

REPORT TO SOCIETY

for 2017



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Dear Reader,

We were able to report another set of strong results in 2017, in a climate of economic expansion, only moderately rising inflation, a stronger euro and stable and low interest rates. It was also a year in which we thought long and hard about KBC's future, what KBC will look like going forward, and what we need to do to keep earning our clients' trust. Because society is evolving, our clients' expectations are changing, and new trends and new technologies are emerging. We have to be ready to meet these challenges. Having thought it all through, we decided to update our strategy. Our existing business model and our strong business culture have helped generate solid results in recent years. We are still convinced, therefore, that our strategy works, but we want to build on it in future in a different way. In other words, 'more of the same, but differently'.

This Report to Society takes a closer look at our strategy and the part we play in the community at large. We want to give you a clear and transparent picture of how KBC fulfils its role in society and how we are investing in a sustainable future.

Sustainable business is woven into our strategy and our day-to-day activities. Sustainable and responsible bank-insurance is our way of becoming the reference in all our core countries and ensuring we can live up to the expectations and needs of our stakeholders.

We hope that this report will tell you all about the steps that KBC took in this direction in 2017 and that you enjoy reading it.

Johan Thijs
President of the Executive Committee

Thomas Leysen
Chairman of the Board of Directors



IN-

The image on the cover symbolises the hard work put in by everyone at KBC. Our people are ready and waiting every day to satisfy the wishes – sometimes straightforward, sometimes surprising – of our clients. The monumental painting was done by Matthew Dawn.

D1 Who are we?

KBC is an **integrated bank-insurer**, which means we can offer our clients optimum financial solutions.

As a banker, we help clients achieve their dreams and projects.

As an insurer, we help them protect those achievements.

As an asset manager, we help them to grow their assets.

We have
11 million
clients



KBC has 11 million clients and specialises in financial solutions for individuals, private banking clients and small and medium sized enterprises.

42 000
employees

To meet the needs of so many clients, 42 000 KBC people work together as a single Team Blue.



Strategy

Our strategy is founded on four mutually reinforcing principles:

We place our clients at the centre of everything we do.

We aim to offer them a unique bank-insurance experience.

6 countries

KBC is active in 6 core countries. Apart from Belgium, they are the Czech Republic, Hungary, Slovakia, Bulgaria and Ireland.

We pursue sustainable, profitable growth.

We meet our responsibility to society and the local economy.

More of the same, but

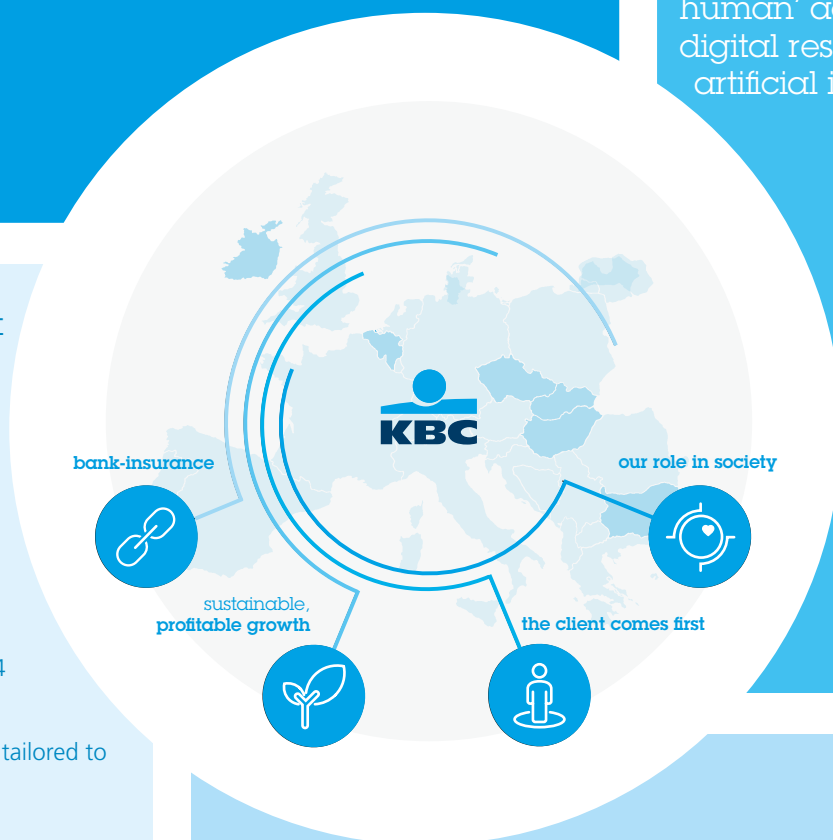
DIFFERENTLY!

We set several new focuses in 2017 to ensure we can continue to fulfil our client-oriented strategy in the future.

For our clients, we are backing partnerships more than ever, and combining 'human-to-human' advice with digital resources and artificial intelligence.

Specifically, that will offer you:

- even greater ease of use;
- 24-hour access to KBC's online services;
- a home loan within 1 hour;
- a business loan within 24 hours;
- our expertise and advice tailored to your needs.



To further enhance our group's financial health, we are diversifying our income and collaborating more intensively across all countries to strip out duplication.

We closed 2017 with earnings of 2.6 billion euros, compared with 2.4 billion euros in 2016.

Costs were kept under control and asset quality remained good, as demonstrated by a write-back of provisions for impairment on loans. Our positive results and strong capital buffer form a solid base for the future.

142 billion euros in loans
153 billion euros in savings

2.3 billion euros paid out by the KBC group in non-life and life insurance claims

Our most important capital ratio* amounted to a robust 16.3% on 31 December 2017, substantially higher than the 10.6% required by the European Central Bank and the National Bank of Belgium. The Solvency II ratio of 212% ranks KBC Insurance amongst the best-capitalised companies in the European insurance industry.

KBC has a group of core shareholders, including Cera, KBC Ancora and MRBB, which held just over 40% of our shares at the end of 2017. Our core shareholders provide KBC with a solid anchor.

