sorting in offices, the collection of used paper and the installation of neon lights containing less mercury. In the area of consumption, actions will be carried out in 2004 so as to raise the awareness of employees to the consumption of water and electricity.

In **Luxembourg** Dexia BIL is proving its concern for environmental protection by working together with a structure called SuperdrecksKëscht (a structure created by the Environment Ministry and the Chamber of Trade) in order to develop a waste management method on the building site of the administrative center of Belval-West which will be used to define a new waste management on large building sites label that will then be bound to become a mandatory standard.

## Waste management

In **Belgium**, Brussels, Dexia Bank is a pioneer company in the area of waste management and selective sorting. ROI is deemed positive if we take into account the fact that waste collection companies are now imposing an additional charge on those who would not sort their waste.

Each employee is invited to apply the different procedures highlighted on the intranet. When we move offices, there is a systematic sorting of the furniture and equipment reusable by the bank and the obsolete equipment that will be sold to schools and associations at a low price.

In **Slovakia** Dexia banka Slovensko is running an environmental management program focusing on a permanent waste sorting policy that includes the recycling, collection and destruction of special and hazardous waste, the organization of waste collection by third parties and the adoption of a waste collection program for its branches.

In **France** a paper collection system should be studied by each of the different sites in the provinces. In Paris paper is already being collected by an association called “Sourire d’enfants” (Children’s smile) and the income from the paper sold helps fund the creation of libraries in hospital pediatric wards. In terms of purchases exchanges with our suppliers on environmental management will be fostered. E.g. recyclable products should be encouraged – Xerox machines, fax machines, portable phones, etc.



In the **Grand Duchy of Luxembourg** Dexia BIL has implemented some years ago already internal procedures for HQ and its subsidiaries in the area of waste sorting, recovery and recycling – paper, electronic components, electrical appliances, cables, metal, wood, batteries... The collection and recycling of consumables for Xerox machines and printers are part and parcel of the contracts signed with suppliers. Obsolete electronic equipment and furniture is put at the disposal of social aid organizations and charities. Moreover, the IT system for the electronic management of documents (EMD) implemented for all bank and accounting records thanks to a scanning center where client records are scanned allows us to contribute to an environmentally minded management of our work made possible by the electronic archiving of former paper records. Moreover, IT is also improving the working conditions of those employees in charge of archives and records management.

## Waste management in 2003

	FTE <sup>(1)</sup>	Organic waste (kg)	Paper & cardboard (kg)	PMT <sup>(2)</sup> (liter)	SHW <sup>(3)</sup> & batteries (kg)	Residual waste (1,000 liters)
Dexia Bank	5,813	98,332	950,348	448,800	1,034	3,175
Dexia BIL	1,486	235,240	230,130	≈ (1,710 kg)	3,699	0
Dexia Crédit Local	1,081	0	75,600	0	100	0
Dexia SA	82	0	38,250	0	2	1,144
<b>Total</b>	<b>8,462</b>	<b>333,572</b>	<b>1,294,328</b>	<b>448,800</b>	<b>4,835</b>	<b>4,319</b>

(1) Number of FTE (full-time equivalent) concerned by such indicator.

(2) PMT (Plastic, Metal, Tetrapak).

(3) SHW (Small Hazardous Waste).



## Management of buildings and work environment

In **Belgium** Dexia Bank has launched a program to scale down its real estate locations and to increase their efficiency. Priority will be given to those buildings with optimum equipment. Hence, the new Dexia Tower building which will open in the center of Brussels in the course of 2006 is now under serious review in order to get a 7% green energy production rate. A shuttle bus service should make the travel of Dexia staff between the different Dexia locations in Brussels more effective and safer.

More efficient methods in terms of safety and environmental impact will be applied to project design and building site follow-up for the building of branches with consideration given to e.g. the use of recyclable building materials, the reduction of energy consumption and the prevention of occupational accidents and illnesses.

Let us recall that the Brussels Institute for Environmental Management (IBGE in its French acronym) is granting – in the name of the Brussels Capital Region – an ecolabel to office buildings; the maximum limit being a three-star label per building occupied. In March 2003 Dexia Bank got two stars as a direct follow-up to the official “Ecodynamic Company” label it had received in October 2000 for the building located Rue de Trèves 25.

In the **Netherlands**, following a survey carried out in 2001, 93% of all Dexia Bank Nederland employees told they were ready to participate in the taking of sustainable management measure for the “IJ-tower” building. A company specialized in waste handling called Waste Care Systems, which received the 2001 innovation award for its patented system, was entrusted with the handling and monitoring of waste on the workplace. In the area of energy saving and CO<sub>2</sub> emissions, the “IJ-tower” building of Dexia Bank Nederland is using for its heat exchanger heating system two sources of water – one hot and one cold – to heat the building in winter and cool it in summer.

## Paper consumption in 2003

	FTE <sup>(1)</sup>	Blank paper (ECF <sup>(2)</sup> et TCF <sup>(3)</sup> ) (ton)	Printed stationary (ECF <sup>(2)</sup> et TCF <sup>(3)</sup> ) (ton)	Total (ton)
<b>Dexia Bank</b>	13,664	724	1,761	2,486
<b>Dexia BIL</b>	2,871	283	223	507
<b>Dexia Crédit Local</b>	1,081	77	54	132
<b>Dexia SA</b>	82	8	1	9
<b>Total</b>	<b>17,698</b>	<b>1,092</b>	<b>2,040</b>	<b>3,133</b>

(1) Number of FTE (full-time equivalent) concerned by such indicator.

(2) ECF (Elementary Chlorine Free).

(3) TCF (Totally Chlorine Free).

In **Luxembourg** the building site of the new administrative center of Belval-West, which will be inaugurated end of 2006 and will accommodate some 1,600 people initially, is using the most advanced technologies of environmental protection. Indeed, in order to avoid CO<sub>2</sub> emissions on site, the buildings are connected to the urban heat exchanger network. Technology changes will also be brought into the L'indépendance head office in Luxembourg in order to adapt the building to the strictest demands in terms of energy consumption. A survey aimed at optimizing waste recovery and raising the awareness of staff is also underway.

In **Belgium**, the Dexia SA building located Square de Meêus 1 in Brussels integrates some environmental management principles: installing of stop valves on the water network, optimization of the functioning of technical equipment, programming of external lighting, recycling and redistribution of mobile phones, collection of technical fact sheets for cleaning detergents, preference for suppliers giving priority to environmental-friendly products...



DVV Insurance has created an internal process for the collection and recycling of ink cartridges. Branches are also collection points where clients and inhabitants of the neighborhood may bring their used cartridges.

### Ink cartridge consumption in 2003

	FTE <sup>(1)</sup>	Number of ink cartridges used (brands, generic and second-hand)
<b>Dexia Bank</b>	6,333	9,580
<b>Dexia BIL</b>	2,871	790
<b>Dexia Crédit Local</b>	1,081	3,114
<b>Dexia SA</b>	82	20
<b>Total</b>	<b>10,367</b>	<b>13,504</b>

(1) Number of FTE (full-time equivalent) concerned by such indicator.



## Energy

For several years now Dexia Bank has been implementing energy consumption regulation actions in *Belgium*. E.g. a new heat pump coupled with a high-yield condensation boiler was installed in October 2001. It allows saving 157,000 m<sup>3</sup> of gas per annum, i.e. 220 tons of CO<sub>2</sub> emissions can be avoided.

Speed controllers have been installed on the engines of some spray cooling towers and air conditioners to provide for a finer tuning of their functioning. The electricity saved reaches 483 mWh per annum, i.e. some 155 tons of CO<sub>2</sub> avoided.

The draining of the cooling towers and the fountain is done on regular intervals which are fixed according to the concentration of salts in residual water, a concentration measured at all times by a new sensor array.

