

**CORPORATE SOCIAL RESPONSIBILITY REPORT 2009**

**THE KBC GROUP**



# GROUP SUSTAINABILITY PROFILE<sup>1</sup>

	2007	2008	2009
<b>Environmental Data</b>			
direct and indirect GHG emissions in tons	59 061	50 406	36 586
GHG emissions of direct energy use	44 247	21 355	13 615
GHG emissions of indirect energy use	14 814	29 051	22 971
Total paper consumption in tons FSC+ Recycled	277	2 663	2 696
Business travel (long+ short haul flights in Km)	30 027 676	66 083 378	45 598 456
Business travel (rail travel in Km)	81 393 717	64 721 994	50 231 491
Water (m <sup>3</sup> )	224 638	199 723	206 400
Recycled waste (t)	4 140	3 628	3 013
<b>Annual performance of sustainable Mutual Funds (in %)</b>			
KBC IF Ethical Euro Bond	0.8	9.98	3.42
KBC IF Global Ethical Defensive	0.96	4.82	9.66
KBC Ethical Euro Equities	7.27	-47.94	31.09
KBC Eco Fund World	-0.21	-43.13	32.84
KBC Eco Fund Alternative Energy	44.88	-57.89	24.45
KBC Eco Fund Climate Change	7.56	-47.02	18.97
KBC Eco Fund Water	3.4	-40.62	30.64
<b>Our Workforce</b>			
Belgium	19 196	19 636	17 695
CEE	31 947	37 135	31 380
Rest of the World	5 542	5 765	5 111
Male in %	42	41	41
Female in %	58	59	59
<b>Community Involvement (Budget per Business Unit) in %</b>			
Belgium	38	37	15
CEER	46	40	67
European Private Banking	14	20	18
<b>Sustainability Indexes</b>			
FTSE 4Good Index			
Aspi Index			
Ethibel Excellence Europe			
Ethibel Pioneer			

<sup>1</sup> Environmental data refer to Belgium Business Unit and the emissions are expressed in absolute terms

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Dear Reader,

In last year's CSR publication, we have described 2008 as one of the most challenging years on record for the global financial sector. Now that 2009 is over, we can say - with a good degree of certainty - that it turned out to be as challenging as the previous year. The entire financial sector has been affected by the challenges posed by the financial crises, which has overwhelmed not only financial institutions, but society at large. Important changes have occurred in the organisation of the KBC group, leaving these strategically important times permanently etched into the group's identity.

KBC had to deal with the approach it took towards CDOs and consequently opted to devote time and energy examining each dossier related to its private banking clients. This was agreed with a view to taking responsibility for any shortcomings. Positive news started coming in June, when the European Commission provisionally approved the economic stimulus measures of the Belgian Federal and Flemish Regional governments. This was firm evidence of the solidity of the group and of our franchise-based business model. The group has since worked with great diligence on a strategic plan, to draw up a strategy for the future and to enable the European Commission assess the group's capacity to redeem the government securities within a reasonable timeframe. This well-deserved final approval came in November and sets the tone for our future direction.

During the turmoil, we could not ignore the tension and the extra burden felt by our employees whose efforts and unconditional support proved invaluable to our successful recovery. When it came to showing our appreciation of such good work, we sat down with the Belgian social partners in order to conclude three new collective labour agreements. Some important elements that were agreed upon included a guarantee of job security until the end of 2011 and the gradual reduction of working hours for senior employees, as part of the time credit and early retirement arrangements which are set to continue, to a limited extent, undiminished.

Although this year presented many challenges for us, the KBC Group did not neglect its different CSR commitments. During summer, in line with our restrictive policy on controversial weapons, we further excluded a number of companies from our investment and credit portfolios. This decision was in line with the strict and transparent approach we have adopted towards these types of weapons, an approach which dates back to 2004.

KBC's commitment towards the environment continued in 2009 with the attainment of the ISO 14001 certification for our Belgian sites, a fitting reward for our efforts to reduce the impact of our actions on the environment at national level.

2009 has also been the year in which we took the opportunity to continue working on the framework for our CSR policies. By mapping out our existing activities with a full view of what the needs of our surrounding community are, we were able to clearly define the pillars of action that have characterized our strategy to date. This also represented a great opportunity to pool productive courses of action with KBC group entities in Central and Eastern Europe.

Another achievement which marks the beginning of important activities for KBC regarding the ten principles of the UN Global Compact was the successful work carried out in establishing the UN Local Network in Belgium. This involved concerted efforts and cooperation with other motivated companies. We are confident that the Network will become the cradle of major CSR networking activities and will facilitate the sharing of best practices to set up an appropriate stage for responsible business practices in Belgium.

We hope you will enjoy reading this report and take a closer look at the approach KBC group has adopted towards its different stakeholders in 2009.

Jan Vanhevel,  
President of the Executive Committee,  
KBC Group NV

Jan Huyghebaert,  
Chairman of the Board of Directors,  
KBC Group NV

# ABOUT THIS REPORT AND THE GRI INDEX

## Reporting period and Scope

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KBC has been publishing corporate social responsibility (CSR) reports since 2005. This report refers to the performance during the period between January and December 2009. It report covers KBC's CSR performance in our home markets of Belgium and Central and Eastern Europe and Russia and our operations in Western Europe and around the world.

## Contents, Methodology and Goals

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This report was drafted according to the third-generation (G3) guidelines of the Global Reporting Initiative<sup>2</sup> and the GRI Financial Service Sector Supplements on Social Performance and on Environment<sup>3</sup>, in order to provide increased transparency and promote an appropriate structure of reference for the sector. As in previous years, we applied a measurement of our in-house environmental performance against the VfU Indicators<sup>4</sup>. Like last year, we have decided to present the environmental results of the different entities<sup>5</sup> separately with the aim of providing a more transparent view of the various efforts made at different entities. We continue to aim towards shaping clear group-wide environmental strategies and defining a clear set of Key Performance Indicators (KPIs) for every other relevant stakeholder issue among the different entities. Moreover, we will work with this objective in mind throughout future reporting cycles.

We view our CSR publication as an extension of our Annual Report and financial statements. In this report we review how KBC deals with the inclusion of stakeholders' values in its corporate decision-making in line with the triple bottom line concept: People, Planet, Profit. We have followed the GRI guidelines and, as published in table at the end of the document, we have correctly met the requirements.

Sustainability principles are followed very closely at KBC in every business line and CSR principles are clearly embedded within the Group structure and dictate the business steps taken in operations. We aim to be as transparent as possible and strive to meet the expectations of our stakeholders. We have tried to give a fair overview of the most representative actions taken at group level, keeping a fair balance between all the projects developed among the different international global entities. The report is a guide for the reader of our achievements in the past year, a description of the way in which we have progressed on our long-term objectives and an account of our performance.

We hope you appreciate our efforts as regards our paper reduction plan, as we continue to publish this report solely online and make it available on [www.kbc.com](http://www.kbc.com) as an interactive pdf report.