OVERVIEW OF TAXES PAID IN 2017

(In euros)	Income tax	Non-recoverable VAT and other miscellaneous taxes	Bank levy and deposit protection fund	Total
Belgium	330 000 000	107 060 000	265 000 000	702 060 000
Czech Republic	121 000 000	48 300 000	27 000 000	196 300 000
Hungary	27 000 000	23 600 000	107 000 000	157 600 000
Slovakia	21 000 000	17 300 000	18 000 000	56 300 000
Bulgaria	-2 000 000	4 850 000	4 000 000	6 850 000
Ireland	26 000 000	13 800 000	18 000 000	57 800 000
Total	523 000 000	214 910 000	439 000 000	1 176 910 000

* Group common equity ratio (Basel III, fully loaded according to the Danish compromise method)



To our
TH
you for

KBC is home to a large number of European brands.

Brands like ČSOB, K&H, CIBANK, UBB, DZI and KBC Bank Ireland are all part of the group.

Plus CBC Banque & Assurance, KBC Brussels, KBC Lease, KBC Securities, Omnia Travel, ADD, VAB and others in Belgium.

KBC wants to be the reference for bank-insurance, for individual clients and businesses.

11 million clients ...

ANK

your trust.

02 What do we offer our individual clients?

Thank you for your trust!

Close, accessible, solution-driven

If the financial crisis made one thing clear, it is the crucial importance of trust. Trust is the cornerstone of our business in the digital era too. We have to keep on earning it, earning your trust, day after day. [How are we achieving that?](#)

- Our starting point is the **NEEDS** of each client rather than our own solutions. Because everyone has their own plans, their own, different dreams, which we want to help fulfil and protect.
- We look further than the present and **WE VIEW THE FUTURE THROUGH YOUR EYES**. Hopefully, we can also surprise you from time to time with novel suggestions or an unexpected service.
- **YOUR SATISFACTION** is and remains the benchmark for our success. Would you still like to be a KBC client tomorrow? And would you recommend KBC to others? You can read what other clients think about KBC on pp. 12–13.

We're a large financial institution that wants to remain close to its clients, to be highly accessible and to offer concrete

solutions quickly. [How are we achieving that?](#)

- **WE LIKE TO GET TO KNOW OUR CLIENTS:** at the bank branch or insurance agency, by phone, in a chat session, via a video call, using WhatsApp or online. You get to choose: we'll make sure you feel just as welcome however you prefer to communicate.
- **OUR BRANCH NETWORK IS BEING TRIMMED**, just like those of other big financial institutions. Not because we're losing faith in our branches, but because the financial world is evolving so rapidly that our smallest branches can no longer offer a high-quality response to every question. And because our clients increasingly want to call on us in different ways and at different times. We now offer remote bank-insurance in every province, and you can phone, video-call or chat with a staff member at one of our KBC Live branches, which are open on weekdays from 8 a.m. to 10 p.m. and on Saturdays from 9 a.m. to 5 p.m.
- **DIGITISATION** is a means for us, not an end. Do you prefer digital contact?

3.5 million clients in Belgium

If so, you can count on our privacy protection and digital security, although you obviously have to take your own measures in both areas too. Are you a bit less familiar with the digital world at this point but would like to learn more? You can do so through our free 'DigiWise' lessons in our branches. 'Digital Tuesdays' are also organised at each cluster on the first Tuesday of each month.



- We aim to communicate **CLEARLY AND TRANSPARENTLY**, while also acknowledging that financial information can sometimes appear complicated. We do our best to untangle it all for you and we also group together information that can be useful at key stages in your life. Examples include our Housing Guide and our brochure on inheritance and estate planning.
- The proof of the pudding is in the eating: our high-quality products, rapid service and tailored advice. We can raise the bar for each component by calling on **NEW TECHNOLOGY**. It's easy now to

simulate a home loan, and you can agree a home insurance policy by answering three simple questions. You can pay bills and transfer money easily using a smartphone, and register an insurance claim too. And it's now also possible to pay without a bank card.

- These aren't such good times for those of you who are savers. The economic revival automatically means **MORE ATTENTION FOR BONDS AND SHARES**. KBC has sustainable suggestions too for every type of investor. So we make a point of always offering a conventional and a sustainable alternative – each client can then choose.
- We want to make conscious use of our status as a large business to make a difference in areas including **CLIMATE**. Not only are we adapting our own organisation, we also offer our clients plenty of opportunities to contribute to a low-carbon society themselves. Green loans, renovation loans for co-owners, tailored insurance for solar panels, electric lease bikes and, in the near future, customised advice on energy-saving renovations.

For **NON-LIFE INSURANCE**, we have opted for a robust combination of prevention, protection and making life easier.

Prevention and guidance

Preventing an accident or mitigating its impact is a way of avoiding suffering. KBC Insurance is convinced of this, and so has invested for years in prevention. Newly qualified drivers, for instance, can benefit from the KBC DriveSafe app and policyholders receive a free new helmet after a cycling accident. When an accident occurs, the after-effects can continue for some considerable time. To help reduce that period, we provide a team of external psychologists, while our own claims experts offer home visits to both the victims of accidents and the people who caused them.

Protection

Providing financial protection in unforeseen circumstances is the essence of the insurance business. We're talking specifically about the protection of your property, your income and your liability. If your house or business suffers a fire, if you fall ill or are the victim of an accident inside or outside your workplace, it's best to be well insured. The person responsible for an accident needs to rely on their insurer too – after all, in most cases they aren't able to pay the necessary compensation themselves.

Making life easier

Life these days is hectic, so the fewer worries you have the better. As a KBC client, you can therefore choose to have insured damage repaired straight away rather than waiting for the claim to be paid. To achieve this, we work with independent repair people who have been carefully screened in areas including sustainability. This has been the approach for years when it comes to damage to vehicles: now it's available for damage to the home too.

Client

We consult our clients throughout the year to find out what they want and to discover quickly which changes they don't necessarily perceive as an improvement. Since last year, for instance, we have been reserving time each afternoon for appointments at our bank branches. This saves time for our clients, who don't have to wait to be seen, and for our staff, who can prepare for the meeting in advance. All the same, this approach was not initially viewed as an improved service, but as a restriction: 'The opening hours could be better: they're only open in the morning now.' We have responded to this via our online services, which are available round the clock, and our KBC Live branches, with their extended opening hours.

Whenever we improve our digital channels such as KBC Touch or KBC Mobile, we detect a certain amount of annoyance at first. People like things to stay the same, but avoiding change is obviously not an option. We do have to ensure, though, that the added value justifies the initial inconvenience.

Client

What do clients view as our strengths? Friendly staff, good advice and a solution-oriented approach. 'A major bank-insurer with the possibilities to match, which simultaneously offers the personal touch of a local shop.'