## Fluid and energy consumption / building in 2003

	FTE <sup>(1)</sup>	Electricity (1,000 kWh)	Gas (1,000 kWh)	Fuel-domestic oil (1,000 liters)	Water (1,000 m <sup>3</sup> )
Dexia Bank	5,791	19,808.2	8,694.3	143.5	96.6
Dexia BIL	1,578	15,777.5	553.8	88.8	37.7
Dexia Crédit Local	1,081	7,100	489.7	0	20
Dexia SA	82	183.7	No Data	0	0.5
<b>Total</b>	<b>8,532</b>	<b>42,869.4</b>	<b>9,737.8</b>	<b>232.3</b>	<b>154.8</b>

(1) Number of FTE (full-time equivalent) concerned by such indicator.

## Dexia BIL's proprietary co-management system for two of its buildings (outside plant distributing hot and cold water)

	FTE <sup>(1)</sup>	Co-management cold water (1,000 kWh)	Co-management hot water (1,000 kWh)	Total (1,000 kWh)
Citius	495	1,142.8	730.5	1,873.3
Fortius	0	259.6	619.4	879
<b>Total</b>	<b>495</b>	<b>1,402.4</b>	<b>1,349.9</b>	<b>2,752.3</b>

(1) Number of FTE (full-time equivalent) concerned by such indicator.



Water consumption is also the object of a particular management process that allows reducing our fresh water consumption by 6,400 m<sup>3</sup> per annum, i.e. a 30% reduction in volume.

The generation of cold and hot water is based upon an automated system that has been devised to optimize the yield of all machines according to their energy use profiles.

Hence, any abnormal use is identified and energy production is monitored more closely.

## Transport

In December 2000 Dexia Bank's social partners signed a mobility plan in **Belgium**, whose purpose is to encourage the use of public transport or alternative means of transportation like e.g. the bicycle or a share-a-ride system. Let us recall that on May 17, 2002 following the Brussels biking week and the May 16 day of "Everybody bikes to work!", the Brussels Capital Region awarded the "Golden Bike Parking" prize to Dexia Bank as a token of the company which had best encouraged its employees to bike to work over the last twelve months.

## Professional trips in 2003 (in thousands of km)

	FTE <sup>(1)</sup>	Company car	Private car	Plane	Train	Total
<b>Dexia Bank</b>	8,108	10,538	6,243	832	440	18,052
<b>Dexia BIL</b>	2,871	251	389	3,668	471	4,778
<b>Dexia Crédit Local</b>	1,081	2,425	900	4,023	2,000	9,348
<b>Dexia SA</b>	82	1,583	No Data	553	275	2,412
<b>Total</b>	<b>12,142</b>	<b>14,797</b>	<b>7,532</b>	<b>9,076</b>	<b>3,185</b>	<b>34,589</b>

(1) Number of FTE (full-time equivalent) concerned by such indicator.

## Modes of transportation of employees (in number of employees), from the point of view of the mobility plan of Dexia Bank and of two of Dexia BIL's subsidiaries in Brussels (Dexia Fund Services & Dexia Asset Management)

FTE <sup>(1)</sup>	Company car	Private car without share-a-ride	Share-a-ride	Train	Public transport	Bicycle	Motor bike	Pedestrians	Total
8,357	483	2,743	175	3,352	1,184	164	48	66	8,215

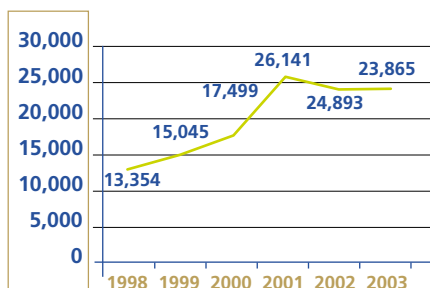
(1) Number of FTE (full-time equivalent) concerned by such indicator.

# HR management and social dialogue

Dexia's social responsibility principles have as a main purpose to strengthen the motivation of its employees, to bank on the competencies of each of them and to attract new talents. Based on trust and transparency, those principles are being established slowly but surely at all levels of the Group with a view to developing long-term commitments.



## Snapshot of Dexia's headcount



The Group employs 23,865 people worldwide: 85% of them are based in the three historical countries of the Group – Belgium, France and Luxembourg – and almost 90% of them work in the euro zone.

See Appendices on page 50.

- ▶ 2003 was marked by a reduction of headcount by a little more than 1,000 units, which corresponds to decisions made and partly implemented in 2002 already, pertaining mainly to the merger between Dexia Bank and Artesia BC in Belgium, to the reorganization of Dexia's business unit in the Netherlands and to the cost reduction policy at Dexia BIL.

The entities concerned accompanied those departures with all the required transparency in cooperation with employee representatives and management. Moreover, they also provided regular information to the European Works Council and often promoted innovative and entity-specific solutions. This corresponds to a willingness to privilege voluntary departures or internal relocation of staff.

- ▶ Hence, in **Belgium** the agreement negotiated allowed employees to benefit from measures like facility hours or early retirement schemes but to use a *job center* to find a new job inside the company. In **Luxembourg** the "Reshaping your working life" project looked e.g. at possibilities of career breaks and work for NGOs. Finally, in the **Netherlands** the plan that was negotiated allowed employees to leave the Group and get a favorable financial deal.

Most of the other companies of the Group maintained or slightly increased their headcounts. It is e.g. the case of those companies active in the first business line and in fund management.

- ▶ The Group employs 53% men and 47% women. The distribution between men and women is more balanced in 2003, compared with 55% men in 2002. See Appendices on page 51.

The relative misbalance of the share of women with executive status is also being slightly reduced: there are now 27% female executives compared to 25% last year. This issue is however being dedicated specific attention within the framework of the 2004 HR action plan (see below).

- ▶ Dexia Group's staff turnover was at 6.47% in 2003. 2003 was the year of the stabilization of our long-term contract headcount after the changes experienced in the previous years. Staff turnover being an indicator of the changes in headcount, it incorporates the incoming – i.e. hiring, mobility between companies of the Group – and outgoing staff – i.e. any reason including mobility between companies of the Group – of the different entities.

## Strengthening the feeling of belonging

Beyond a sheer statistical presentation of headcount, it is the HR management policy that asserts the Group's dedication towards sustainable development.

### Making employees participate in our growth

Dexia is really proactive in terms of employee shareholding and its aim is to reach 5% of employee shareholding by 2005. The main objectives are to strengthen the feeling of belonging of our employees, to involve all employees in Dexia's strategy and growth and to allow them to build savings invested in shares of their company they could buy under interesting conditions.

#### A few figures...

- **23,865:** is the number of employees spread into 21 countries – mainly in Europe – who work for all of the Group's business lines.
- **38.5:** is the average age of men and women working for the Group.
- **4.14%:** is the share of Dexia's capital held by its employees.

The 2003 employee shareholding plan only can be considered as a remarkable and innovative move. Indeed, on top of offering to employees the possibility of buying shares with a 20% below par rating on the reference price, Dexia has also developed two so-called “leverage effect” solutions.

This system allows employees to build up savings under very profitable conditions as a specific mechanism allows them to own a capital of 10 shares even if they only paid for one of those 10 shares. Dexia is the only group to offer this solution to all its employees, wherever they may be located. End of 2003, 4.14% of Dexia's capital was under the ownership of employees of the Group and 7 employees out of 10 were Dexia shareholders.

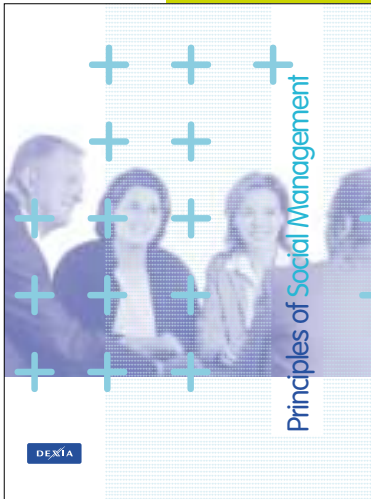
.....  
*See Appendices on page 55.*

Next to this system, Dexia also created the “Dexia Diversified Sustainable” Joint Investment Fund that allows French employees to invest their savings in a product based upon social and environmental responsibility criteria. The fund includes shares of companies selected according to the method of the Ethibel agency (70%) and bonds issued by the State (30%).

