

KBC Group – UN Global Compact Communication on Progress 2019

Statement of Continued Support

In 2006, KBC became a signatory of the UN Global Compact, and we are pleased to reaffirm our support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In 2019, the sustainability efforts strongly focused on climate change. Climate change is one of the greatest challenges facing the world in the 21st century, which is why we have committed ourselves to contributing to the transition to a low-carbon society. We recognise that our activities have an impact on the environment, while climate change can also affect our business model. But we are aware at the same time of the leverage we can exert on behalf of the sustainable development of the planet. For that reason, we will pursue constant progress in our policies and targets. 2019 saw a milestone in our climate strategy, when we signed up to the Collective Commitment to Climate Action and the pursuit of the objectives of the Paris Climate Change agreement. We also launched a structural approach to the management and reporting of climate-related risks and opportunities via our Sustainable Finance Program. It has been set up as part of the sustainability strategy to focus on integrating the climate approach in the group. We will communicate on our progress in this regard in the 2019 Sustainability Report that will be published in April 2020.

We continue to apply strict sustainability policies to our business activities in respect of human rights, environment and climate, business ethics and sensitive/controversial societal issues. These sustainability policies are reviewed and updated at least every two years to make sure that our policies continue to meet the concerns and expectations of society. The two-yearly update of the sustainability framework is scheduled for 2020. In 2019, an intermediate update of the policy for the tobacco sector has been decided, reflecting KBC's commitment under the Tobacco-Free Finance Pledge.

In our internal data gathering and audit process we assess the communication and implementation of the KBC policies and guidelines throughout the KBC Group. All guidelines and codes of conduct are publically available on our [corporate website](#).

KBC's compliance with the UN Global Compact Principles is another positive signal to the international community of our commitment to continue enhancing corporate sustainability throughout our operations and beyond.



Johan Thijs,
CEO KBC Group

KBC imposes tight restrictions on companies and activities that are controversial and/ or that do not comply with the UN Global Compact principles. The worst offenders of the UN Global Compact principles are excluded from any activity with KBC via the KBC Group Blacklist.

Human rights

We are fully committed to meeting our responsibility to respect human rights throughout the group, in all our operations. Our approach to human rights is guided by the UN Guiding Principles on Business and Human Rights and has been described in the [KBC Human Rights Policy](#). In it, KBC sets out how it ensures that it does not provide support to companies that violate human rights.

KBC fulfils its commitment to respect Human Rights in relation to its core stakeholders – customers, suppliers and employees – through specific policies and human rights due diligence processes. Thereby taking into account the severity of actual and potential adverse human rights impact when identifying and addressing such impacts. As a financial institution, KBC's highest risk in terms of potential involvement with human rights violations arises through its client relationships, through its credit and insurance portfolio, its asset management activities and its own investments.

We are committed to fully respect and support the UK Modern Slavery Act 2015 and we work together with all of our stakeholders to combat any kind of modern slavery within our business activities. We consider modern slavery as an integral part of our Human Rights policy and due diligence process.

Labour rights

KBC fully commits to respect and uphold the human and labour rights of its employees and employees are also expected to apply and respect the human rights standards when conducting business as outlined in the [KBC Code of Conduct for employees](#).

Our commitment to respect and uphold labour rights is included into our human rights policy.

Environment

KBC is committed to managing the direct and indirect environmental impact of and on its activities in a responsible manner. In doing so, we wish – where possible and in line with our sustainability strategy – to enhance our positive impact and mitigate our negative impact on the environment in order to support the transition towards a low-carbon economy.

We concentrate on decreasing our direct footprint by reducing the environmental impact of our operations and we set clear targets. In 2019, KBC has set a new long-term target to reduce its own greenhouse gas emissions (excluding commuter travel) by 65% by 2040. We are also committed to source at least 90% of our electricity consumption from renewable energy by 2030.

The greatest environmental impact is indirect though, through lending, investing and insuring other parties who could have a direct impact (whether positive or negative) on the climate. On the other hand, climate change can also impact our business as a financial institution, both from transition- and physical risks as well from opportunities resulting from climate change.

We have strict policies in place to limit the environmental impact of our core activities in order to reduce the climate and environmental impact of our portfolio of loans, investments and insurance activities, and have adopted the Equator Principles for assessing environmental and social risks related to our project finance activities.

We already have targets in place to steer our direct environmental footprint to well-below 2°C scenario but KBC is committed to also addressing its indirect impact on the climate. This means that KBC will take into account the lending to and investments in activities and projects of its clients in the calculation of that impact. KBC will publish

clear quantitative targets within three years. To this end, we are actively involved in several pilot projects to map the impact of change.

Environmental Responsibility is one of the selected domains, KBC wants to focus on in playing its role in society. KBC wants to offer core business solutions to support a sustainable, low carbon and climate resilient society.

Also in our procurement activities, environmental and social criteria are incorporated. Suppliers have to comply with the UN Global Compact principles outlined in the KBC sustainability Code of Conduct for suppliers.

Anti-corruption

We consider responsible behaviour and business ethics as the basic layer of all our activities. We are convinced that only by acting in a responsible and ethical way we can grow and maintain the trust of our stakeholders, which is the foundation of our continuing existence.

When carrying out our activities, it is evidence we respect prevailing laws and regulations, but we also impose stringent rules on ourselves in terms of ethical behaviour, openness and transparency, discretion and privacy.

Our policies on integrity, fraud prevention and anti-corruption are essential for embedding integrity within our daily business. KBC has a zero tolerance policy towards corruption and bribery.