Businesses appreciate our client-oriented approach too:

'Whenever our company needs something, they're very accessible; they listen to you and are always ready to help.'

Clients also spontaneously mention the combination of human advice and digital convenience as a plus, along with the quality of our digital applications. 'Personal touch, good and efficient apps, good help desk.'

We will keep on consulting our clients in 2018 too, at our bank branches and insurance agencies, as well as online, mobile or through video calls. Because at the end of the day it is their concerns and wishes that help us constantly improve our service.

03 What do we do for entrepreneurs and the economy?

WE WANT TO MAKE A POSITIVE CONTRIBUTION TO THE LOCAL ECONOMY IN OUR CORE COUNTRIES

We provide structural support for entrepreneurs through our lending. But they can only take risks if they are also able to protect their important investments and their employees. Tailored insurance and rapid claims handling definitely contribute to a positive business climate. What's more, the swift repair of damage is a source of employment, which gives the economy a further boost. But we set the bar higher still: we recognise that we have to think in an innovative and creative way in order to respond to the modern entrepreneur's needs and requirements. Putting the client – in this case the entrepreneur – at the centre of what we do also means having to evolve continuously with business's new ways of working and thinking.

We think locally and create together: that's the motto for a sustainable future. [How are we achieving that?](#)

- Through Start it @KBC, [Belgium's largest business incubator](#), we and our partners now support 535 start-ups on their way towards innovative and sustainable entrepreneurship. In

2017, Start it @KBC opened up its offering to the internal innovation teams at large businesses (corporate venturing). Start it @KBC also ran special campaigns in 2017 to promote entrepreneurship among women and greater internationalisation.



- Through our [rapid decision-making process](#) we can give entrepreneurs an answer within 24 hours regarding loan applications of up to 125 000 euros. Clients themselves decide how they want to contact us: at the branch, using a smartphone, via the KBC Live call centre and so on. All our channels can be used to start a loan application.
- For KBC, insuring a business also begins with [accident prevention](#). Our technical and prevention advisers identify dangers for the entrepreneur and suggest concrete solutions. Together, we develop a considered welfare policy for your staff, a risk management plan for your vehicle

fleet and a fire prevention approach for your buildings. We provide victims with psychological counselling and, in the case of serious workplace accidents, we guide them through their [rehabilitation at work](#).

- We work [together with partners](#) to prepare not only ourselves but also entrepreneurs on how to deal with a changing society. We have organised info sessions in collaboration with the business federation Unizo, for instance, to inform self-employed people and SMEs about the recent tightening of European privacy legislation and how entrepreneurs need to approach it.
- As a major bank-insurer, we also see it as our responsibility to bring different parties together to encourage [public debate](#) and to highlight particular issues to the government and the various interest groups. The bank tax, insurance guarantees in the event of terror attacks and cyber crime are examples of themes that deserve substantial attention.

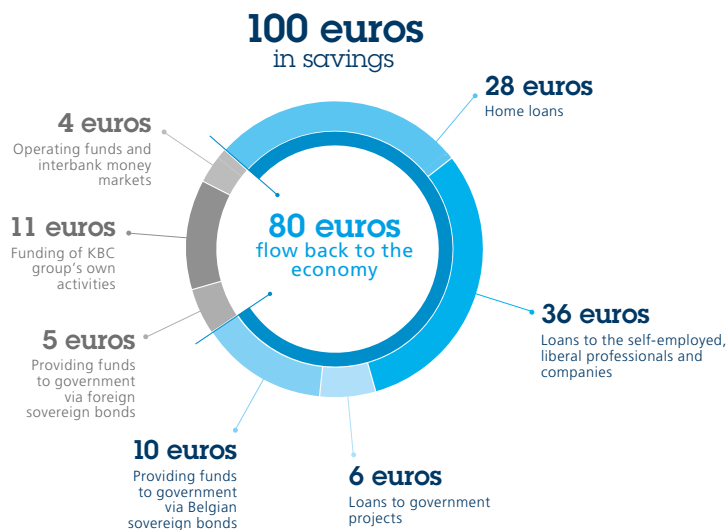
102 billion
euros in
savings

94 billion euros
in loans
34 707
home loans

495 816
insured
households

How your savings help the economy

We invested 70 euros of every 100 euros of our clients' savings accounts in the economy in 2017, through loans to private individuals, businesses and government projects. Plus another 10 euros in Belgian government bonds, making a total of 80 euros.



121 064 people
insured against
bodily accidents

707 160 insured
homes and business
premises

486 million euros
paid out in non-life
insurance claims



743 958
insured cars

1 397
insured
schools

170
insured
hospitals

385 insured retirement
and care homes

746
insured
crèches and
nurseries

1.8 billion euros
in loans provided
to retirement and
nursing homes

4.4 million euros in
loans provided to
crèches and nurseries

861 million euros
in loans provided
to schools and
educational
establishments

3.6 billion euros in
loans provided to
hospitals



WE ALSO SUPPORT THE SOCIAL PROFIT SECTOR

Besides loans to individuals and businesses, we fund and insure specific sectors and target groups, such as the social profit sector (local authorities, education, hospitals, and retirement and nursing homes). Our total loan portfolio in the social profit sector within the group stood at 6.5 billion euros in 2017.

KBC Insurance itself invests primarily in the public sector, but also in businesses and real estate. The total amount in 2017 was 21 billion euros, of which 11.7 billion is invested in federal and regional government bonds. Since insurers have a naturally long investment horizon, KBC Insurance also lends directly to local governments and institutions such as social housing associations, public social welfare centres and care organisations. This loan portfolio stood at 1.1 billion euros in 2017. The remainder is invested in corporate bonds, financial institutions and shares.

WE STIMULATE THE ECONOMY IN THE GLOBAL SOUTH

For 25 years now, the non-profit organisation BRS has been sharing its cooperative and banking expertise with organisations in developing countries. BRS's partnership with Cera and KBC enables it to offer a unique range of coaching and education. Managers of microfinance institutions and microinsurers collaborate directly with their counterparts in Belgium. KBC people too make their expertise available to colleagues in the Global South.