### Facilitating integration

The success of integration is a basic element for Dexia which includes more than 60 different nationalities and cultures in its teams. The integration policy for new employees was pursued further in 2003. Three editions of the welcome and internal training seminar “Discovering Dexia” have been organized so far including one edition for the teams of the North-American entities.

More than 400 employees could therefore discover Dexia's organization and challenges that were introduced by Management Boards' members.



▷ *The Group's Principles of Social Management have been distributed to all employees. The charter presents Dexia's commitments in terms of social dialogue, employment and mobility.*

### Informing and exchanging

If 2002 was marked by the implementation of new internal communication tools and support systems common to all employees, 2003 was the year of consolidation and development. The *team+spirit* company paper and intranet have largely contributed to the circulation of the company's spirit and the empowerment of employees; this spirit is based upon values like the respect of the different cultures and the exchange of experiences. The paper and the intranet imposed themselves as privileged sources of information and shared knowledge. Similarly, next to the Group's paper and intranet, electronic information letters and entity intranets started incorporating the colors of *team+spirit* to build up a consistent graphical line which will support the establishing of a strong corporate identity. The results of the first internal communication survey carried out at Group level at the end of 2003 allowed assessing the level of satisfaction of Dexia employees and acquiring a better knowledge of their expectations e.g. in terms of information.

The announcement of a new managerial organization of the Group in November 2003 has also been one of the highlights of the year. The event led to the organization in Brussels of a seminar titled "Proud to be Dexia – Building on our competitive edges" for the Group's 250 top executives.

An internal event of this kind is an opportunity to strengthen internal cohesion and to promote a feeling of belonging amongst employees who feel bound to a job, an activity or a business line. Hence, the element that binds the Group translates into the creation of a Group dynamics based e.g. upon interactivity, the exchange of experiences and the circulation of best practice.

### Asserting Dexia's social responsibility

Dexia, the bank for sustainable development, has set principles of social management based on trust and transparency which are an essential part in the Group's involvement in favor of sustainable development and allow it to be sustainable in the long run. These principles have as an objective to increase the motivation and loyalty of our staff and to attract new talents. They have been written into a charter and a specific action plan.

#### The charter of "Principles of Social Management"

After the creation of a European Works Council in 1998 already – when it was not yet legally binding to do so – the adoption of a charter of "Principles of Social Management" was a key step in the HR management policy of Dexia. The charter was signed at the end of 2002 by the European Works Council and circulated to all employees mid-2003. It translates the will to have an open and constructive dialogue based upon the respect of commitments in terms of industrial relations, employment and mobility. It also foresees a yearly reporting obligation to employee representatives on the achievement of the objectives.

### *1<sup>st</sup> commitment: social dialogue*

Locally, Dexia Group has committed itself to scrupulously respecting labor laws, social dialogue and trade union freedom and to promoting the emergence of employee consultation structures in those cases where the law does not provide for any legal employee representation structure. At Group level, Dexia is organizing European Works Council meetings twice a year. Given how geographically remote the entities are and given the complexity of certain issues, the Group wished to promote consultation and decided to organize two-day preparatory meetings before the plenary meetings of the EWC. Along the same line, in order to promote a more regular social dialogue more in line with the Group's activity, management meets the Committee of the EUW every month. In order to highlight its dedication to transparency, Dexia has given the EWC the opportunity to call on to an accounting consultancy to analyze the 2002 accounts. The consultant – Syndex – presented its conclusions in January 2004 during the plenary session of the European Works Council and will pursue its mission further with the 2003 accounts. This expert support – which is only provided for under French law – has therefore been extended to the whole of the Group. Finally, *team+spirit*, the Group's intranet has now been expanded with a section dedicated to employee representatives and the European Works Council. In this section employees may access the contact details of their representatives, the minutes of meetings and the motions tabled by staff representatives.



► The European Works Council intranet section is accessible from all workstations.

### *2<sup>nd</sup> commitment: employment inside the Group*

Dexia has committed itself to anticipating upon its future skills needs and to managing mobility and careers on an individual basis. The Group is making sure that each business unit does implement a training plan which will provide for the best possible adaptation of our employees to technical and technological evolutions of their trades but also to the possible evolution of their careers. In compliance with its ethics principles, Dexia pledges not to discriminate against anyone for matters of race, gender, religion or language and commits itself to equal opportunities between men and women. In case a reduction of staff would be unavoidable in a subsidiary or a business unit of the Group, Dexia has committed itself to passing this information on to the European Works Council. Dexia is also creating a consultation body for all of the Group's HR management teams in order to make it easier to find new jobs for a maximum of those hit by downsizing before any dismissal procedure has to be started. Moreover, the Group also commits itself to a specific negotiation of the flanking measures that will be taken in favor of those hit by downsizing and job losses.



Hence, in compliance with the Group’s social management principles, the downsizing plans that were implemented in Belgium and Luxembourg have demonstrated the Group’s willingness to reach an agreement with the social partners and to avoid using dismissal as a solution. The agreements signed on the occasion of the incorporation of Artesia BC into Dexia Bank bear witness to this willingness as does the “Reshaping your working life” program implemented at Dexia BIL which e.g. allowed putting forward alternative solutions like *à la carte* part-time, early retirement, career breaks or a work period inside an NGO.

**3<sup>rd</sup> commitment: career management and mobility**

Promoting mobility inside the Group is the third commitment of the Principles of Social Management of Dexia. The average age of employees is 38.5 years and compared to other companies Dexia’s age pyramid is leading to very few generation conflicts. Employees over 50 represent 14.8% of the workforce. It is therefore essential to identify and prepare tomorrow’s managers, i.e. the ones the Group will need for its future evolution. Developing internal skills is essential to the Group’s commercial success and to the motivation of its teams. The challenge is to develop a joint policy at Group level based upon shared tools and competencies. Launched at the end of 2002 some activities materialized in 2003, e.g. the identification and management of potentials or the development of skills. Several tools and programs have been developed to this end:

- ▶ The “Performance and Development Process” is a program that responds to 18 fundamental principles – a yearly interview, a written report, a bilateral discussion, assessment on concrete facts, career development or mobility wishes... – and allows each employee to look back on his or her job every year and be open about training and career evolution.



- ▶ DEAL (DEXia Assessment of Leadership) sessions: during such assessment sessions, high potential executives are evaluated on the key competencies of the Group. The information gathered during those sessions allows drafting personalized development plans. The plans are composed of reflection actions, training and coaching activities on horizontal and professional mobility matters.
- ▶ LEAD: this program is spread over two two-day sessions where employees deal with the notions of vision and mission; this gives rise to the presentation of a project to the members of the Management Board. For its top executives, Dexia has developed a more detailed 12-day program whose purpose is to give participants an overall approach of the business lines and the challenges of the banking sector.

Next to the identification of future potentials, the evolution of skills is also a basic aspect of our HR policy. Indeed, Dexia gives great importance to training and is trying to better balance the training efforts between all categories of employees: in 2003; 39,039 days were dedicated to training, i.e. an average of 1.43 day per employee. This figure does however cover different realities linked, on the one hand, to local regulations and agreements and, on the other, to the particular challenges of each business line. Hence, in some subsidiaries, the figure goes up to an average of 5 days of training per employee.

*See Appendices on page 55.*

Finally, the mobility between business units objective is an important challenge for the Group as it is first and foremost based upon proper information on career opportunities and practical conditions for the implementation of mobility.

So all of the Group's job ads are available to all employees through the *team+spirit* intranet portal. In compliance with the principles of social management and no matter which country of origin employees of the 82 business units of the Group come from, any employee in a mobility situation will not be submitted to any trial period and will have his or her seniority taken into account by the new entity that welcomes him or her.

Moreover, mid-2003, Dexia set common rules for the posting and expatriation of its employees in order to provide for the equal treatment of all employees in all business units.

### The 2004 action plan

The Principles of Social Management are a major basis for commitment upon which Dexia Group intends to build a specific multi-annual action plan in the area of corporate social responsibility.