<sup>2</sup> Launched in October 2006

<sup>3</sup> Cf. <http://www.globalreporting.org/ReportingFramework/G3Online/SectorSupplements>

<sup>4</sup> Internal Environmental Performance Indicators for the Financial Industry" available on [www.epifinance.com](http://www.epifinance.com)

<sup>5</sup> Belgium, Central and Eastern Europe

# KBC YESTERDAY AND TOMORROW

Created in 1998 from the merger of two Belgian banks (the Kredietbank and CERA Bank) and a Belgian insurance company (ABB), KBC launched its unique bancassurance model in Belgium. A year later, it began its expansion in Central and Eastern Europe with the acquisition of ČSOB, both in the Czech Republic and Slovakia. In 2005, the group expanded its bancassurance model in Poland and Hungary, thus becoming one of the top three players in the region's financial sector. KBC Group NV was formed in 2005 after the merger with its parent company, Almanij, which brought within a network of European private banks. A new management structure was put in place, composed of five business units: in Belgium, Central & Eastern Europe and Russia, Merchant Banking, European Private Banking and Shared Services & Operations, each with its own management and objectives. 2007 and 2008 were years of consolidation of the group's presence in Central and Eastern Europe, with the acquisition of activities in Bulgaria, Russia, Romania and Serbia and add-on acquisitions in various countries. Besides operating in Belgium, Central and Eastern Europe and Russia, the group is present in various other countries in Western Europe and to a lesser extent in the US and Southeast Asia. This presence includes a number of KBC Bank branches and subsidiaries specialising in corporate banking and certain niche activities. The group also engages in private banking in certain European countries through the private banking network of KBL EPB, with the focus on onshore private banking in the Benelux and neighbouring countries. This last year has been characterised by the start of the implementation of a renewed strategy focused on home markets in Belgium and five countries in central and Eastern Europe (Czech Republic, Slovakia, Hungary, Poland and Bulgaria). A significant part of the international loan portfolio and the investment banking activities will be scaled down, and the European private banking network of KBL EPB will be divested.

## Shareholders

	31/12/2009
KBC Ancora	23%
Cera	7%
MRBB	12%
Other core shareholders	11%
KBC group companies	5%
Free float	42%
Total	100%

# KBC YESTERDAY AND TOMORROW

## Branches, network and staff

<b>Customers (estimate)</b>	<b>31/12/2009</b>
Belgium	4 million
Central & Eastern Europe and Russia	9 million
<b>number of staff (in FTEs)</b>	<b>31/12/2009</b>
Belgium	17 695
Central & Eastern Europe and Russia	31 380
Rest of the World	5 110
<b>Total</b>	<b>54 185</b>

For more information concerning credit ratings and key financial figures and events, see KBC's 2009 Annual Report.

## Our organisation

The group's legal structure is composed of the holding company, KBC Group NV, and the three main direct subsidiaries it controls, namely KBC Bank, KBC Insurance and KBL EPB.

At group level, KBC is split into five business units:

- Belgium
- Central & Eastern Europe and Russia
- Merchant Banking
- European Private Banking
- and Shared Services & Operations<sup>6</sup>.

Each business unit oversees its banking, insurance and asset management activities, and is managed by its own management committee headed by a member of the Group Executive Committee, which itself oversees all the business units. The streamlining of our organisational structure has enabled the creation of synergies among the various group companies (e.g., the introduction of unified IT platforms and payment processes), while clearly maintaining the unity of our strategy and unique operational model.

For more information on the history and organisational structure of KBC, see [www.kbc.com/groupprofile](http://www.kbc.com/groupprofile). A list of our main subsidiaries and associated companies may be found in KBC's Extended Quarterly Report for 4Q 2009 (Earnings Release), p. 48 (also available on [www.kbc.com](http://www.kbc.com)), as well as in KBC's 2009 Annual Report.

<sup>6</sup> The Shared Services & Operations Business Unit includes group-wide product factories and departments providing support to the other business units.



# KBC YESTERDAY AND TOMORROW

## Group Executive Committee and group-level support services

### Belgium Business Unit

This business unit groups all the banking and insurance activities in Belgium. Specifically, it comprises the retail and private banking activities of KBC Bank in Belgium, the activities of KBC Insurance in Belgium and the activities of a number of Belgian subsidiaries.

### CEER Business Unit

This business unit comprises all group banking and insurance activities (i.e. retail bancassurance and merchant banking) pursued in Central and Eastern Europe and in Russia.

### Merchant Banking Business Unit

This business unit groups the services provided to bigger SMEs and corporate customers, and all market activities worldwide (including Belgium, but not Central and Eastern Europe and Russia).

### European Private Banking Business Unit

This business unit comprises the activities of both the KBL European Private Bankers group (KBL EPB) and the insurance company, VITIS Life.

### Shared Services & Operations Business Unit

This business unit provides support to and serves as a product factory for the other business units. It encompasses a number of divisions that deliver products to the group's other business units.

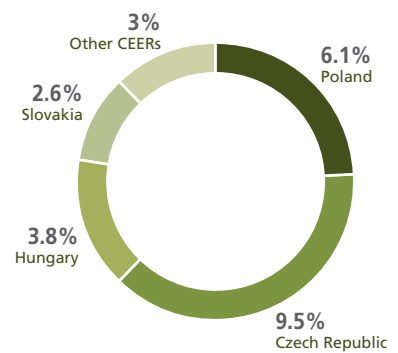
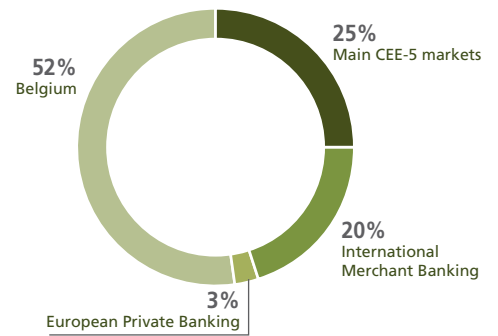
>> For a more detailed picture, [click here](#).

# OUR PRESENCE AROUND THE WORLD

Breakdown of Profit after tax by business unit	EUR million
Belgium Business Unit	961
CEER Business Unit	-242
Merchant Banking Business Unit	-3272
European Private Banking Business Unit	109
Group Centre	-21



Capital Allocation-Business mix in 2009



# CORPORATE GOVERNANCE

In 2009, KBC seized the opportunity to update its corporate governance dynamics. The decision was largely due to the fact that the last Corporate Governance Charter<sup>7</sup> (further referred to as 'the Charter') was last revised in 2007 and that, since then, many changes had come into play and that called for an update. Let us take a moment to look at them.

- Last March, the Belgian government published a revised Corporate Governance Code<sup>8</sup> (further referred to as 'the Code') which put greater emphasis on formation, education, evaluation and remuneration of Board of Directors.
- The capital strengthening measures with the Flemish and Belgian Federal government imposed several requirements which include new appointments of representatives and the possible issue by KBC - on request of the Belgian government - of profit-sharing certificates that are convertible into shares but with no voting rights
- New Belgian legislation was issued on the regulation of bearer shares and on remuneration.
- Certain practical adjustments were made due to changes within the KBC group:
  - The division of roles between CFO and CRO<sup>9</sup>
  - The disbanding of the Agenda Committee, needed earlier for the formal organisation of meetings and agenda items. This decision was taken in favour of a lighter, less bureaucratic structure.
  - The change in the composition of the Audit Committee, which led to a change in the membership ruling
- Further clarifications were needed, e.g. regarding consensus during decision-making, the duration of terms of office and the positions of CFO and CRO.

This eventful 2009 affected our management, with the appointment of Jan Vanhevel on the 1 of September as new CEO and President of the Executive Committee, succeeding Andre Bergen who left KBC group due to health reasons. Moreover, Luc Philips succeeded Herman Agneessens as CFRO and, soon after as CFO, after KBC group decided to separate the two roles. Consequently, the composition of our Executive Committee and our Board of Directors was changed.

In order to uphold our high standards of transparency and maintain the relationship with our stakeholders and financial and media contacts, we provide information through the annual report, quarterly reports, conferences for the media and financial analysts and during our annual general meetings for shareholders. The Charter and the Corporate Governance Declaration that replaced the former Corporate Governance Section are available for consultation on [www.kbc.com](http://www.kbc.com). The updated version of the Charter, including the necessary changes that mirrored the events that took place in 2009, will be published in February 2010. The Corporate Governance Declaration in the annual report ([clickable link](#)) contains more information regarding KBC's corporate governance structure, further details on any relevant events that took place during the year under review and a remuneration report.