Anyone wishing to contribute themselves towards creating opportunities for entrepreneurs can become a shareholder of BRS Microfinance Coop – a joint initiative of BRS, Cera and KBC, which welcomed its 1 000th member in 2017. BRS Microfinance Coop used this capital in 2017 to lend over 12 million euros to microfinance institutions, to help them fund their microloans.

www.brs.coop

WE CONTRIBUTE TO THE LOCAL ECONOMY

As a major company with a 17 000 or so strong workforce in Belgium, we also live up to our responsibility as an employer and contribute to the local economy. We do the same in our other core countries too: we employ around 11 000 people in the Czech Republic, 3 000 in Slovakia, 4 000 in Hungary, 4 000 in Bulgaria and 1 200 in Ireland. Beyond our core countries, we employ a further 500 people at various branches. In this way, we provide around 42 000 households with purchasing power.

04 Is KBC an attractive employer?

We owe our current position as a bank-insurer in part to our 42 000 employees, 17 000 of whom are based in Belgium. You can only be or become the reference if you continue to invest in your employees' talents and needs.

When our clients' behaviour changes the market changes as well, and so too do the jobs in our sector. Some of the jobs we have today will no longer exist in the future, while new jobs will arise that we haven't even heard of at this point. This might appear negative, but it's also something we want to prepare for. What does the employee of tomorrow look like? Our chosen scenario is one in which our employees get the chance to evolve with the company. [How are we achieving that?](#)

- In the first instance, we want to build a picture of **FUTURE NEEDS** so we can go on serving the new society, and of the different employee profiles we will need to achieve this.
- We also want to ensure that our employees can help meet our clients' needs to the maximum by making the fullest possible use of their strengths and giving them opportunities for **PERSONAL GROWTH**. Initiatives like the Digital Driving Licence, Inspiration Days and KBC Surf Studio help us raise awareness of technological developments and digital skills.
- We're calling more than ever on the knowledge and insights of all our staff. To enable us to respond rapidly to shifting trends, we have to collaborate across borders. The 'smart copying' of products and processes from particular core markets enables us to share these

solutions quickly with our clients in other countries. That's where the benefit of the group comes in: KBC is made up of different companies, the names of which vary locally (CBC, ČSOB, K&H, CIBANK, UBB, etc.), but the **blue logos** are immediately recognisable everywhere. And that's where what we call Team Blue comes in, inspiring and strengthening ties between almost 42 000 members of the same greater force. Together, we're committed to **JOB SATISFACTION, SHARING KNOWLEDGE AND CREATIVE SOLUTIONS**.

- As of 2018, we are adjusting our remuneration system to achieve a total package that offers a fair reward in line with the market. The basic principle is still 'pay for work done', but the **NEW PAY POLICY** adds several emphases to make salary packages more motivating and flexible. In this way, we are

48%
women

16 958
employees in
Belgium



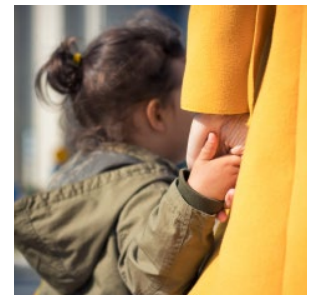
4.71 training
days per
employee

responding to social trends such as pay by contribution to results (rather than age) and the need for more flexible careers (due in part to rising retirement ages).

- We believe in **EQUAL OPPORTUNITIES FOR EVERY EMPLOYEE**. We have enshrined gender diversity in management training, for instance, we are pursuing a better gender balance among senior staff, and we are setting up special development programmes for women seeking to advance their careers. But diversity isn't simply a matter of gender: the more diverse a company is, the more innovative it can be. Which is why we expect the renewed internal staff association 'Diversity Rocks' to provide an extra impulse.
- The **REMUNERATION POLICY FOR THE BOARD AND EXECUTIVE COMMITTEE** takes account of current legislation, the Corporate Governance Code and market data. We made several adjustments to the policy in 2017:
 - Payment of at least half the variable remuneration received by the Executive Committee and Senior General Managers will be spread over five years rather than three.
 - At least one of the criteria used for assessing the performance of senior management must always relate to risk.
 - At least 10% of the variable remuneration awarded to senior management must also be subject to the achievement of individual targets, agreed in advance, in relation to the group's sustainability policy.
- The Executive Committee's variable remuneration has also been linked to sustainability targets.
- We promote **A GOOD WORK-LIFE BALANCE**. Part-time working is higher at KBC than at other financial companies. We also make it possible for employees to log in regularly at a workplace near their homes or simply at home. We invest in technology (Skype, for instance) that makes it easier to work remotely, sharply reducing the amount of business travel as a result. This also has a positive impact on stress and burnout, which are another important theme within a rapidly changing KBC. We have developed the Well-Being programme to take these efforts further.

KBC voted a
'Great Place
To Work' for the
12th year
in a row

32%
part-timers



- Higher retirement ages mean that we too have to come up with innovative solutions to make **WORKING FOR LONGER** a win-win for our employees and for KBC itself.

Our Minerva scheme offers over-55s five possible career paths:

- the same work,
- less work,
- easier work,
- less and easier work,
- or working outside KBC without sacrificing their current job security.

The latter often occurs in the social profit sector, in which the expertise of our ‘KBC ambassadors’ is highly appreciated.


42 000 KBC people were invited to take part in the Group Employee Survey at the beginning of October. 91% of staff in Belgium completed the survey. The Group Employee Survey sets out first and foremost to measure engagement. The overall score for KBC Belgium was 57%, placing us 4% above the average for Belgian organisations.

work

We take pleasure in what we do and think that our job matches our personal qualities well. We appreciate the fact that we can decide for ourselves how to approach our work. It goes without saying that there are things we could do even better. Are we recruiting and promoting the right people? And how good are we at retaining them? We still see room for improvement in terms of career opportunities, but we are positive about KBC’s future prospects.

brand

The employee survey also shows that our pride in the KBC brand has risen 9% compared to 2016: we're proud to be part of this group. On the other hand, we think that we could communicate our role in society more effectively and transparently.



KBC helps its clients fulfil and protect their dreams. Families and businesses trust us to do that not only today, but tomorrow as well. The same goes for our partners, investors and employees. Our primary social responsibility, therefore, is to ensure KBC's ongoing good health. But a large company can also use its operations to

help shape

which is precisely what KBC aims to do in the area of sustainability.