This plan has been drafted and introduced to all local



- ▶ *Mid-2003, Dexia Group set common rules for the posting and expatriation of its employees. Details of those rules can be found in the 'Passport for Dexia' brochure.*

works council and to the Select Committee of the European Works Council in the last quarter of 2003. It was then officially introduced to the full European Works Council of the Group in January 2004. The action plan revolves around six priority actions, which will be the HR guidelines for the Group in 2004:

- ▶ information, awareness raising and training of management in sustainable development;
- ▶ career making opportunities inside the Group;
- ▶ a better knowledge and understanding of the Group's strategy for its employees;
- ▶ greater consistency in assessment and pay;
- ▶ health prevention and awareness raising on the quality of employee working conditions;
- ▶ the place of women in the company.

In line with actions undertaken in compliance with Principles of Social Management, Dexia will report to employee representatives any concrete action which will have been implemented in this particular area.

# Our citizenship commitment



Dexia's commitment as a "citizen" is happening externally through awareness raising actions on the challenges of sustainable development and through different humanitarian, social and cultural sponsorship projects.

## Raising awareness for sustainable development

Sustainable development is a basic challenge for local authorities as it is at the level of territories that its values and practices need to unfold. Local authorities have significant expectations in terms of management and methodology tools.

In **France**, Dexia Crédit Local is publishing a number of documents and organizing awareness raising and discussion meetings. So in June 2003 a book titled *Développement durable: 21 maires s'engagent* (*Sustainable development: 21 mayors get involved*) was published by le cherche midi together with Dexia Editions. In December 2003 Dexia Crédit Local organized – within the framework of its 14<sup>th</sup> Financial Encounters – a round-table bearing the title "From financial performance to global performance" to which rating agencies and local elects participated and supported the organization of a seminar organized in December 2003 by the Institute for Delegated Management and associations of elects on the issue of "Sustainable development: which challenges for intermunicipal structures?"

In **Slovakia**, Dexia banka Slovensko received in June 2003 the prestigious 1<sup>st</sup> Prize of the Environment from the Environment Ministry of the Slovak Republic in the "Best environmental-friendly business" category.

## Encouraging best practice

In **Italy**, the fourth "financial assembly for local autonomy" organized by Dexia Crediop in Rome in October 2003 allowed debating sustainable development. On the occasion of this event the results of a research project carried out by an experts' team was published; it is based upon the use of three sets of indicators – economic, social and environmental – that allow analyzing the expenditures and activities of local and territorial authorities. Along the same line a team of Dexia Crediop advisors developed an assessment method to evaluate calls for proposals based upon a set of 50 parameters mainly pertaining to the objective of sustainable development.

## A brochure on sustainable development in Luxembourg

Dexia BIL published in the first quarter of 2004 a brochure that is complementary to the "2003 sustainable development report" of the Group and whose objective is to strengthen the bank's outreach activity towards citizens and its dedication to sustainable development. As a summary of all the actions carried out by the bank in the Grand-Duchy since 1986 to cover present needs whilst thinking about future generations, this brochure is aimed at facilitating awareness raising on the challenges of sustainable development in Luxembourg and worldwide.



In **France**, Dexia Crédit Local and its partners – i.e. Committee 21, the Association of French Mayors and the Association of the Mayors of France’s biggest cities – organized at the Assemblée nationale in October 2003 – under the patronage of the President of the Assemblée nationale and the Minister for Ecology and Sustainable Development – the first awarding of the Ribbons of sustainable development, whose purpose is to encourage best practice at local authority level. A book titled *Les Territoires inventent l’avenir – Memento du développement durable (édition 2004) - (Territories inventing the future, a memento of sustainable development - 2004 edition)* was published on this occasion to promote the ten best and most pioneering processes from local authorities and to comment on the latest sustainable development events at local level.

In order to acquire a better knowledge of local authorities, Dexia Crédit Local is considering promoting in the first half of 2004 the results of a survey carried in France and in Belgium on 200 cities and 26 regions with a view to showing the sustainable development profiles and policies of local authorities and to testing the relevance of the 30-something list of indicators.

### Humanitarian action and solidarity

In **Belgium**, Dexia Bank wishes to open up more to social and humanitarian sponsoring in order to better fulfill the expectations of stakeholders.

This sponsorship will be implemented within the framework of a foundation which should be created in 2004 and privilege issues of solidarity between generations, aid to young people, the environment and medical research. In 2003 Dexia Bank supported several organizations like the Red Cross, the Duve Foundation, the Friends of the Bordet Institute or the Cardiology Foundation. Dexia Bank has taken up all the sponsorship activities Artesia BC was involved in before the merger: Hefboom and Credal, intervening in the social economy in Flanders and in Wallonia, as well as Wereldsolidariteit which is acting in support



of developing countries. Since 1988 Dexia Bank employees participate the last Monday of each month in a “soup lunch” whose profit – some EUR 100,000 each year – is donated to MSF (Médecins sans Frontières) for its actions in Chad.

In **France**, on December 8, 2003 Dexia Banque Privée organized a debate and conference with several associations chosen for the quality of their humanitarian involvement. A few hundreds of the Bank’s clients could talk to the representatives of associations like ASP Fondatrice (palliative care), ATD Quart Monde or the Christian Office for Disabled People and First Aid (Iraq). With this event Dexia Banque Privée wished to show its action with aid associations by giving them visibility and by helping them find new partners, volunteers and donors.

In **Slovakia**, Dexia banka Slovensko pursued its providing of 400 computers to Slovak primary and secondary schools in 2003, in order to support municipalities who were transferred the management of the school system after decentralization.

In **the United States**, because of its public finances expertise, FSA is supporting charities for which State agencies are entitled to issue tax-free bonds. E.g. the Dormitory Authority of the State of New York issued tax-free bonds guaranteed by FSA for more than USD 50 million to fund loans contracted in favor of the New York State Association for Retarded Children (NYSARC).



This association has been around for 54 years and is the most active one in the country in the aid to the mentally retarded. Moreover, FSA is also making direct donations to non profit-making associations, e.g. in 2003 Fund for Public Schools, Inc., a state-approved charity aimed at improving the quality of public education in New York city or Citymeals-on-Wheels and the Doe Fund which intervene with the elderly, the homeless and the destitute.

In **Germany**, since 2001, Dexia Hypothekbank Berlin decided to replace the traditional Christmas gifts to its clients and partners by a donation to a charity. In 2003, the donation was made to a Berlin association which wished to build up a canteen for the homeless. The overall investment cost is EUR 2.6 million, half of which will be funded by the Land of Berlin and by the European Union.

### Cultural sponsorship

Most of the Group's entities are engaged in many support actions in areas like culture, publishing, art, music, theater and sport.

In **Belgium**, within the framework of the merger with Artesia BC and BACOB, Dexia Bank has become engaged in the refocusing of its cultural activities to provide more consistency to the actions and cultural budgets of all three banks. This policy translates e.g. into support to Belgian art through its collection – the biggest private collection focusing on Belgian art from 1830 until now – or into the support for the creation and the development of young talents privileging music and plastic arts through Axion Art

– a plastic art competition – and through Axion Classics – classical music contest – and finally into the publishing of art and culture books together with the cultural department of Dexia Bank and the Mercatorfonds. Dexia Bank wished to facilitate even more the access of the public at large and the bank's employees to this set of activities.

In **France**, Dexia Crédit Local is since 1983 the most important private sponsor of the Avignon Festival aimed at promoting mainly European creation

## Integrating young people as citizens

Since 2002 the Dexia Crédit Local Foundation has been implementing a multi-annual program for the research and support of citizenship initiatives aimed at the social and professional integration of young people in difficulties. The Dexia Crédit Local Foundation is providing financial support to the local missions for projects involving young people in citizenship discovery and exercise actions. The 2003 call for projects on the theme of 'Let's invent new access paths to citizenship with young people' allowed funding 49 of the 91 projects tabled. The Foundation's expertise is based upon the screening of many projects for citizen integration presented by local missions, but also on the survey that was carried out and published end of 2002 and titled "We are citizens too."