7 Requested by the Belgian Code of Corporate Governance, together with a Corporate Governance Section

8 Last version dated back to 2005

9 Previously combined in the single role of CFRO

# COMPLIANCE

## OUR INTEGRITY IN PRACTICE

Employees are a crucial element in making sure that integrity principles are upheld within the business. KBC counts on its employees to provide early-warning systems to flag up gaps or shortcomings within the corporate governance structure and the business culture of the group. Empowering workers to become drivers of corporate integrity requires strong provisions for (legal) protection, as well as a sincere commitment to establish effective complaint and whistleblower systems and align human resources management within an ethical framework of company values.

Society entrusts companies with a social licence to operate. Consequently companies are required to act as responsible corporate citizens and manage what are often enormous economic resources, as well as their social, environmental and political impact, in a spirit of integrity and accountability, and with full respect for the law.

### Addressing corruption risks while moving towards a comprehensive corporate integrity system

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Corporate ethics, codes of conduct and corporate governance mechanisms, including the protection of whistleblowers, reporting systems and the growing role of investors in incentivising corporate integrity are all part of the compliance systems within private companies which come into play when corruption and bribery are being addressed. Disclosure on the part of the company and consistent public reporting can enable investors and consumers to reward top performers and provide further incentives for companies performing less well to help them improve their governance and corporate citizenship commitments. KBC attaches great importance to the internal framework of its risk-prevention regulations. In order to achieve important results and be sure of properly addressing all the aspects of the relevant regulations, Group Compliance continued working in 2009 on the revision of some of its group rules and more specifically on drafting an anti-corruption policy that comprehensively addresses the position of KBC on such anti-corruption matters as bribery and gift acceptance. Other important points of attention include the action taken to properly deal with the prevention, monitoring and detection of possible incidents. The need to revise our current document stems from the desire to make a stronger statement and keep up to date with the most relevant international requirements and mounting expectations from our stakeholders. It is for this reason that KBC also decided to engage with Transparency International Belgium, the entity in this country of the international organisation focused on the fight against corruption, in the belief that a lot remains to be done in the field and that one of the crucial elements for development is maintaining a constant exchange and an open dialogue in order to find ever more relevant ways to deal with the scourge of corruption.

# COMPLIANCE

## OUR INTEGRITY IN PRACTICE

KBC is very much aware of the vital importance of detecting corruption and putting in place systems that reflect a constant fight against it, including the fulfilment of requirements and reporting related to money laundering. It is only too easy, in fact, to allow tolerance of corruption to find its way into the delicate fabric of internal corporate culture. For this reason, KBC has, in every entity, created dedicated independent units responsible for investigating all types of fraud and misconduct, including corruption and bribery. In the course of 2009, a number of topics relating to corruption were subjected to examination by compliance monitoring programmes run by Group Compliance in some Belgian entities. This chapter offers a selection of representative examples as follow-up to last year.

### Monitoring Programmes within Compliance

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In the previous report, we looked to show our readers how we had proceeded towards the implementation of policy programmes and how we have managed to progress and advance our results. At the KBC group, we attach great importance to making sure that policies are well communicated, comprehensively rolled out and successfully implemented. It is the responsibility of local Compliance to act as the monitoring department within the entities they supervise, in order to further boost the rolling-out of monitoring programmes, develop *ad-hoc* action plans and their follow-up, and create a structural system of reporting directly to audit and compliance committees as well as to Group Compliance on the results of such monitoring programmes.

### Ethics & Fraud Unit

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Group Compliance is responsible at group and local level for the co-ordination, implementation and organisation of overall ethics and fraud risk management, in close cooperation with all other stakeholders involved. Within the Group Compliance function, there is a management unit entirely focused on ethics and fraud risk, which carries out a range of tasks for the prevention, detection and investigation of breaches and fraud. Intelligence is also being built up within this specialised unit, focusing on both internal and external information management, and on the analysis and assessment of data from the information management system.

In the course of 2009 the KBC Group Ethics & Fraud Risk Management Strategy was rolled out to the relevant parties involved, setting the overall standards for the KBC group approach towards ethical breaches and fraud.

# COMPLIANCE

## OUR INTEGRITY IN PRACTICE

In order to support the independent investigative units when performing investigations, the KBC Group Ethics & Fraud Investigation Methodology was distributed to these units.

Always in line with the desire to improve our information flow and continue raising awareness on certain issues, the Ethics & Fraud Unit developed the E&F Flash in March. This is a series of timely publications conceived as a channel to keep relevant stakeholders informed on topics such as the status of certain initiatives, recent developments in fraud, warnings, benchmarks and anything else in relation to the latest trends in those topics for financial institutions. The E&F Flash is also a great opportunity to attract the active involvement of readers, who can provide an input in the form of comments and suggestions, whereby adding an interesting dimension to this communication tool.

### Governance, Risk and Compliance

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While fulfilling its mission to comprehensively capture and share information regarding compliance risk management and facilitate reporting and follow up of action plans, Group Compliance has been working on a more automated solution to sharing information among stakeholders involved. To this end, Group Compliance uses available software able to consolidate all the relevant data on the management of compliance risks<sup>10</sup>. The application became available for use in December and is aimed at combining audit and compliance issues together in a single database. This has been done to simplify comparisons and provide for easier checking of overlaps and consolidation issues.

The need to create this database came in response to the need to have a centralised compliance database complete with information about all the relevant issues which need to be reviewed and processed by the relevant staff of Group and local Compliance at the KBC group. The system allows for the creation of central overviews, easier follow-up and consequently easier reporting to top management and the Audit Committee. A diversified roll-out plan was created according to group entity and with a specific calendar for implementation. Starting from January 2010, local compliance departments will be entrusted with the specific task of keeping it up to date.

In 2009, a KBC Group Data Protection Officer was appointed, who will be responsible for the overall management of all issues related to data protection and the duty of professional secrecy.

In the course of the year a lot of initiatives were taken regarding (MiFID-related) protection of customers and investors, especially in the aftermath of the economic crisis.

<sup>10</sup> Instead of individual cases or investigations

# COMPLIANCE

## OUR INTEGRITY IN PRACTICE

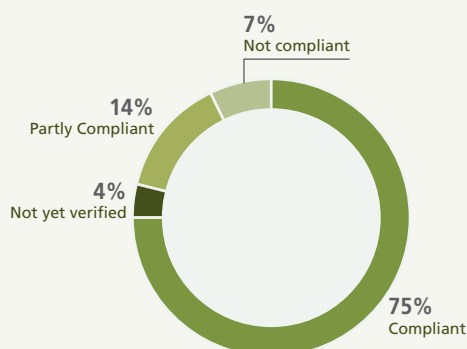
### A New Code of Conduct

As announced in the previous report, KBC realised back in 2008 that it needed to revise its Code of Conduct (originally drawn up in 2000), in order to make sure that it reflected the new reality of the organisation and its employees, and serve as a useful source of information and reference for the entire workforce. In co-operation with various entities, Group Compliance revised it, in order to ensure a comprehensive coverage of relevant issues. The new document, drawn up and approved in early 2009, was distributed to all entities worldwide during this year. This document reaffirms that the qualities of customer-friendliness, efficiency, enterprising spirit and capacity for innovation (as set out explicitly in KBC's mission statement) remain intrinsic to the business spirit of the group. Benefitting from enhanced clarity, the new code was drafted along clear macro-lines, revolving around Customer Focus, Professionalism, Respect and Openness, all the while drawing from KBC's PRO values<sup>11</sup>. Special emphasis is put on the observance of KBC group ethics and fraud policy, and other related procedures, as well as on group compliance rules and group standards. Attention is also drawn to the importance of Corporate Social Responsibility and the observance and implementation of all related principles that KBC abides by.