SOCIETY

05 How do we contribute to a sustainable future?

RESPONSIBLE BEHAVIOUR

What sustainable business means to us in the first instance is that we fulfil our responsibilities and can live up to the expectations of all our stakeholders, not only today, but in the future too. To secure this commitment, we pursue an appropriate balance between healthy profitability (to ensure that investment remains possible going forward) and achieving our role as a socially responsible business.

We have translated our sustainability strategy into three cornerstones: limiting any negative impact we might have on society, increasing our positive impact and encouraging responsible behaviour on the part of all our employees.



We view responsible behaviour as the bedrock of sustainability. If we want to retain and grow trust in our company, it is extremely important that we behave responsibly in everything we do, at every level of the organisation, day in, day out. For that reason, we continued to work in 2017 on raising awareness and we incorporated responsible behaviour in a number of training modules.

DILEMMA OF THE MONTH

Every month, we publish a dilemma on the intranet for all KBC employees to consider. A situation is sketched out in which a member of staff is confronted with a potential dilemma: the tension that might arise, for instance, between a client's interests and achieving internal targets. Elements for consideration are then provided – together, of course, with the way the employee should deal with them. Some dilemmas trigger a discussion that goes on for weeks, which is precisely the intention: debates of this kind boost awareness of the importance of responsible behaviour.

SENIOR MANAGEMENT TRAINING

Responsible behaviour is also a theme at KBC University, our senior management training programme. Using the dilemma approach, this type of behaviour has already been addressed at 14 sessions as an essential topic for management.

RESPONSIBLE BEHAVIOUR IN THE BRANCH NETWORK

The dilemma approach has also been tested at several branch network clusters and will be extended to larger numbers of employees in 2018.

LIMITING ANY NEGATIVE IMPACT

STRICT POLICY GUIDELINES

We apply strict policy guidelines in respect of human rights, the environment, ethical bank-insurance and controversial social themes. In 2017, for example, we formally endorsed the UK Modern Slavery Act, to enable us – together with all our stakeholders – to strive to achieve a world free of any form of slavery. We view this statement as part of our overall human rights policy.

Climate change is one of the 21st century's biggest challenges worldwide. Following the Paris Climate Treaty, KBC has therefore committed itself to delivering a relevant contribution to the transition to a low-carbon economy and society. We have further adjusted our energy guidelines for biomass and biofuel activities, all sustainable investments are now 'fossil free', the funding of coal mining in the Czech Republic has been further run down as agreed, and the proportion of renewable energy in the energy loan portfolio has remained stable.

SUSTAINABLE INVESTMENT

We also mitigate our negative impact by focusing on sustainable investment. Sustainable investment means working with our clients and investors to back businesses that

are thinking about tomorrow and which treat society and the environment with respect.

- The focus in 2017 was in raising awareness among our branch staff through campaigns and information sessions. Thanks to this enhanced knowledge and awareness, our branch staff are now offering sustainable investments proactively in addition to conventional investments. The fruits are already appearing: the target we set ourselves in 2016 of doubling the volume of SRI to 5 billion euros by 2018 had already been reached by the middle of 2017. This means that sustainable investments already account for approximately 6.5% of total client portfolios. We have decided in the meantime to raise our target to 10 billion euros of SRI by 2020.

- It goes without saying that we have to support our branch staff by providing a modified product offering too. Since last year, more defensive as well as more dynamic clients have been able to invest all or part their portfolio sustainably. A sustainable variant is also

3 types of sustainable investment funds:
Best-In-Class funds
Impact fund
Ecofund

available for clients who have their investments managed actively by KBC. Within these funds, the managers consciously invest in businesses and countries that act in a socially responsible manner. It goes without saying that in all sustainable

funds a number of controversial sectors, including tobacco, arms, gambling, defence and pornography, are avoided entirely and companies featured in the KBC Blacklist are likewise excluded. Sustainable investing at KBC can be done through eco funds, the best-in-class approach or Impact Investing.

Eco funds invest in firms that pursue solutions in the area of climate change, water shortages and alternative energy sources. This is KBC's oldest type of sustainable fund (the first dates from 1992), but it is still highly relevant.

Best-in-class funds, like their traditional counterparts, invest in companies from a broad range of sectors, but screen them according to their environmental approach, social policy and corporate governance. By working only with the best 40% of businesses, and as few as 20% in the mining and energy sectors, companies are challenged to operate more sustainably

KBC also has an **Impact Investing fund**, comprising 50 innovative businesses that are totally rethinking themes like mobility,

Target: 20% fewer greenhouse gas emissions by 2020



energy, health and population ageing, and formulating surprising solutions to them. These are often slightly smaller (listed) players, but they have still come through KBC Asset Management's stringent screening.

- To contribute further to the growing problem of climate change, KBC has also decided to make its sustainable investments 'fossil free'. Consequently, all KBC SRI funds divested themselves of their stakes in oil and gas companies at the end of 2017.
- The KBC-Pensioenfond (which manages the supplementary pensions of KBC staff) also decided at the end of 2017 to make the shift towards socially responsible investment. A healthy financial return is an important factor for a pension fund's ability to guarantee supplementary pensions in the future too. The decision of the KBC-Pensioenfond to shift towards sustainable investments therefore sends a clear signal that SRI provides the possibility of a healthy balance between a financial return and a contribution to society.

OWN ENVIRONMENTAL FOOTPRINT

Reducing our own environmental footprint also remains important. Every year, we launch various initiatives to reduce our paper consumption and cut our CO₂ emissions. We encourage teleworking to lower the amount of business travel, we have included hybrid vehicles in our lease car offering and we use 100% green energy in KBC buildings.

Our entire group has also committed itself to reducing our own greenhouse gas emissions by at least 20% (from 2015 levels) by 2020. And we received ISO 14001 certification in all our core countries in 2017.

INCREASING POSITIVE IMPACT

We want not only to limit any negative impact on the part of our core operations, but also to take a step further and increase our positive impact on society in fields where we, as a bank-insurer, can make a real difference.



In determining our key focus areas, we have taken the UN Sustainable Development Goals as our basis. The fields in which we can have the greatest impact as a bank-insurer are: environmental responsibility, financial literacy, entrepreneurship and health or population ageing. We aim to develop innovative banking and insurance solutions for each of these areas in all our core countries.

