



KBC GROUP DEFENCE SECTOR POLICY

Controversial weapons

KBC does not and will not finance, insure or provide advisory services in relation to **controversial weapons** or to companies involved in controversial weapons.

For KBC Group, controversial weapons cover both:

- weapon systems which are prohibited by international (and national) law;
- weapon systems for which there is a broad consensus that they should be banned.

These systems include:

- cluster bombs and sub-munitions¹, chemical or biological weapons² and anti-personnel mines (including Claymore mines)³;
- weapons containing depleted uranium or white phosphorus (used in incendiary munitions and weapons);
- nuclear weapons as banned by the 2017 UN Treaty on the Prohibition of Nuclear Weapons.

Companies that are assessed to be involved in controversial weapons are blacklisted by KBC based on the [KBC Group Policy on Blacklisted Companies](#). The [KBC Blacklist](#) is publicly available.

Other defence-related equipment

While KBC acknowledges that the defence industry presents certain specific risks, it also recognizes the right of sovereign states to defend themselves, in line with Article 51 of the UN Charter, and hence the necessity for the armed forces of sovereign countries to have appropriate equipment available.

KBC therefore does finance, insure and provide advisory services to companies which are involved in **activities which are defence-related but not in activities which are arms-related**, without specific restrictions.

¹ Banned by the Convention on Cluster Munitions (2008).

² Banned by both the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (Organisation for the Prohibition of Chemical Weapons) and the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (United Nations Office for Disarmament Affairs)

³ Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction

KBC is also willing to finance, insure or provide advisory services to companies involved in **arms-related activities**, but only under strict conditions, to be applied cumulatively:

- at least 80% of a company's arms-related sales should be in relation to arms equipment of which armies or police forces of NATO-countries or Ukraine are the end-users;
- only companies involved in arms-related activities which are located in one of KBC's home countries (Belgium, Bulgaria, the Czech Republic, Hungary, Slovakia) or which are part of a group headquartered in one of those countries, are eligible for financing/insurance/advisory services;
- traders and other kinds of middlemen involved in arms equipment are excluded;
- only companies involved in arms-related activities for which it is clear that they are not involved in the supply of arms equipment to armies or police forces of countries under UN, EU or US embargo are eligible for financing/insurance/advisory services;
- on top of the regular credit/insurance/advisory services acceptance process, every individual request is subject to the ad hoc approval by the highest management echelons.

Moreover, in case the financing, insurance or advisory service is linked to a **specific arms equipment delivery**, only transactions in relation to the supply of arms equipment of which armies or police forces of NATO-countries or Ukraine are the end-users are eligible. This condition comes on top of the other conditions described above.

KBC has set up a **strict governance** in order to ensure that the above conditions are respected.

These conditions come on top of the **general screenings** KBC is performing on companies' respect for human rights, anti-corruption rules, anti-money laundering etc. More information on these screenings can be found amongst others in the [KBC Group Policy on human rights](#), in the [KBC Group Anti-corruption and bribery policy](#) and in the [KBC Group Anti-money laundering policy](#).

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