Communication of the new Code of Conduct has been carried out through a global communication plan and more lately through local procedures. The entire workforce has been alerted to it via the different e-networks and through the local compliance departments.

See table for a summary, at compliance level, of the new Group Code of Conduct.

#### New Group Code of Conduct Compliance level 2009



<sup>11</sup> KBC values are encapsulated in the acronym PRO, which stands for Professional, Respectful and Open, three different group values that together form an integral whole within which they are totally interdependent.

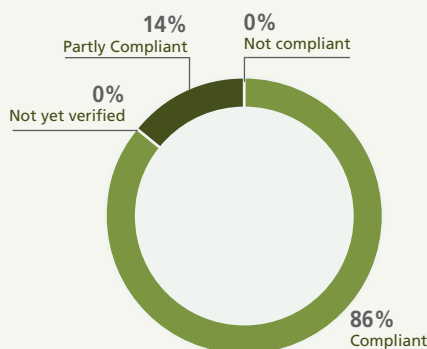
# COMPLIANCE

## OUR INTEGRITY IN PRACTICE

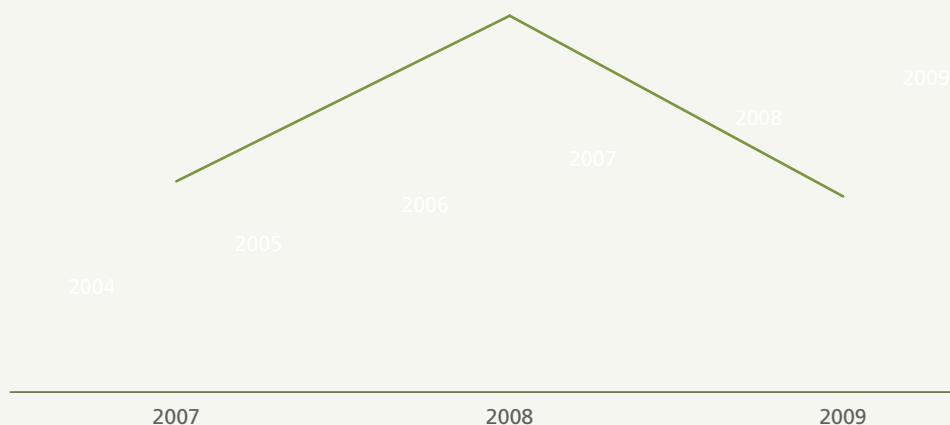
### Whistleblowing Policy Implementation

The policy on whistleblowing has continued to be rolled out and, as the graph shows, the level of compliance has gone up, indicating an absence of non-compliance within the group. As the degree of full compliance seems to be levelling out, a review of the effectiveness of the Whistleblowing Policy is currently in progress. On this note, KBC plans to launch a new campaign to raise whistleblowing awareness during 2010 as a follow up from other initiatives launched in the course of 2009, for instance from a complete analysis of dealing-room practices as part of the Icarus<sup>12</sup> Programme for the assessment of the risk of unauthorised trading and sales in dealing rooms, launched throughout the group. The number of reported whistleblowing incidents has registered a significant peak in 2008, which underlines the success achieved in the implementation of policies over the past three years.

#### Whistleblower policy compliance level 2009



#### Incidence of whistleblowers cases 2007-2009



<sup>12</sup> Icarus is a KBC group-wide Programme, led by Group Compliance. It was which started in March 2008 following some important cases of unauthorised dealing in other financial institutions. It aims to cover the risk of possible unauthorised trading and sales in the dealing rooms of the KBC group.



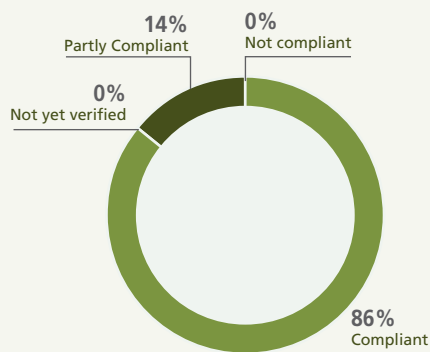
# COMPLIANCE

## OUR INTEGRITY IN PRACTICE

### Gift Acceptance - Implementation of the Gift Policy

Implementation of the Gift-Acceptance Policy has achieved results similar to those generated by the implementation of the Whistleblowing Policy. KBC is satisfied with the compliance level registered since the launch of the policy in 2007. This specific policy has rendered it mandatory for every KBC institution to have a standard in place on the acceptance of gifts by its employees.

#### Gift-acceptance policy 2009



# SUSTAINABILITY RATINGS AND INDICES

KBC group has so far established a consistent reputation with CSR rating agencies and has proved its commitment to corporate social responsibility in many ways. CSR rating agencies define and assess their analytical work through the weighting of different elements which are part of the CSR framework. The areas at play encompass all those stakeholders which are identified as crucial for a specific industry. Ratings are carried out by independent agencies who are transparent about their work and methodology and which are in direct contact with a growing number of investors and fund managers in order to advise them on specific CSR parameters in their assessments. During 2009, the profile of the KBC group was analysed, among others, specifically by the rating agencies Vigeo and Eiris.



In its 2009 review of the banking sector, **Vigeo**, a European leading supplier of extra-financial analysis, recognised the above average performance of the KBC group in the majority of stakeholder areas, namely, Community Involvement, Business and Behaviour, Environment and Human Resources<sup>13</sup>. KBC's performance and successful implementation of policies related to human resources is confirmed in the positive opinion on the quality of such policies given by trade unions. Of great relevance were the recently signed agreement with employee representatives on restructuring and the focus on age conscious human resource management.

Last year we had reported on the results of Oekom research, which awarded KBC group a C+ on a scale ranging from A+ (best result) to D- (worst result) in a comparison of peer institutions in their financial sector study. The Oekom report on the financial sector was published during 2009 and made available for us to report on. The major strengths of the KBC group identified in the course of the research focused on the sound integration of environmental and social aspects into the asset management business, and the implementation of the Equator Principles fostering the consideration of environmental and social aspects in project finance. The results provided on resource consumption and emissions and suppliers standards regarding labour, health and safety issues were also highly appreciated. The weaknesses found revolved around the alleged financing of projects with major environmental impacts, and the lack of information on customer and product responsibility issues. KBC complies with the Equator Principles and takes parts in projects which follow an equal compliancy level. During 2009, the KBC group took responsibility for its actions and has been open to hold discussions with NGOs and other stakeholders about its investments and its international project financing. This is not a novelty for KBC as the group has made it a matter of pride trying to provide a platform for open exchange with those interested parties with stakes in our operations.



<sup>13</sup> For further details on Vigeo classification, visit, [www.vigeo.com](http://www.vigeo.com)



# CSR TARGETS 2008-2010

Targets	Status
Designing and drafting a formal climate change programme and a CSR policy governance document	The commitment on climate change has helped KBC achieve good results to reduce its carbon footprint. The strategy is being re-evaluated to keep in line with our environmental targets
Implementing KBC's carbon neutrality policy in Belgium	The vision for our climate change strategy is currently being updated
Continuing to raise awareness about CSR within the Central and Eastern European area	2009 witnessed the definition of a common policy that brings together the common values dictating the community involvement activities of the different group entities, bringing added value and increased recognition
Formalising an internal communications structure for implementation and follow-up of CSR policies, including an adequate (automated) management information system (MIS)	The synergies with the operational risk structure resulted in a good platform for dialogue and exchange of information which truly proved to be an added value in the CSR reporting system. Different IT tools have been tested but further fine tuning is still required
Recommendation to initiate contacts with certain stakeholder groups for which no active dialogue currently exists (NGOs, suppliers, customers, etc.) + enhancement of documentation and communication regarding stakeholder dialogue	Due to the multitude of strains KBC had to face in 2009, some of the usual platforms to ensure stakeholder engagement have been somewhat overlooked. On the positive side, some new exchanges have been initiated. KBC Belgium participated in the creation of the UN Global Compact Network for Belgium in October. KBC Slovakia also joined its local Network and the other entities are scheduled to continue this pattern
Formulating KPIs to monitor employees' commitment and voluntary activities	In line with the identification of the macro areas common to the group strategy and which constitute the community activities of KBC, the goal for 2010 is to implement assessments to measure the value these activities represent for our communities and our employees



