

KBC Group – UN Global Compact Communication on Progress 2020

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 2020 and notwithstanding all our efforts to properly address both societal and economical consequences of the COVID 19 pandemic, we continued to focus our sustainability efforts on climate change and we substantially raised our climate-related ambitions. 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. We are astutely aware 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 ambitions. We have set up a dedicated KBC Sustainable Finance Programme to manage climate-related risks and opportunities across the group. One year after signing the UN's Collective Commitment to Climate Action, we have made substantial progress and have taken a variety of initiatives to make our business operations fundamentally more sustainable and climate resilient. We communicated on our progress in our first '[Collective Commitment to Climate Action – Year One in Review](#)' report published by the United Nations Environment Programme Finance Initiative (UNEP FI) in December 2020 and in the [KBC Group Sustainability Report 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. In 2020, we carried out our two-yearly update of the sustainability framework, with a focus on thermal coal and biodiversity. We further tightened our policy on the financing and insurance of coal-related industries. In general, KBC does not want to be involved in the financing, insuring or providing of advisory services with regard to direct coal-fired electricity generation, district heating or coal mining. We accelerated our planned exit from existing direct coal-related financing and introduced a comprehensive policy on biodiversity in 2020. We set out our exclusion policy in detail in the KBC Group Sustainability Report 2020.

In 2020, we gave our [Code of Conduct for KBC Group Employees](#) a thorough update and carried out an awareness campaign aimed at all employees when publishing it. The code of conduct sets out the guidelines on how we do things at KBC and guides our staff through the key behaviours we expect from all group employees. They include fostering a safe working environment in which everyone feels they can be themselves and where discrimination, harassment and all other direct and indirect forms of intimidation are not tolerated. Furthermore, we introduced a first [KBC Policy on Diversity and Inclusion](#), in which we set out our commitment on diversity and inclusion, and our specific focus on gender diversity.

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 publicly 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.

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Johan Thijs,
CEO KBC Group

April 2021

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 this policy, 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. KBC takes 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. Please read the [KBC Modern Slavery Act Statement 2020](#).

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](#). It sets out the key behaviours we expect from all group employees, including fostering a safe working environment in which everyone feels they can be themselves and discrimination, harassment and all other direct and indirect forms of intimidation are not tolerated.

Our commitment to respect and uphold labour rights is included into our Human Rights policy. We are committed to respect the principles concerning fundamental rights in the eight International Labour Organisation (ILO) core conventions, including the right to freedom of association, the right to collective bargaining, the right to equal remuneration and freedom from discrimination. Our commitments are always subject to local laws and practice in the countries within which we operate.

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.

In 2020, we have substantially raised our climate-related ambitions, for both our direct and indirect impact.

In relation to our *direct environmental footprint*, we have committed to achieving climate neutrality already in 2021 by offsetting the balance. At the same time we will continue to reduce our actual direct footprint and are aiming for an 80% (previously 65%) reduction in our total GHG emissions (compared to base year 2015) – including commuter travel – by 2030. By including commuter travel – representing around 30% of our total GHG emissions – in our new target scope, we are also clearly committed to greening our employee mobility policy. Lastly, we have undertaken to increase our own green electricity consumption to 100% by 2030 (up from 90% by 2030).

Our largest environmental impact is indirect, through financing, investing and insuring other parties who could have a direct impact on the climate (whether positive or negative). Climate change also impacts our business as a financial institution, in the shape of both transition and physical risks and opportunities arising from climate change.

One element of our climate strategy is our focus on **reducing the risks and exposure to high-carbon clients and activities**. We already have strict policies in place to reduce the climate and environmental impact of our portfolio of loans, investments, advisory services and insurance activities, and have adopted the Equator Principles for assessing environmental and social risks related to our project finance activities. Our sustainability policies are regularly revised to ensure they continue to meet the concerns and expectations of society. As such, we accelerated our planned exit from existing direct coal-related financing and introduced a comprehensive policy on biodiversity in 2020.

At the same time, we aim to **increasing the opportunities of and exposure to low-carbon clients and activities**, and we **engage to working with and supporting our clients in their transition towards climate resilience**.

In doing so, we are focusing initially on our core business lines to adjust them in line with the Paris Agreement goals, by analysing the most carbon-intensive sectors of our business portfolios and product lines and establishing related sector policies which integrate climate-related risks, opportunities, metrics and targets.

To support the transition to a low-carbon society and help to achieve the Paris Agreement targets, we already substantially raised our indirect climate-related targets in 2020:

- We increased our target for share of renewable energy in total lending to the energy sector from 50% by 2030 to 65% by 2030.
- We committed to fully exit from direct coal-related financing by 2021, thereby dropping the last remaining exceptions in the Czech Republic allowing to maintain funding of coal-fired electricity and heating plants.
- We will substantially increase the volume of socially responsible investment (SRI) funds by 2025, targeting 30 billion euros, with SRI funds accounting for 50% or more of new production by 2021.

Lastly, 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, we evidently 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.