In 2003 the Foundation launched together with the National Council of local missions an information campaign on Europe. From November 2003 to April 2004 at least 150,000 young people in integration programs had the opportunity to talk about Europe with the advisors of their local missions.

This information campaign is aimed at drawing the awareness of young people between 18 and 25 who have a low level of skills on the challenges of Europe and to promote their participation in European elections. This operation was supported by the Deputy Ministry in charge of European Affairs and launched by Mrs. Noëlle Lenoir, the Deputy Minister herself with the patronage of Mr. Renaud Muselier, Secretary of State in charge of Foreign Affairs.

in theater and dance. Since 1997, Dexia Editions has been participating in the production of collections of books highlighting the value of historical, urban, architectural and artistic aspects of the heritage of local authorities and has e.g. been involved in the new June 2003 edition of the Dexia Museum Guide published and circulated in 20,000 copies in partnership with the Ministry for Tourism. Dexia Crédit Local has also committed itself to raising the awareness of local decision-makers and young people on the protection of the environment. This action has been developed within the framework of a partnership with the Conservatory of the shoreline and with France's National Parks. Dexia participates in the publishing of two collections of books by two public bodies in charge of protecting endangered natural sites under the management of local authorities.

Since its creation in 2003, Dexia has been supporting the Academy of Horseback Riding Performances of the Royal Stables in Versailles. Headed by Bartabas, the Academy is a school for the development and teaching of equestrian art related to performing arts in a location famous in France's history. In a nutshell, Dexia promotes performing arts, creation, the upgrading of France's heritage and the training of young people.

In **Luxembourg**, the park surrounding the Indépendance building of Dexia BIL and the Gallery created for this purpose welcome exhibitions of world-renowned artists like David Nash, Marta Pan, Olivier Strebelle or Ju Ming. Dexia BIL's commitment for culture is also demonstrated by its purchasing of works of art to be exhibited in its office buildings. The bank's sponsoring activity also includes support to musical events like the Echternach or Wiltz festivals or the support of young artists and of the Spring Music Festival of the city of Luxembourg.

In **Italy**, Dexia Crediop supported several cultural initiatives in 2003 by e.g. sponsoring the theater season



## The 2003 Caius Award of large businesses

In 2003, Dexia Bank won the Caius, a prestigious award from the Prométhéa Foundation for the promotion of arts and corporate sponsorship. The bank was rewarded for Axion Classics (the national music and verbal art contest) organized by the company since 1965. So far, the contest has rewarded some 2,262 winners most of whom are now soloists or artists in prestigious orchestras like the Berlin Philharmonic Orchestra, the Concertgebouw Amsterdam or the London Philharmonic Orchestra... Dexia Bank accompanies the winners throughout their careers by supporting the concerts, festivals, recording sessions or stages they perform on. The jury of the Prométhéa Foundation wished to reward this discrete action so precious for the sponsoring of young artists, which has been part of the Belgian musical and artistic landscape for almost 40 years.

of the Theater of the Muses in Ancona in the Marche region. Thanks to the cooperation of a public body called "Soprintendenza per il Patrimonio Storico, Artistico e Demoetnoantropologico", a book dedicated to the restoration of the church of Sant'Andrea della Valle, one of Rome's most famous churches could be published. Finally, Dexia Crediop has also donated its historical archives to the Fondazione IRI. The purpose of the donation was to bring together the archives of Fondazione IRI and the ones of Crediop, two institutions founded by Antonio Beneduce, one of Italy's most eminent economists of the 20<sup>th</sup> century.

*The application of best international practices of governance framework allow the Group to fulfill the expectations of its investors, its shareholders and of its clients in terms of transparency and financial information.*

# Good governance

Corporate governance, independence of

*Board members, integrity policy, Wolfsberg principles, FATF recommendations, Ethics Charter, management of operational risk, internal audit...*



# Corporate governance



Dexia has as a purpose to apply the best principles of corporate governance by adapting or changing its organization, its discipline and its body of rules to the many evolutions in the area of corporate governance. In 2003, after changing its Executive Committee into a Management Board, Dexia particularly looked into transposing the latest developments in terms of Board members and auditors independence into its corporate structure.

The rules applied by Dexia in terms of corporate governance are described in details in the Annual Report as well as on Dexia's website.

## Composition and functioning of the Board of Directors

On December 31, 2002, Dexia's Board of Directors included 12 **independent Board members** out of a total of 20 members. The high amount of independent Board members was due to the combined implementation of criteria provided for by Art. 524 of the Belgian Company Law and of the recommendations of the French Bouton report. In terms of the latter criteria, as of March 4, 2004,

Dexia's Board would anyway have to have 11 independent Board members out of a total of 19. So, in order for the independence criteria applicable to its members to be granted credibility, the Board decided at its February 5<sup>th</sup>, 2004 meeting to apply very strict independence criteria. They went for the application of the Art. 524 criteria combined to the criteria of the Bouton report and even went beyond what was provided for in the latter. These criteria are described in greater details in the Annual Report, section "Accounts and Reports". Hence, on the basis of those stricter rules, the Board of Directors now has as of March 4, 2004 a total of 9 independent members out of 19.

## Composition of the Specialized Committees (February 2004)

	Number of members	Independent Board members	Attendance score at 2003 meetings
<b>Strategy Committee</b>	6	2	83.3%
<b>Audit Committee</b>	4	2 (including the chairman)	92.9%
<b>Remunerations Committee</b>	3 (non-executive members)	2	100.0%
<b>Appointments Committee</b>	6	2 (including the chairman)	91.7%

- ▶ Dexia's Board of Directors created in its midst four **Specialized Committees**. They have an advisory role and allow the Board to make the most of the skills of each of its members by giving all of them specific tasks.
- ▶ The Board of Directors has only a **single Executive Manager** in its membership, i.e. Pierre Richard, CEO and Chairman of the Management Board.
- ▶ There is a **strict split between the functions** of Chairman of Board of Directors and CEO, as both functions must necessarily be entrusted with different people from different nationalities.
- ▶ The **internal code of rules of the Board of Directors** that provides for a very detailed set of rules is aimed at allowing the Board to fully exercise its competencies and at strengthening the efficiency of the contribution of each Board member.
- ▶ The internal code of rules of the Board provides that the Board should carry out a **self-assessment** of its functioning each year. In the self-assessment carried out in 2003, the satisfaction rate of the Board of Directors towards the questions can be deemed quite satisfactory as it reaches 82%.
- ▶ The remuneration of the CEO and of other Board members is **very transparent**: the annual report mentions individual compensation data for the CEO and for each other Board member.

## The independence of auditors

During fiscal year 2003, Dexia strived to apply the provisions of the Belgian legislation of August 2, 2002 on corporate governance aimed at reinforcing the independence of auditors and its implementation act of April 4, 2003 listing seven services deemed incompatible with the legal account monitoring mission of auditors. Most of these provisions have come into force on October 1, 2003. They mainly focus on the inclusion of a cooling off period preventing auditors from accepting any other job inside the company they are auditing for a period of two years following termination of their auditors' role and on the passing of rules which would allow striking the right balance between auditing and non-auditing services – 1/1 ratio.

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*For additional information on corporate governance, please refer to the Annual Report.*

## Encouraging expertise in the area of corporate governance

In the *United States*, FSA is sponsor of the Global Capital Markets Center (GCMC) of the University of Duke. This multidisciplinary center has a unique multidisciplinary approach bringing together stakeholders from different horizons who are willing to contribute to the drafting of a best practice model for the capital market. The Chairman of the Board and CEO of FSA is part of this advisory board. The role of the center has grown in importance with the growing realization of the importance of notions of corporate governance. In cooperation with the NYSE, GCMC is managing an education center for company managers and has sponsored a conference on transactions in institutional equity in 2003 which dealt with the latest research pertaining to market structures and regulations.

# Ethics, risk management and audit



The internal governance framework defined by the Group in the areas of ethics, risk management and audit allows fulfilling the expectations of our clients, investors and shareholders in terms of transparency and communication.