# KEY CSR ACHIEVEMENTS AND TARGETS - 2009

## Policy Framework

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- In line with our commitment of 2008, KBC produced a policy to group and define all the community involvement activities based on a common framework of action, characterised by the mission and goals of the KBC group.
- Based on KBC Asset Management in-house research, two more companies have been excluded from receiving investments and credit facilities: Zodiac Aerospace and Kaman, which are both active in the manufacture of cluster bombs and other munitions. KBC's decision demonstrates the strict and transparent approach it adopts towards these types of weapons. KBC Asset Management keeps its list updated on its [www.kbcam.be](http://www.kbcam.be) website.
- KBC featured in the 'Runners-up' category in the study on Worldwide investments in cluster munitions, published by IKV Pax Christi and Netwerk Flanders. KBC was appreciated for its exclusion, from the institutional investors index fund, of companies producing cluster munitions.
- KBC Belgium's pension fund won the prestigious IPE Real Estate Awards. 'Pensioenfond KBC' is the pension fund for employees in the group's Belgian entity, banking and insurance KBC group. The scheme is part of a benefit plan regrouping 149 KBC employers, which covers 18000 employees, all of whom are based in Belgium.
- KBC has been publicly praised as a leader in sustainability reporting by a group of international investors. With respect to the UN Global Compact's 'Communication on Progress' (COP) policy the KBC Group 2008 CSR Report has been deemed exemplary, which serves as a model for companies in all regions of the world.

## Goals for 2010

- Revision of KBC Group Anti-Corruption Policy to make the policy more comprehensive and to bring it more in line with our stakeholders' expectations.

# KEY CSR ACHIEVEMENTS AND TARGETS - 2009

## Environmental strategy

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- In the last four years, the Belgium Business Unit (BBU) has given highest priority to reducing carbon emissions and achieved a 46% reduction in the GHG emissions. The success of the various measures implemented in relation, for instance, to energy consumption and mobility that have resulted in a reversal of trends, has led KBC to believe that more - and more effective - ways of reducing CO<sub>2</sub> can be created than originally thought. KBC wants to further capitalise on the motivational effect of this success on the organisation, in order to further reduce its energy consumption. KBC has decided to shift its climate neutrality strategy, focusing more on alternatives to the purchase of CO<sub>2</sub> certificates (e.g. implementing such measures as sharing workstations and working locally). KBC will then annually assess whether or not the remaining potential measures will have a great enough impact on its energy consumption. Only if the result of such assessments is negative, will KBC resort to offsetting its remaining CO<sub>2</sub> emissions.
- KBC Group's CEO, Jan Vanhevel, signed the Copenhagen Communiqué to reiterate KBC's support for the fight against Climate Change. The Copenhagen Communiqué is a statement that draws attention to some of the key thinking that has emerged from the international business community over the past two years, and sets out the business case for a strong and effective UN climate framework.
- KBC Belgium was awarded ISO 14001 Certification, in line with its goal set back in 2008
- ČSOB and ČSOB Pojišťovna supported three large landscape reclamation projects in regions which have succeeded in the second round of grant applications in the ČSOB and ČSOB Pojišťovna in Support of Regions program. Each of them has gained the sum of CZK 350.000 for its realization. The projects funds the rescue of almond tree orchards in Hustopece, the reconstruction of the Stations of the Cross in Kamenický Senov and the creation of a municipal meadow, in Prague.
- K&H won third prize at the Business for Environment Award bestowed by the Hungarian Business Leaders Forum, thanks to its 'green branch' initiative. Yet another initiative and achievement all K&H colleagues can be proud of.
- ARGUS held a symposium, on KBC premises, focusing on the actions that need to be taken to fight climate change. An initiative with the clear objective of raising awareness and building expectations of the Belgian EU Commission presidency, that will start next July.

# KEY CSR ACHIEVEMENTS AND TARGETS - 2009

- Further development and implementation of the PLATO project (teleworking), announced last year, are allowing KBC to enhance its mobility program. Thanks to PLATO, employees will initially be given the chance to work locally in their own department or a connected department at the local office. 140 additional workstations are to be created in the near future. The local workstations are equipped with standard software in order to be used by a larger number of people. KBC is committed to further increasing its efforts in the teleworking concept in the future.
- IKB, the Corporate Credit directorate of KBC, developed a framework for renewables for solar energy. The general targets are the branches of the Belgian network and the projects are those with a total investment below 25 million euros.
- KBC Asset Management signed the Global Agreement on Climate Change. This is a statement that sets out the investor perspective on climate change and the key elements of a global agreement needed to drive the financial actors to successfully address climate change.
- In September, KBC signed its one-thousandth green mortgage loan! The winner received a gift of a balloon flight for him and his family. 80% of the green loans granted by KBC come in the form of a mortgage and are linked to solar panels. KBC offers its clients a discount on the interest rate of 1.5%, in addition to a 40% tax reduction they receive.
- ČSOB, ČSOB Pojišť'ovna and Hypotecni banka have joined the Green for saving programme in the Pilsen region. The program has been prepared by the Czech State Environmental Fund. Employees of the institutions are also offered the possibility to finance investments in ecological measures. ČSOB will thus start offering mortgages, home improvement loans for housing and anything else that can help the applicant realise their project before getting the actual grant, which can reach up to 60% of the total sum.

## Goals for 2010

- Revision of climate neutrality strategy and drafting of a position paper on climate change



# KEY CSR ACHIEVEMENTS AND TARGETS - 2009

## Community Involvement

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- KBC Belgium, together with a network of national companies, is proud to celebrate the launch of the Global Compact in Belgium. The event, which took place under the aegis of the Ministry of Foreign Affairs, was attended by representatives of the European Commission and of the Global Compact, Tom Dodd and Nessa Whelan, Global Compact Coordinator.
- In line with our goals set for this year, KBC expanded its involvement in microfinance in Belgium by hosting the first Microfinance Lunch Break to be organised in Brussels. The event was attended by keynote speaker, Baron Damian Von Stauffenberg, founder of MicroRate, who explored the impact of the crisis on the microfinance sector. The meeting was organised by BRS at KBC's headquarters in Brussels.
- To celebrate the 60th anniversary of KBL, the Community Sponsorship Department in KBL launched a new support initiative focused on microfinance. The project calls upon the voluntary support of employees and creates opportunities to support microfinance programmes in Vietnam. The support is given directly to two microfinance providers: Binhminh and Chi-Em, which focus on the various needs of the local community. The Community Sponsorship Department is focused on the provision of technical assistance, for which it devoted the sum of 6 000 euros to the grant 60 micro-credits of 100 euros each.
- Kredyt Bank and WARTA in Poland, as part of the 'Yes from the Heart' initiative, within the framework of employee volunteering programs, which was first launched last December. On 2 of October, over 60 volunteers from Kredyt Bank and Warta, including members of the Management Board, directors from the headquarters and macro-region managers, visited the orphanage located in Krasne (Eastern Poland) to help with the urgent renovation of the orphanage area. The programme is becoming more and more popular among employees and the number of volunteers is constantly growing, and actions taken by them are becoming increasingly frequent and diverse.
- More than 700 employees of ČSOB and ČSOB Pojišť'ovna contributed in total 120 192 Czech Koruna to the account of the Paraple Centre in the first half of September. The management of the savings bank added 100 000 Czech Koruna to the originally collected sum of 20 192 Czech Koruna, as a part of the long-term development of its social responsibility strategy.