ENVIRONMENTAL RESPONSIBILITY

The products and services we have developed in Belgium include the following:

Energy

Energy conservation in retirement homes

KBC joined a pilot project, in collaboration with our long-term partner 3E, to develop a new form of energy investment, known as an 'ESCo' or Energy Service Company. An ESCo takes over energy-saving investments from other businesses and funds them itself. 3E span off the Wattson business to focus on the energy-efficient renovation of care properties. Wattson has called on KBC for most its funding. The pilot project that KBC joined in 2016 will generate a saving of 900 tons of CO₂ a year at 12 retirement homes.

Renovation of apartments

KBC offers a separate renovation loan for co-owners' associations. The loan is intended to meet the complex funding issues associated with sustainable and energy-efficient renovations to apartment buildings. It offers clients a variety of benefits: renovation can begin faster, the value of the property is increased, there is certainty about the amount each owner has to pay and there is the flexibility that each owner can decide for themselves whether or not to participate in the loan.

Efficiency in businesses

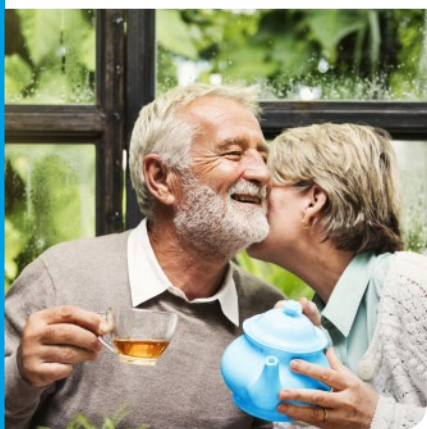
E2PRO has been developed for large and medium-sized enterprises as an integrated energy-efficiency programme combined with finance. These businesses can invest in conjunction with KBC and Tractebel in energy-saving measures.

Advice for individual clients

As of 2018 we can also offer our individual clients integrated, energy-saving renovation advice. We firmly believe in the social importance of this: over 2.7 million private homes still need to be renovated for this country to meet its climate targets.

Mobility

KBC also wants to become the reference for sustainable and high-quality mobility solutions. For that reason, KBC Insurance, VAB and KBC Autolease have joined forces in KBC Mobility – a strategic project that aims to make a positive contribution to mobility and road safety. The focus is on mobility solutions for employers (and employees), with the emphasis on ease of use, solutions that factor in the bicycle and alleviating private individuals' worries in the event of claims. Businesses have shown considerable interest in our lease cycle offering. The Olympus app, meanwhile, gives lease car clients too the opportunity to use the train, tram, bus, underground, bike or car share.



FINANCIAL LITERACY

Transparent communication

Only if we communicate transparently and clearly can we give clients correct and appropriate advice and help them to make the right decisions.

For that reason, we decided to take a close look at our client communication in 2017: which information could be simpler, clearer, better? And which messages are, if we're honest, not actually needed? The latter turned out to be the case with almost a quarter of our communication: in our desire to inform clients as correctly as possible, we tipped over occasionally into communicating too much. That's something we want to avoid from now on. In the meantime, 40% of useful messages have been thoroughly modified as well. We will continue to examine and improve our client communication in 2018 too.

Get a Teacher

Schools can request an expert from KBC. The teacher in question is a KBC employee who has been selected and specially trained for this role. Depending on the nature and level of the class, the two-hour lessons cover a variety of topics relating to payment methods, saving and investment, borrowing, insurance and related themes. We want to give pupils an understanding of the financial world in general and their personal financial situation in particular. We also offer an additional package for final-year secondary pupils in the economics and business streams, with the title 'Business is Exciting: Starting Your Own Business'. The interactive lessons focus firmly on the young people's own world. They are not intended as a sales pitch for KBC: we want to fulfil our role in society in this respect too. The teacher remains entirely neutral when banking and insurance products are mentioned. A total of 450 lessons were delivered in 2017 by 38 KBC employees, reaching around 300 schoolteachers and 6 700 pupils. Due to the high level of demand, the number of KBC teachers will be increased to 50 staff members in 2018, to ensure the same level of quality. The offering will be extended to higher-education institutions under the name 'Get a grip – on Inspiration' via an inspiration session called 'Become your own boss! How do you do that?'

STIMULATING ENTREPRENEURSHIP

Start it @KBC

We're still the biggest business incubator in Flanders and Brussels, with over 530 start-ups under our wing. Start it @KBC was also incorporated recently in the Global Accelerator Network, which creates opportunities for innovative new businesses. Special campaigns were launched to see to it that talented women entrepreneurs, for instance, also get more of an opportunity.

Storesquare

It's not always easy for local traders to set up a web shop entirely on their own initiative. Hence KBC's partnership with Roularta and Unizo to offer Storesquare – a platform that allows local traders to offer their products online without having to create a web shop. Over 300 KBC traders now use the service.

Bolero

Bolero Crowdfunding launched the first two campaigns in 2017 for the new crowd-funding tax shelter. The latter offers investors tax relief when they invest in start-ups via an accredited crowd-funding platform. Bolero Crowdfunding was the first Belgian crowd-funding platform to be recognised by the FSMA, the country's Financial Services and Markets Authority. More than 20 projects have been initiated already and 3.5 million euros has been raised, representing 194% of the desired capital.

POPULATION AGEING

Happy@Home

We are aware that younger people are incredibly busy, while older people are often keen to keep living at home for longer. That's why we have developed Happy@Home – an online package that enables clients to order and pay for help in the home, a cleaner, a gardener or a home alteration adviser easily and online. We have teamed up with ONS to deliver these services and with Cubigo for the online platform. The services are funded via a unit-linked insurance product. Over 1 600 clients have chosen this solution already.

Repair service

We were already collaborating with a sustainability-tested repair network for vehicles: we now offer home assistance insurance too. Clients find it incredibly convenient to be able to turn to our repair network for problems in the home, and not to have to find a tradesman themselves. Swift intervention by a plumber, for instance, can often prevent worse problems.

DigiWise

Digital literacy still represents a new social challenge for large sections of the population in our ever more digitised society. Here too, KBC wants to contribute to the organisation of information sessions for non-digital clients. There are basic sessions about using a smartphone and tablet, plus sessions focusing on the use of our own tools, such as KBC Touch and KBC Mobile. The sessions were successfully tested in the branch network among 2 000 clients in 2017 and are now being extended. Each cluster can invite interested clients to attend monthly 'Digital Tuesdays'.

Life-long insurance guarantee

Our insurance clients can look to the future with confidence: we guarantee older drivers who meet certain conditions that the civil liability element of their car insurance will continue to be covered for life, with no age limit.