## Ethics and compliance

An integrity policy was adopted once and for all by Dexia's Management Board early January 2004 in order to strengthen and harmonize the basic principles and relevant measures which will allow supporting Dexia's long-term development and face compliance risks – i.e. risks due to non-compliance with the profession's laws, regulations and standards.

Dexia's compliance charter defines the statute and missions of the Compliance Department – its organization, its competencies and its duties – with a view to implementing the integrity policy. The Group's Code of Ethics is the implementation of the integrity policy through internal rules of good conduct applicable to the whole staff. The charter and the code of ethics have now been adopted and circulated to almost all of the Group's entities. They are the implemented proof of the ethical values and deontological practices which were already applicable in the past, e.g. in terms of insider trading prevention. Any operation on Dexia shares for the benefit of its employees is highly standardized.

Within the context of the struggle against money laundering and terrorism, Dexia respects international standards and is more particularly compliant to the recommendations published by FATF like

the Wolfsberg principles for Private Banking and Correspondent Banking. Applicable to all entities of the Group, such principles are being reinforced in practice by a set of automated prevention and surveillance tools.

In terms of means the network of *Compliance officers* – 120 employees – has been significantly strengthened and has resources adapted to its needs. Hence, Dexia has a Compliance Department with a fully independent *Chief Compliance Officer* running it. The autonomy and efficiency of the Compliance function have been further reinforced in the Group's three main entities as well as in its important subsidiaries, branches and departments.

Finally, it needs to be pointed out that a Code of Business Ethics on the links between the Group's Purchasing Departments and their suppliers is being drafted. It should provide for a better translation of the social and environmental challenges when launching a new competitive tendering for the purchasing of goods and services.

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*For additional information on ethics, please refer to the Annual Report.*



## Risk management

▷ Taking sustainable development into account in risk management is getting very concrete when looking at the information on “operational losses and incidents” as required by the Basel II Agreements. Choice was made to create a single basis for centralized reporting. This census of losses and incidents must lead to the definition of remedy actions when needed. The terms of the Basel II Agreements foresee seven clusters of events to be taken into account and two of them are directly linked to the issue of sustainable development:

- “Employment Practices and Workplace Safety” is the cluster of cases of non-respect of the social regulation in place: i.e. threatening the health or physical integrity of people on the workplace, discrimination when hiring, unequal treatment between men and women, infringement against private lives, non-respect of trade union or employee representation rights...
- “Clients, Products and Business Practices”: this particular category covers those instances when the bank did not respect its professional obligations towards clients or third parties: i.e. lack of information on product-related risks, insufficient diligence in terms of client identification, revealing of confidential information, unauthorized transactions...

The losses listed in the database will be the ones that led to actions by wronged clients or third parties. Generally speaking data collection on both types of incidents should allow acquiring an overall vision of all risks incurred.

▷ The analysis of past events will be completed by an analysis of events which might have significant impacts on the Group. It will be phased in 2004 thanks to a mapping of operational risks business line by business line. The same principles as the ones used for the database on loss and incidents will be applied: definition of a single method for the whole Group

and choice of a common tool for all business lines and entities. The same categories of potential events will be taken into consideration and should therefore provide for a better grasping of those risks more specifically linked to the non-respect of social and environmental challenges in the Group’s most significant business lines.

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*For more information on the signing of the Equator Principles, see page 1 of the present report.*

*For any additional information on risk management, please refer to the Annual Report.*

## Internal audit

The Internal Audit Department is a direct and indirect actor of sustainable development because of its contribution to improving the control of operational risk. Sustainable development is part of some auditing processes e.g. environmental risk linked to the financing activities. The audit network is staffed with a total of 180 auditors.

It is based upon the latest developments that Dexia’s Internal Audit Management Team decided in 2003 – at a workshop of a seminar gathering all auditors of the Group – to raise the awareness of the latter so that the sustainable development dimension would be incorporated in their auditing processes when relevant. Moreover, a horizontal mission at Group level has been planned for 2004 to audit the data communicated by Dexia on the issue of sustainable development. Finally, this process will be strengthened further by a Group policy which shall provide internal auditors with joint references – as is the case with the audit and compliance charters – which are so essential in a highly diversified international regulatory context.

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*For any additional information on audit, please refer to the Annual Report.*

# Appendices

## Appendix on “Performance and expertise at the service of responsible investment”

For more information, see pages 16-19 of the present report.

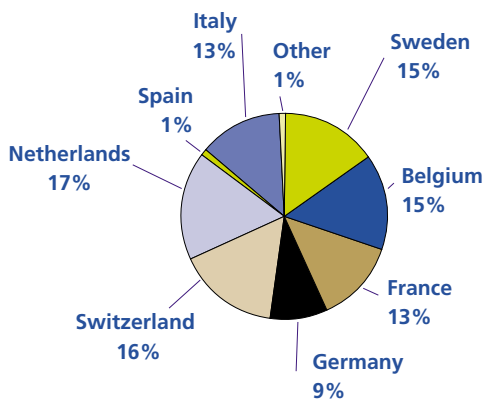
### List of Dexia Asset Management open-end funds

	Stocks	Mixed (stocks and bonds)
<b>Dexia Allocation (with DJSI<sup>(1)</sup>)</b>	<i>Sustainable Europe Sustainable World</i>	
<b>Dexia Sustainable (with Ethibel)</b>	<i>Regional funds</i> EMU Europe North America Pacific <i>Thematic global funds</i> World Large Caps Social focus Earth focus	<i>European Balanced Low European Balanced Medium European Balanced High</i>
<b>Dexia PEG Durable Dynamique (with Ethibel)</b>		<i>Mixed fund</i>
<b>Dexia Equities L (with Ethibel)</b>	<i>World Welfare</i>	
<b>Dexia Sustainable World Equities Fund (Australia) (with Ethibel)</b>	<i>World Equities Fund (Australia)</i>	
<b>Trackindex (with DJSI<sup>(1)</sup>)</b>	<i>TrackinDex DJ STOXX Sustainability</i>	

(1) Dow Jones Sustainability Index.

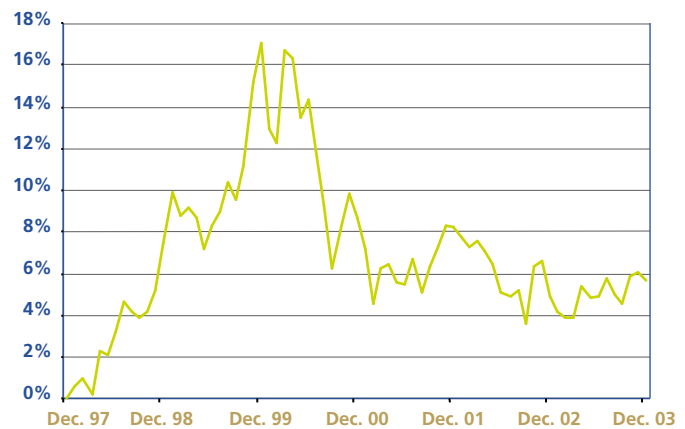
### Evolution of the European SRI market

**Importance of continental Europe on the total SRI market**



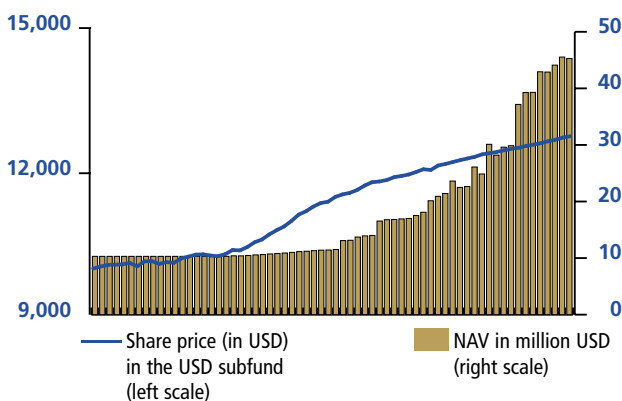
Source : AVANZI

### Average overperformance of sustainable indices



Source: Ethibel Global, Domini Social 400, ASPI and Dow Jones Sustainability Index World – Dexia Asset Management

### Performance of *Dexia Micro-Credit Fund*



*Dexia Micro-Credit Fund* has kept on growing strongly in 2003: its net asset value has almost doubled reaching USD 45,161,858 at the end of the year.