# KEY CSR ACHIEVEMENTS AND TARGETS - 2009

- ČSOB was awarded a prize on the occasion of the prestigious Czech Via Bona Awards for its financial literacy and educational programmes, the employee volunteer programme *Pomáháme společně* (Together We Help), and numerous other efforts in which ČSOB acts in a valuable advisory capacity to support the operation and development of non-profit organisations to strengthen communities.
- KBC was recognised as Solidarity Champion on the occasion of the Solidaritest Award, the annual survey which focuses on the efforts of Belgian companies, or Belgian branches of international companies, in the field of social solidarity. The test is organised with the support of the Belgian Red Cross, VBO (Verbond van Belgische Ondernemingen), Vigeo (a CSR rating agency), Forum Ethibel (the label for ethical products), Vlerick Management School and several others players, interested in bringing forward corporate innovation in the field of solidarity. This initiative was taken in order to reward those companies that, although doing a lot in the field of social cooperation and solidarity, are either not communicating well enough or would like the general public to be more aware of their efforts in this sense. For KBC, it is a good opportunity to have its interesting initiatives recognised as needed and attract the attention of the general public to those 'soft' issues that are so crucial in our society, in order to gather up consensus and be recognised as a worthy leader in the sector.
- KBC Belgium launched its annual solidarity campaign 2009, giving its support to all current or former KBC employees who, in their free time, are actively involved in an organisation that supports the advancement of local communities. This activity rewards the altruistic spirit of employees who are happy to see that company they work for is ready to match their expectations as a responsible player.

## Goals for 2010

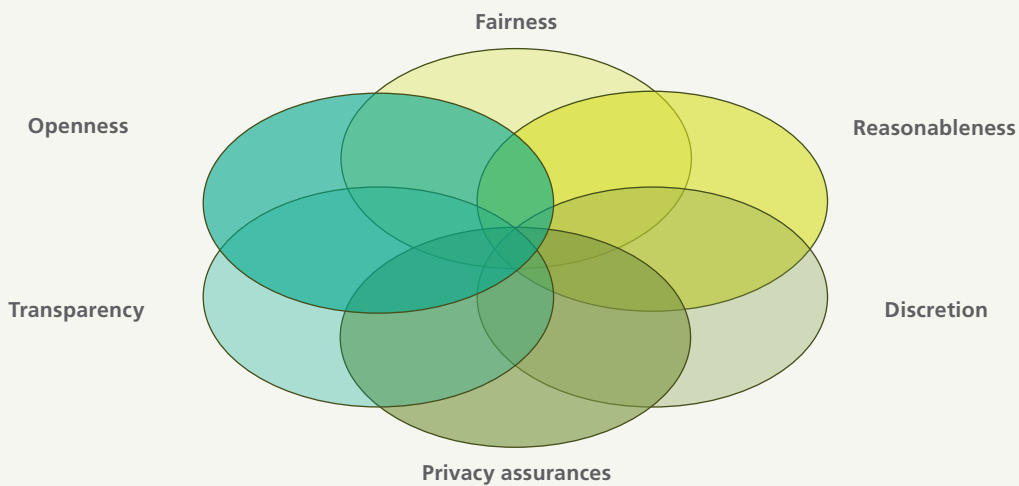
- Further increase involvement in microfinance in Belgium by increasing the number of lunch breaks and serve as an exchange platform for different players.
- Develop social impact assessments for community involvement programmes within the different entities in the main CEE countries.
- Play a strategic position in the Global Compact organisation in Belgium as facilitator and protagonist in the national CSR arena.

# THE CORE OF OUR SUSTAINABILITY

The aspects of our sustainability revolve around areas of interests and indicators against which we measure our performance, and are selected through an analysis based on economic, social and environmental dynamics. The voice of our stakeholders is constantly monitored and dialogue encouraged at different levels. The prevention and monitoring of risks are fundamental factors in the mission of the group. Our strategy is set through the ad-hoc management of risks and the transparent implementation of our procedures.

Our social responsibility is based on KBC's principles for socially responsible business set out in our Code of Conduct and which model our responsible behaviour:

## Gift-acceptance policy 2009



# THE CORE OF OUR SUSTAINABILITY

The conduct of our group is dictated by the international codes which have marked our performance over the years:

- KBC group has endorsed the Equator Principles since 2004. The Equator Principles are a set of guidelines, developed by commercial banks and the International Financial Corporation (IFC), a subsidiary of the World Bank, for managing social and environmental issues related to project financing. By adopting these guidelines, each EPFI (Equator Principles Financial Institution), like KBC, agrees not to provide loans to projects of which the borrower is unable to comply with the environmental and social policies and processes of the Equator Principles.



- We support the Global Compact which is the largest citizenship and sustainability initiative in the world, with participants from over 130 countries.



- We have signed the PRI, an initiative of investors co-operating with UNEP FI<sup>14</sup> and the Global Compact to motivate financial players to apply environmental and social principles for financial investments.



Our corporate responsibility stems from our co-operative approach with our stakeholders. Through and with them we are able to added social value for our community. We recognise as stakeholders those who directly and indirectly contribute to the operations of the group. They are able to help us implement our operations, are able to influence our long-term strategy and feel our impact in their daily activities. We develop our growth objectives in our interactions with them everyday. Find out how we did it in 2009.

<sup>14</sup> UNEP FI is a global partnership between UNEP and the financial sector. Over 180 institutions, including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance.

# GLOBAL COMMUNITY



At KBC, our social commitment manifests itself as the embodiment of our governing principles, which themselves are embedded deep within our roots. The major task for 2009 in respect of our communities was, in tandem with our major business units, to carry out a strategic study to define what we were deploying our strengths on and how we could work more effectively and create the added value our stakeholders expect from us. That year was crucial in our defining where we stand and where we want to go and how. We are now happy to share our achievements with you.

For every project KBC is involved in, our role is to clearly identify value added and the alignment with our corporate missions. The heads of department engage in dialogue with their counterparties and critically evaluate the goals for each project. There is a continuous flow of internal information, reflecting the fact that the workforce is the primary dynamo in the achievement of our goals and the creation of our projects. A calendar is posted on the Intranet and regularly updated, and involvement is also gained through special news groups that focus on the different activities.

The values on which KBC bases its community activities are clearly structured on the key goals and areas of interests of the group. As announced in the 2008 CSR Report, 2009 was to be strategic in the sense of a clear formulation of a set of common areas of interests within the development of KBC activities to advance society. A task force was created to identify existing activities and how they have been matched to the corporate vision and achievements throughout the years. As a result of this joint effort, three macro-areas were identified within which the core KBC entities were already working and intended to keep focusing on, i.e. supporting staff volunteer activities, funding medical projects to advance research, and helping disadvantaged children, three pillars of action that define the corporate vision and around which a specific policy to define KBC community activities was later formulated.

The next step, planned for 2010, concerns implementation of an assessment tool built to evaluate the main projects through which we help communities by means of a cohesive approach, in order to bring local communities within the scope of KBC core activities.