Bring on the future

06

Which social projects does KBC support?

Belgium

We are maintaining our geographical focus on our six core countries: Belgium, the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland. The sustainability strategy is firmly embedded in all those countries, where we work to achieve innovative financial and insurance solutions linked to our focus areas.

But we also support social projects in all our core countries that have a positive impact on society.

KBC is committed to projects that reach and affect a lot of people. In Belgium, we choose themes that are closely aligned with our business operations and the role we can play in society through them. We focus, for instance, on road safety and mobility. We're also pooling our efforts in the fight against cancer.

FIGHT AGAINST CANCER

KBC has been a partner for many years of 'Kom op tegen Kanker' – the most important anti-cancer organisation in Flanders, which campaigns for the right of patients to the best care and treatment, and the right to a healthy living environment. It seeks to achieve this by setting up and supporting care projects, supporting scientific research, influencing policy, providing information and prevention.

KBC is involved in a range of initiatives, including the 'Kom op tegen Kanker 1 000 km' – a four-day cycling event, the net proceeds of which go towards cancer research every year. The concept is simple: each team that raises 5 000 euros for 'Kom op tegen Kanker' gets to participate in the 1 000 km. KBC sponsors the event, but is above all proud

that 25 teams of KBC employees took part in 2017.

AND MORE BESIDES ...

We also support disadvantaged and vulnerable people and social projects with a positive impact on society in the cities in which we are active. Examples include 'Toekomstatelier', 'Atelier Groot Eiland' and 'De Foyer'.

Our collaboration with Close-the-Gap was likewise expanded. Through its strategic partners, this not-for-profit organisation provides high-quality computers to educational, social and medical projects in developing countries with a view to narrowing the digital divide.

KBC also organises its Solidarity Campaign each year, in which 50 employees who commit themselves to a small-scale social project can apply for 1 500 euros to promote 'their' good causes – organisations devoted to the disabled, migrant integration, combating poverty, neighbourhood development, and initiatives for the Global South.



Ireland

The staff of KBC Ireland chose [the Alzheimer Society of Ireland](#) as their new Charity of the Year in 2017.

To raise money for it, over 60 colleagues teamed up for a non-stop 60 hour relay race. The 'Tap to Give' app is another KBC Bank Ireland initiative, which enables the public to make donations quickly using a bank card. [KBC Bank Ireland Bright Ideas](#) sponsored 60 different projects in 2017. KBC Bank Ireland Bright Ideas is a unique platform, on which people can suggest ideas to improve their neighbourhood.

This year also saw the launch of KBC Bank Ireland Bright Business Ideas to support key social innovators and entrepreneurs. The winner – the innovative website Mobility Mojo – received 50 000 euros from KBC Bank Ireland. KBC employees in Ireland also collaborated in 2017 with [Junior Achievement](#), an organisation that motivates and inspires students.

In recent years, 132 KBC volunteers have provided training to 2 435 students at 71 schools KBC Bank Ireland once again hosted the [Enactus Pitch Perfect Bootcamp](#) in 2017, at which nine Enactus students pitched and defended their

ideas to a KBC jury. Enactus is committed to a more sustainable society. Students have to show how they would persuade people to improve their lives in a sustainable manner.

Hungary

The [K&H go! Paralympic Card Programme](#) was launched 14 years ago, confirming K&H's commitment to health and a healthy lifestyle, in which sport plays an important role. More than 17 athletes and their helpers have been sponsored to date, for a total amount of 15 million Hungarian forints.

K&H has sponsored the [K&H MediMagic Programme](#) for 14 years now, which provides financial and material help for sick children. In the meantime, 390 donations totalling 619 million forints have been made. The focus in 2017 was on medical equipment for treating children aged between 8 and 11, with priority given to applications from disadvantaged areas.

The [K&H Ready, Steady, Money](#) competition has been part of K&H's commitment to financial education for years now. Some 30 000 students have taken part since the contest was launched in 2010.

Czech Republic

The 'Together with ČSOB' campaign enables employees to collect extra money for their chosen charity. ČSOB then matches this amount up to 30 000 Czech korunas. Staff at ČSOB initiated 32 projects in 2017, raising a total of 765 150 korunas, to which ČSOB added a further 671 559 korunas.

The ČSOB Help Fund is a social programme for relatives and friends of ČSOB employees going through a difficult phase in their lives. ČSOB donated a budget of 1.5 million korunas in 2017 to ČSOB Group colleagues to provide extra financial help for things like physiotherapy, neurotherapy and disability counselling.

Slovakia

The ČSOB Foundation has been working to improve quality of life for over eight years now. In 2017, it donated over 567 000 euros to organisations and schools. ČSOB also focuses on children's safety and health, which is why the Foundation continues to support the 'Attention! Zebra' road-safety project. The Bratislava Marathon has been a well-known event for years. ČSOB once again donated 1 euro to charity for every registered participant in 2017, with the 12 000 euros raised going to the Barrier Account. Through its Employee Grant Programme, ČSOB in Slovakia supported 75 organisations this year that promote an active and healthy lifestyle, education and healthcare for children.

Bulgaria

CIBANK, UBB and DZI began to collaborate on a structural basis in 2017 with a number of municipalities, with the focus on fresh investment opportunities for the specific region, boosting local entrepreneurship and contributing towards regional development initiatives. The CIBANK Academy offers SMEs and start-ups a number of videos designed to enhance financial literacy and business efficiency. Five videos have been released to date, which have been viewed 25 000 times.

CIBANK teamed up with BCause Foundation to organise various financial seminars for the young people taking part in the Ready for Success programme, which supports children and young people growing up without parents in their studies. CIBANK also provided two students with internships at the bank.

download

The world is digitising and so too are our clients. The way we think is focused on the client, and so we are constantly developing solutions that are even faster and more convenient to use.

Some of our apps



Touch

Easy banking access via computer



Mobile

Do your banking anywhere with your smartphone



K'Ching

The first banking app for kids



Drive

Practice your driving theory exam for free



DriveSafe

Measure your driving behaviour



Assist

Immediate assistance and breakdown service



Invest

Track your investments in detail



Securities

Track the market and your investments



Research

All bond and currency market information



Sign

Constant access via tablet and computer



PhoneCheck

Check whether your smartphone is secure



ComFin

Track your application as ComFin client



Dashboard

Do your business's banking



PayMe

Let your clients pay you securely



Business

Professional banking 24/7



You can also follow us on social media.