The fund has also confirmed its good performance: it is delivering the promised yield of USD Libor 6 months +2% (i.e. 3.19% net in 2003 for the USD asset category). The total net yield of its USD category since its creation is at 27.29%. Also to be noted is the quasi absence of volatility which is making this investment product even more attractive.

## Appendix on “HR management and social dialogue”

For more information, see pages 32-37 of the present report.

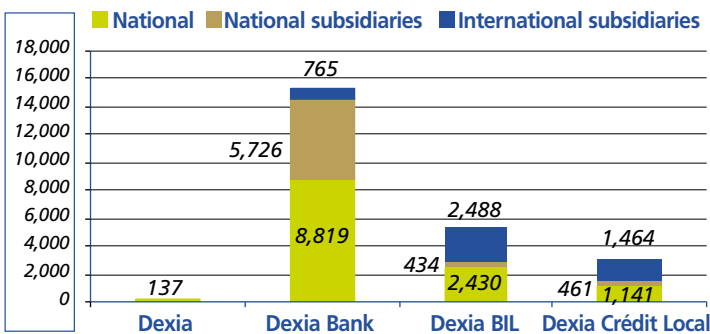
With this report Dexia has tried to provide the clearest possible overview of its headcount. Human resources indicators are given for the first time for the whole Group – i.e. for 23,865 employees spread across 21 countries and 82 business units, including Dexia SA, the three operational entities (Dexia Bank, Dexia BIL and Dexia Crédit Local) and their subsidiaries.

Given the great diversity of sites and the differences in national laws, we decided to include in the Group’s social data only those indicators we deemed relevant. E.g. the indicator on absenteeism is not relevant because it includes maternity leaves whose duration is considerably different from one country to the next.

## Total headcount per country

Belgium	15,040
Luxembourg	2,900
France	2,110
The Netherlands	1,050
Slovakia	636
United States	495
Germany	378
Italy	224
Switzerland	222
Spain	214
Ireland	146
United Kingdom	138
Singapore	77
Monaco	66
Hong Kong	57
Israel	26
Denmark	22
Australia	18
Sweden	15
Other	31

## Total headcount per business unit



	Dexia SA	Dexia Bank	Dexia BIL	Dexia Crédit Local	Total
National	137	8,819	2,430	1,141	12,527
National subsidiaries		5,726	434	461	6,621
International subsidiaries		765	2,488	1,464	4,717
<b>Total</b>	<b>137</b>	<b>15,310</b>	<b>5,352</b>	<b>3,066</b>	<b>23,865</b>

### Distribution per nationality

	Dexia SA	Dexia Bank	Dexia BIL	Dexia Crédit Local	Total
<b>Belgian</b>	48%	94%	23%	0.16%	66%
<b>French</b>	47%	0.32%	20%	51%	12%
<b>Luxembourg</b>	0%	0.24%	22%	0%	5%
<b>Others</b>	4%	5%	35%	48%	18%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

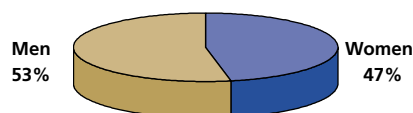
### Distribution per gender and contract type

	Dexia SA	Dexia Bank	Dexia BIL	Dexia Crédit Local	Total
<b>Women</b>	47	7,137	2,292	1,731	11,207
<b>Men</b>	90	8,173	3,060	1,335	12,658
<b>Total</b>	<b>137</b>	<b>15,310</b>	<b>5,352</b>	<b>3,066</b>	<b>23,865</b>
<i>Contracts with unlimited duration</i>					
<b>Women</b>	44	6,840	2,205	1,500	10,589
<b>Men</b>	85	7,948	2,939	1,249	12,221
<b>Total</b>	<b>129</b>	<b>14,787</b>	<b>5,144</b>	<b>2,749</b>	<b>22,810</b>
<i>Fixed-term contracts</i>					
<b>Women</b>	3	297	87	231	618
<b>Men</b>	5	225	121	86	437
<b>Total</b>	<b>8</b>	<b>523</b>	<b>208</b>	<b>317</b>	<b>1,055</b>

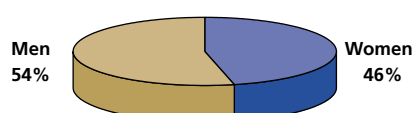
The majority of the Group's employees have been hired under contracts with unlimited duration.

This indicator is stable and precarious employment contracts are mainly used when we need to replace employees who are absent – sickness or maternity leaves.

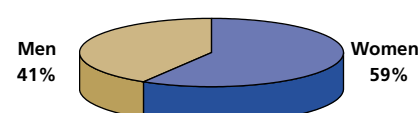
Men/women distribution (Group level)



Distribution of contracts with unlimited duration (Group level)



Distribution of fixed-term contracts (Group level)

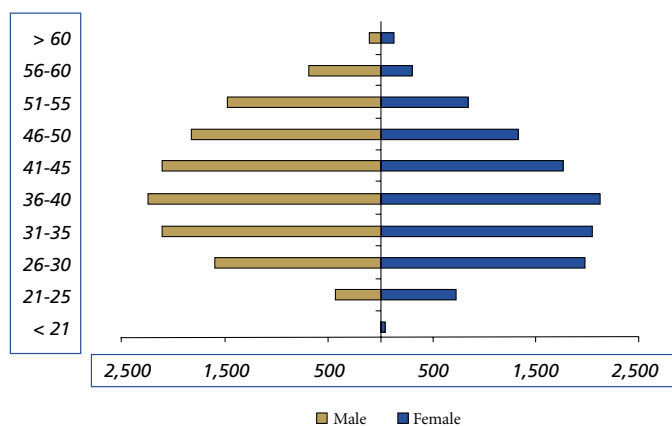


The proportion of women in executive positions has increased up to 27% in 2003 compared to 25% in 2002.

This matter is the object of a specific HR action plan for 2004.

## Age pyramid

	Dexia SA		Dexia Bank		Dexia BIL		Dexia Crédit Local	
	Men	Women	Men	Women	Men	Women	Men	Women
< 21	0	0	4	12	3	3	5	13
21 - 25	2	1	267	411	92	105	66	210
26 - 30	11	10	809	1,022	550	514	247	435
31 - 35	23	11	1,095	1,157	673	522	334	363
36 - 40	21	9	1,366	1,338	603	497	251	264
41 - 45	11	8	1,470	1,254	469	304	158	188
46 - 50	11	2	1,397	1,003	318	189	113	118
51 - 55	5	4	1,156	605	237	126	85	101
56 - 60	2	2	542	232	92	26	61	29
> 60	4	0	67	104	22	5	15	10
	<b>90</b>	<b>47</b>	<b>8,173</b>	<b>7,137</b>	<b>3,060</b>	<b>2,292</b>	<b>1,335</b>	<b>1,731</b>