# GLOBAL COMMUNITY



## Helping children in need

At Christmas, as a dedicated supporter of health care in Hungary, K&H group again helped sick children to get better by purchasing life-saving instruments and equipment. From funds earmarked for donation to clients in the form of gifts, the K&H Gyogyvarazs child-health-care programme provided two health care institutions and ambulance stations with instruments for a total value of 8 million Hungarian forint for use in the day-to-day care of children and saving of lives. A welcome development is that K&H's clients have become participants in the program, and it was on the basis of their votes that the ranking of institutions proposed by the jury and the distribution of funds took place. Bethesda Children's Hospital (41% of the votes) received instruments that are essential for the hospital day-to-day rehabilitation programme. The Oroshaza Town Hospital (20% of the votes) is using some of the instruments received to help little patients in its pulmonary unit, suffering from asthma and other chronic breathing problems. As part of the K&H Christmas instrument-donation programme, the Baktaloranthaz and Turkeve ambulance stations of the National Ambulance Service (39% of the votes) received equipment which helps the effective treatment of injured children. Since the launch of the K&H Healing Magic program, K&H has been doing something at Christmas time each year to ensure children can lead a full life. This year, K&H's clients became active participants in the programme, voting for which institutions recommended by the professional jury should receive how much of the grant offered. This is the sixth time K&H has allocated funds earmarked for buying gifts for its clients, i.e. life-saving equipment and tools essential for future research which is vital for future development, extensions or modernisation.

In Poland, last October, members of the Board of Directors and managers from Kredyt Bank and WARTA head office and the micro-regions found themselves together looking to take up a challenge other than what their daily business offered. Their mission for the day was to help out the children in the local orphanage in Krasne<sup>15</sup>, giving their support to render the living conditions of the children more pleasant. The volunteers were divided into groups for the day, each of which had a different task. One group of men was assigned to such physical work as digging a ditch for the fence surrounding the sports field, while another was given the job of cleaning the greenhouse for the winter and chopping wood. Meanwhile, the women were busy taking care of the children and painting benches and the play-house. The result was a great experience shared by all the volunteers and the children. The experience's atmosphere of solidarity gave the volunteers the chance to appreciate each other not only as colleagues, but as caring contributors to those less fortunate members of our society, while realising how much a difference they can make in the life of a child.

<sup>15</sup> "TAK od serca" - "Yes from the heart" (corporate volunteering at the Janusz Korczak Orphanage in Krasne) Kredyt Bank and Warta

# GLOBAL COMMUNITY



Last December, employees from Kredyt Bank and WARTA eagerly responded to the 'Santa Claus Courier' initiative, aimed at fulfilling the Christmas dreams of children from poor rural families and blind children from Warsaw. The children wrote or decorated Christmas letters to Santa Claus expressing their season's wishes and dreams. The letters arrived and, over just a few days, more than 200 employees gathered up to 135 gifts donated in response to the dreams expressed by the children. Contributions came from board members, head office and network managers and members of staff. The gifts were distributed during Christmas gatherings in local youth clubs in mid-December 2009. 'Santa Claus Courier' has marked an important step in Kredyt Bank's Corporate Volunteering Programme and WARTA's initiative 'Yes from the heart'.

As already indicated, KBC gives its support primarily by aiding the cause of medical research, endorsing children's projects and promoting the volunteer work of its staff. In line with this, KBC supports the two main solidarity programmes in the Flemish Region of Belgium, '*Kom op tegen kanker*' (Fight Cancer) and '*Levenslijn ZEBRA*' (Lifeline ZEBRA). The first initiative focuses on gathering funds to support research on cancer and the second supports children who have been victims of traffic accidents. KBC also helps its local communities by promoting and supporting the programmes that promote the socio-cultural development of those less fortunate members of our society.

As part of the initiatives taken for children, ČSOB Pojišťovna used its employee volunteer programmes through which employees adopted three children from underdeveloped countries. Sponsoring support provides help for their studies and their everyday needs. Their progress is reported to employees through e-magazines and intranet communication.



# GLOBAL COMMUNITY



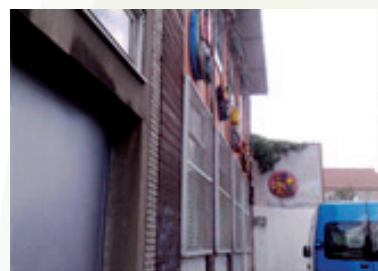
## Rewarding our responsibility

Following its success in the HN Insurance Company of the Year contest and its victory in the INI Service Excellence Award, ČSOB Pojišť'ovna won another important prize. The World Finance magazine awarded it the World Finance Global Insurance Awards 2009 prize for the Czech Republic, based on an analysis of its products and financial health.

The prestigious VIA Bona Award honors companies and individuals that provide financial, material or other help to the society in which they operate. ČSOB received the award in recognition of its main philanthropic activities aimed at supporting education and the improvement of financial literacy in Czech society. The programmes are the volunteer programmes *Pomáháme společně* (Together We Help), aimed at improving the living conditions in deprived regions, through the support of small NGOs and *Poštovní spořitelna*, aimed at the support of other regional philanthropic activities. Community activities have always focused strongly on education and improvement of financial literacy through the active engagement of both adults and the youth within Czech society. In its activities, the bank enjoys long-term partnerships with NGOs, which include the Committee of Good Will, the Olga Havel Foundation, the Association of Civil Centers and Financial Emergency.

In March 2009, KBC Belgium won the recognition of Champion at the *Solidaritest* award. Established by the Belgian Red Cross to recognise companies' special efforts in the field of solidarity, the award is made annually on the basis of a survey organised by Vigeo Belgium in collaboration with Forum Ethibel, FEB, Roularta Media Group and various Belgian academics.

The New Economy Banking recognised KBC as the most sustainable bank in Belgium in 2009. The award recognizes responsible leadership in sustainable finance and development, and aims at rewarding banks and investments and asset management companies with a proven track record for operating with principles and integrity in a sustainable way.



### Lunch with friends

The Bonnevie Community Centre is situated in the Bonnevie neighbourhood of Molenbeek-Saint-Jean, one of the most deprived areas of Brussels, but rich in culture. The community centre helps the inhabitants of the neighbourhood to improve the quality of their living conditions.

The centre was created to support the neighbourhood during the evictions brought about by the construction of a metro station. The focus on the right to accommodation has always been and remains the most important part of Bonnevie's activities, which have developed since 1992 to improve accommodation standards of neighbourhood inhabitants. Bonnevie provides support during the purchase of accommodation and during renovation works, by helping to find more sustainable ways of working.

The accommodation services receive subsidies from the Region of Brussels, the Sociaal Impuls Fonds, KBC and the European Commission. As an active participant in the work of Bonnevie, KBC is keen for its staff to support and participate in the lunches organised by Bonnevie volunteers, during which there is a mix of culture and good food. Together with KBC staff, the volunteers cook recipes specific to their countries. These are joyful moments during which everyone shares memories of their country and their personal history with each other.



# GLOBAL COMMUNITY



KBC Belgium joined a special task force of business representatives to create a local Global Compact network. This is a great opportunity for KBC to be at the forefront of an initiative that complements the efforts of business leaders to align their operations and strategies with the ten universally accepted principles in the areas of human rights, labour standards, the environment and combating corruption. KBC Belgium is especially proud of its participation in this initiative and is the second group entity to join such a network, after Serbia, which joined its local network earlier in 2009. The goal is for the group to have all its entities join the local networks in due course, each in its respective country.

## KBC joins the Local Global Compact network in Belgium

Launched in July 2000, the **UN Global Compact** forms a global leadership network for businesses and their CEOs, offering a unique strategic platform to promote sustainability and corporate social responsibility. The KBC group joined this network, having committed itself to all its principles in 2006. The UN Global Compact requires companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and combating corruption, according to a set number of related principles. The UN Global Compact also envisaged local networks around the world, which would include clusters of participants joining together to promote the Global Compact and its principles within a particular geographic context. Such networks perform increasingly important roles in rooting the Global Compact within various national, cultural and language contexts, and also in helping to manage the organisational consequences of the Compact's rapid expansion. Their role is to facilitate the progress of companies (both local firms and subsidiaries of foreign corporations) engaged in the Compact with respect to implementation of the ten principles, while also creating opportunities for multi-stakeholder engagement and collective action. Furthermore, networks deepen the learning experience of all participants through their own activities and events and promote action in support of broader UN goals.