How do we know what clients and
other stakeholders expect of us?

Who do we get to challenge our own thinking?

How do we engage with our stakeholders in dialogue?



How do we choose the right
COLOUR ?

07

What is important to our stakeholders?

Privacy and

data protection

are an integral part of our profession, making them extremely important to both our internal and external stakeholders. We put the client at the centre of what we do, so we apply a strict privacy policy, in which clients themselves set the boundaries.

Pricing and quality

of products and services

are an important criterion. Our client-centric approach ensures that we offer high-quality products and services at a fair price. We make our applications extremely user-friendly.

Integrity and

responsible behaviour

are the foundation of our sustainability strategy.

Before we can satisfy our stakeholders' expectations, we need to identify their needs and requirements. By engaging in [dialogue](#) with our stakeholders, we know what's going on in society and what it will take for us to work together towards a sustainable future.

We drew on thorough analysis, taking account of international trends, and dialogue with our stakeholders to produce a list of themes that are important to both our stakeholders and KBC. Armed with this list, we then perform a two-yearly [survey](#), in which we ask our internal and external stakeholders to rank the various themes by importance.

The sustainability themes mentioned above are important to both our internal and our external stakeholders. We will take another comprehensive look at what is important to our stakeholders, to KBC and to society in 2018. A survey performed every other year obviously isn't enough in itself to get a good feel for society. For that reason, we organise conversations, debates and sessions via different channels to encourage interaction.

Financial performance

is obviously important. Sustainability and profitability go hand in hand.

Strict compliance with legislation and regulations

is the very minimum for KBC. We want to go further than that and have introduced strict policies to help us create a sustainable future.

Helping people to take well-informed decisions

is the essence to us of responsible bank-insurance. We achieve it through clear advice and transparent communication.

In dialogue

The annual reputation study at group level also enables us to gather information about our clients' experience and how non-clients perceive us. Our reputation is measured by several factors that can have an impact on it: good corporate governance, social responsibility and sustainability, employer and workplace, financial performance, CEO and leadership, and innovation and client experience. The study performed in 2017 found that our general reputation score remained stable in Belgium and that we were most highly rated for innovation, CEO and leadership, and financial performance.

We continuously consult our clients and hold regular [debates](#) with a [client panel](#) to test new products and services and to learn about clients' needs and annoyances. We also maintain a dialogue with various NGOs, mostly in the form of face-to-face conversations, to discuss specific policies and themes. These have given us a better insight into emerging areas of concern, which once again led us this year to tighten certain of our policies. We also held our annual [stakeholder debate](#) in 2017, lastly, where attendees could engage in an open dialogue with group CEO, Johan Thijs, the Chairman of our Board of Directors, Thomas Leysen, and KBC Group's Sustainability Director, Vic Van de Moortel.

08 How do we track our progress in sustainability?

A company that explicitly chooses to make its operations more sustainable has to be able to track the application of that strategy. [How is that done at KBC?](#)

One of the instruments we use to this end is the KBC Sustainability Dashboard. This incorporates sustainability parameters that allow us to track the situation within the KBC group and to make any adjustments that might be needed.

The Executive Committee and Board of Directors assess the evolution of these parameters twice a year.

This assessment also impacts the variable remuneration received by both the Executive Committee and senior executives across the group.

What parameters are these precisely?

They include several more general elements, such as KBC's reputation, the satisfaction and engagement of employees, the professional advancement of women and any incidents relating to responsible behaviour.

Other parameters are linked in turn to the four pillars of KBC's business strategy:

- [KBC is a bank-insurer](#): financing the transition to a low-carbon economy; the proportion of sustainable investments; internal administrative bodies relating to sustainable business; and the development of innovative business solutions in our four focus areas (environmental awareness, financial literacy, entrepreneurship and population ageing/health);
- [which places the client at the centre](#): client satisfaction and the degree to which our clients recommend KBC to others;
- [which opts for sustainable and profitable growth](#): long-term value creation; respecting risk limits; the volatility of KBC shares;
- [which accepts its role in society](#): monitoring and possibly amending its strict policies; the evolution of sustainability assessments by external rating agencies; the quality of our consultation of the different stakeholders; and the achievement of our target to reduce our own environmental footprint.

Sustainability is a process that will never be completed. All the same, KBC explicitly intends to make a relevant and ongoing contribution to achieving a more sustainable society.

Many social challenges clearly lie ahead, but we would like to take a moment here to focus on two particular challenges that will have a major impact on all financial businesses.



Our ambitions for the years ahead

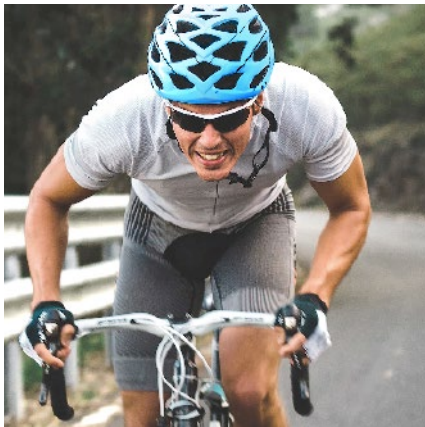


CLIMATE CHANGE

It is becoming increasingly plain that banks, insurers and asset managers too have an important part to play in the fight against global warming.

The KBC group is committed in this context to meeting a number of international and European initiatives that seek, amongst other things, to achieve greater transparency and a more structural approach towards climate-related factors:

- Implementation of the recommendations published by the G20 Taskforce on Climate-related Financial Disclosures in mid-2017.
- The contribution to the proposals of the EU High-Level Expert Group on Sustainable Finance, which set out to avoid the danger of 'green-washing' through measures such as the substantial standardisation of Green Finance definitions.



THE IMPACT OF ONGOING DIGITISATION

Our clients want solutions that are easy to use. Our response is to simplify our processes and procedures to the maximum possible degree and to invest 1.5 billion euros in digitisation by 2020.

But digitisation is a means for us, not an end: our ambition is to further strengthen our human approach through appropriate deployment of digitisation and artificial intelligence. Each client gets to decide their own degree of digitisation and where the boundaries of their privacy lie.

*A great many elements in the financial world can be digitised, but there is one area where that will definitely never be the case: **you can't digitise trust in the bank, the insurer and the asset manager.***

Johan Thijs



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