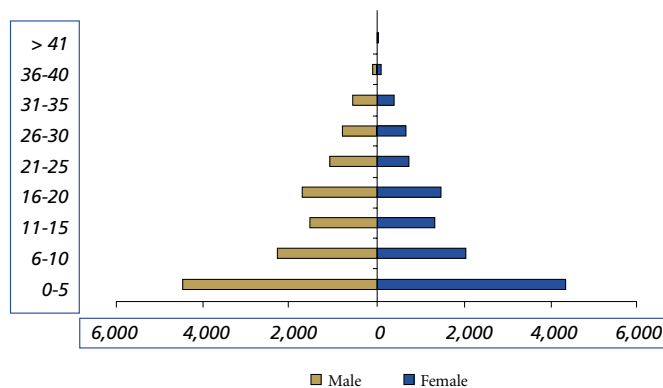


## Seniority pyramid

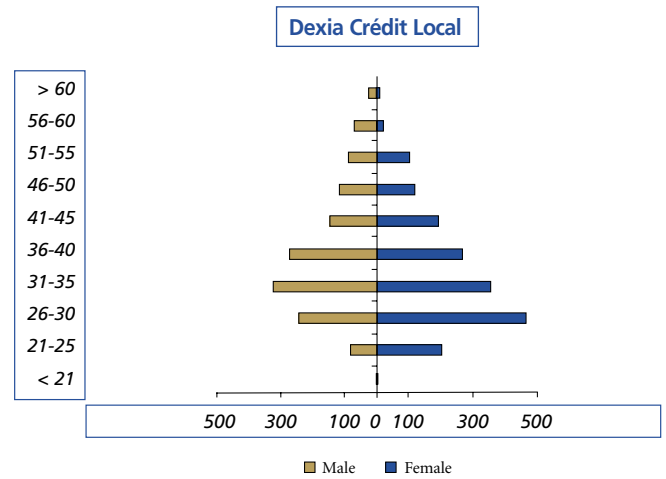
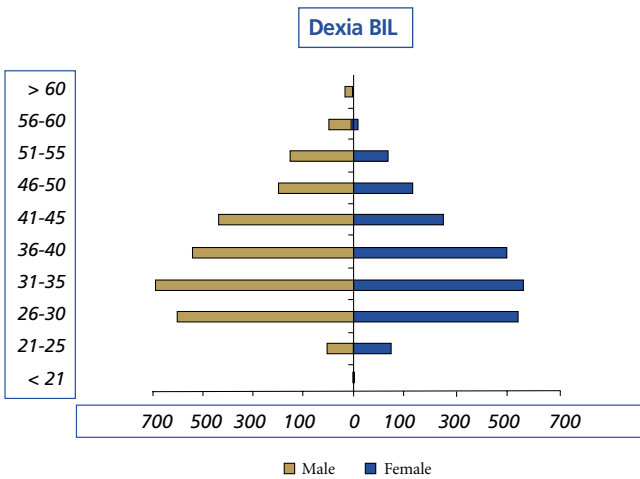
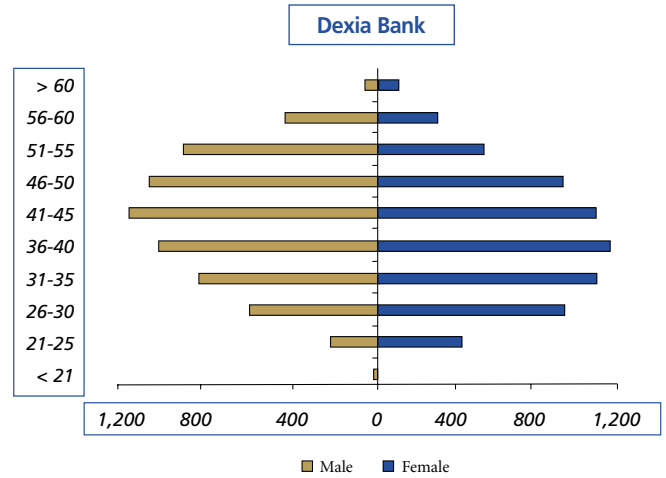
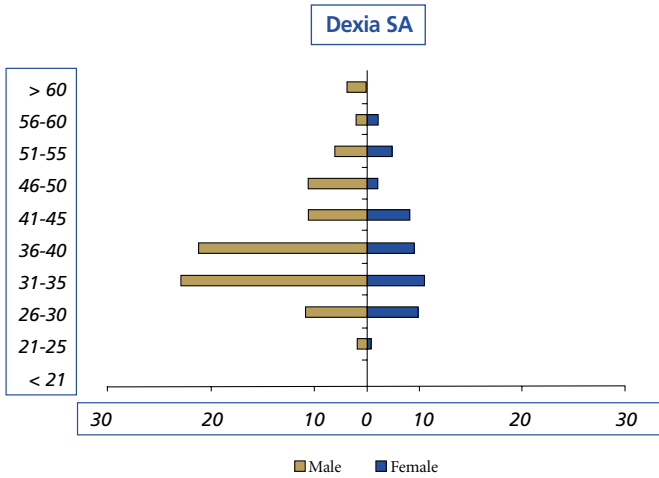
	Dexia SA		Dexia Bank		Dexia BIL		Dexia Crédit Local	
	Men	Women	Men	Women	Men	Women	Men	Women
0-5	78	35	2,113	2,320	1,523	1,094	741	917
6-10	4	6	1,434	1,170	553	395	321	488
11-15	8	6	1,056	885	318	197	190	274
16-20			1,406	1,170	273	294	53	24
21-25			946	615	162	127	4	5
26-30			694	574	90	89	17	16
31-35			444	323	110	74	8	5
36-40			67	63	27	21	0	1
> 41			14	18	3	0	0	0
	<b>90</b>	<b>47</b>	<b>8,173</b>	<b>7,137</b>	<b>3,060</b>	<b>2,292</b>	<b>1,335</b>	<b>1,731</b>

Dexia Group has a well-balanced age pyramid. It is to be noted that new hiring is mainly taking place in the 26/30 age group.

This indicator however highlights significant differences between the Group's entities (see details). The average seniority at Group level is at 11.2 years compared with 10.8 years in 2002.



## Details of the age pyramid



## Average age

	Dexia SA	Dexia Bank	Dexia BIL	Dexia Crédit Local
Women	36.72	38.51	35.50	34.11
Men	38.31	41.13	37.38	36.64
<b>Total</b>	<b>37.77</b>	<b>39.91</b>	<b>36.58</b>	<b>35.19</b>



## Part-time

Gender	Dexia SA	Dexia Bank	Dexia BIL	Dexia Crédit Local	Total
<b>Women</b>	4	2,462	578	133	3,177
<b>Men</b>		365	140	5	510
<b>Total</b>	<b>4</b>	<b>2,827</b>	<b>718</b>	<b>138</b>	<b>3,687</b>
<b>In headcount %</b>					
<b>Women</b>	9%	34%	25%	8%	28%
<b>Men</b>		4%	5%	0.4%	4%
<b>Total</b>	<b>3%</b>	<b>18%</b>	<b>13%</b>	<b>5%</b>	<b>15%</b>

If the global headcount of Dexia is at 23,865 employees, the company's headcount calculated in "full-time equivalent" is at 21,545.

Dexia is widely promoting part-time: in some of the Group's entities more than 30% women chose

this solution, which allows them to achieve a better balance between private life and professional life.

It is to be noted that more and more men also wish to benefit from part-time solutions. They represented less than 1% of the part-time workforce in 2002 and are now at 4% in 2003.

## Training (number of days of training per employee and per entity)

	Dexia SA	Dexia Bank	Dexia BIL	Dexia Crédit Local	Total
<b>Number of days</b>	304	21,607	6,252	5,876	34,039
<b>% of Group level training days</b>	0.9%	63.5%	18.4%	17.3%	100%
<b>% of the Group's headcount</b>	0.6%	64.2%	22.4%	12.8%	100%
<b>Number of days on average / employee</b>	<b>2.22</b>	<b>1.41</b>	<b>1.17</b>	<b>1.92</b>	<b>1.43</b>

The access rate to training of each entity is well balanced vis-à-vis its headcount. But the interpretation to be given to this indicator must nevertheless remain

careful. Data are indeed based upon variable modalities and definitions which depend upon the different countries and their national legislations.

## Absences (number of days of sickness leave)

	Dexia SA	Dexia Bank	Dexia BIL	Dexia Crédit Local	Total
<b>Number of days</b>	309	106,843	15,861	9,391	132,404

The data on maternity leave have not been incorporated into this particular indicator because of the differences in national systems.

## Percentage of the Group's capital in employee hands

<b>Belgium</b>	<b>2.14%</b>
<b>France</b>	<b>0.66%</b>
<b>Luxembourg</b>	<b>0.63%</b>
<b>International</b>	<b>0.71%</b>
<b>Total</b>	<b>4.14%</b>

4.14% of the Group's capital was in the hands of its employees on December 31, 2003.