The Global Compact Network Belgium was officially launched on 15 October 2009, under the auspices of the Minister of Foreign Affairs, Yves Leterme, representatives of the European Commission, the United Nations and Belgian business leaders. The official ceremony took place at the prestigious venue of the Federal Public Service Foreign Affairs, Foreign Trade and Development Co-operation in Brussels. KBC was proud to feature amongst the organisers and the speakers panel, where we had the opportunity to present the SRI performance of our Asset Management practice. Other companies involved were Rosy Blue Group and Efico. KBC could not miss the opportunity to be a leading force in the creation of such a network, one that will play a crucial role in the advancement of a governance framework of ethical business practices in Belgium.

# GLOBAL COMMUNITY



## KBC and Argus

In view of the co-operation and support that marks the relationship of KBC with ARGUS<sup>16</sup>, a wide range of initiatives and programmes were organised during 2009. The underlying spirit of last year centred on the combination of Environment, Energy and Mobility. Various symposia, seminars and lectures were organised on these topics for both KBC employees and external stakeholders. The most representative and notable events were a series of lectures on technical, practical and financial aspects of residential solar panels, and a symposium held in October, focusing on the action that needs to be taken to fight climate change, an initiative with the clear focus of raising awareness and building expectations of the Belgian EU Commission presidency. Furthermore, ARGUS launched a number of campaigns for KBC, promoting the purchase of solar panels for current and former employees, as well as for subscribers to the ARGUS environmental magazine. The efforts in promoting solar panels resulted in the great success registered in September, when KBC concluded its one-thousandth green mortgage and offered its lucky client a commemorative balloon flight. The majority of green loans are destined for the purchase of solar panels and are mostly sold in the form of mortgages, in order to give clients further benefits in the form of tax deductions. Further promotions by ARGUS were also aimed at encouraging the purchase of electric bicycles to support a more sustainable community in relation to the concept of environmental mobility.

In 2009 ARGUS bought and retired 9 162 VER<sup>17</sup> to offset the emission of 9 161.16 tons of CO<sub>2</sub> generated by the Greenlease labeled KBC fleet in Belgium, spanning from 2007. The VER for this time period originate in the Sao Judas Tadeu Fuel Switching Project, a project involving the utilisation of rice husks instead of native wood from the Amazonian biome as fuel for the kilns of two small ceramic production sites. The project is in line with the carbon characteristics of Brazil, which differs from industrialised countries by contributing to global warming through deforestation rather than by the burning of fossil fuel. The project is verified in accordance with the Voluntary Carbon Standard and with the Social Carbon Methodology. The ownership and retirement are registered on the VCS Markit environmental register.

In early 2010, just over 5 500<sup>18</sup> VER will be purchased and retired to offset the 2009 emissions from the KBC fleet.

<sup>16</sup> An independent non-profit environmental organisation headquartered in Antwerp

<sup>17</sup> Voluntary emission reductions

<sup>18</sup> (note: the difference with the figures of 2007-2008 is partly due to the extraction of private use (7500 km per car or -22%))

# GLOBAL COMMUNITY



## KBC supports BRS

Support for BRS<sup>19</sup> activities continues as illustrated in 2009 with a great achievement that marks our co-operation. In February, in co-operation with KBC, BRS organised the renowned event '*Midi de la Microfinance*' for the first time in Brussels. The core of the debate concerned the impact of the financial crisis on microfinance and exploration of ways MFI<sup>20</sup>s in developing countries are dealing with the consequences of the current financial backlash. The main speaker of the day, Baron Damian Von Stauffenberg, explained that the sector remains partly unscathed, due to the fact that the micro-credits, being directly related to productive activities, are anchored in the real economy and therefore less affected by the speculative environment originated by the financial crisis. Baron Damian Von Stauffenberg also underlined the importance of the support of investors at a time when access to liquidity is increasingly difficult. For more information, watch the video on [www.kbc.com](http://www.kbc.com) (Microfinance lunchbreak 2009).

KBC hopes this will be the first in a successful series of microfinance-related events. Throughout the years, the cooperation with BRS has carried on and the voluntary nature of KBC's involvement in BRS activities has been the focal aspect of the commitment. Vital support is provided by our ICT colleagues who were again involved in several projects in 2009. Last year, their work proved crucial in the development of AD-Banking software to help a microfinance institution. Some of them used their free time to travel to Senegal to offer their consulting expertise and collaborate in the creation of the BRS Factsheet, 'MicroFact', a microfinance electronic data system, crucial to the life of an MFI. This project has also witnessed the mobilisation of our colleagues in insurance who have given their support by setting up an accounting system for the data system. The development of this tool benefited almost 200 MFIs, as the MFI-Factsheet helps monitor the financial performance of MFIs and to calculate the development of key financial performance indicators and displays the results in a graphical format. The MFI-Factsheets compiler is intended for organisations working with MFIs as it is used to generate their



<sup>19</sup> Belgian Raiffeisen Foundation.

<sup>20</sup> Microfinance Institutions

# GLOBAL COMMUNITY



financial reports to assess and compare the financial performance.

Launched in 2008, the Pilarh project in Honduras, continued to grow in 2009. Pilarh is a savings and credit organisation located in Western Honduras, whose clients are mainly small coffee farmers. The aim of this BRS project is to acquire the license to mobilise savings. KBC decided to help by orienting the saving products towards young people. KBC also helped to prepare a financial review process and an audit as part of a clear marketing plan to help the organisation develop further. The planning for project development for 2010 was based on a market study, developed with the help of our KBC colleagues and aimed at identifying customers' needs and highlight potential for growth.



Another project being developed is in support of the CIF -Confederation des Institutions Financières- , and is aimed at creating a regional micro-insurance company and acquiring a license to operate. After the second steering committee was organised in Cotonou with all the donors and CIF, 4 assignments were given to the KBC team. These assignments include the definition of capital requirements, the valuation of current insurance activities, the development of credit life insurance for large loans, prioritising the development of new insurance products.

For 2010, we foresee the speeding up and expansion of pilot projects and further engagement thanks to the increased involvement of the enlarged BRS Institute. Additional BRS project co-ordinators will guarantee follow-up. More training on BRS, microfinance and micro-insurance will follow next year.

# GLOBAL COMMUNITY



BRS has also continued a very important cooperation in 2009 with Close the Gap<sup>21</sup> in helping to bridge the digital divide and participating in the UN' 'Millennium Development Goals'. The eight targets, outlined by former UN Secretary General Kofi Annan, include the access to IT technology and the transfer of knowledge. Proud of the abilities to develop hardware and software in their respective missions, BRS and Close the Gap built an important collaboration in developing countries. The collaboration between the two organisations started with the donation of computers by KBC group which allowed CTG to broaden its service to micro-insurance and microfinance institutions. Since 2006, KBC has donated more than 32 000 ICT items (computers, screens and peripherals) to Close the Gap, registering an increase of almost 97% in 2009.

A project that started in 2008 with a local partner, the Cameroon Cooperative Credit Union Leagues Limited (CamCCUL) to provide support towards the development, assistance and promotion of an efficient gender sensitive cooperative union network. This was done by providing sustained quality products and services to affiliates, encouraging, apolitical and full participation from its various stakeholders. CanCCUL promotes social responsibility, staff efficacy and membership commitment through education and training, maintaining close relationships with other related institutions and governments and assisting their affiliates to develop and sustain relationships with NGOs and institutions involved in development. Many of the cooperative credit unions are facing important information management problems which hinder their growth and development. The project provided these credit unions with more computers in order to improve their operating systems and limiting errors and frauds caused by handling operations. The equipment which was donated comprised 500 PCs, 200 printers and 200 laptops, plus an extra 250 laptops donated in 2009.

To mark the 60th anniversary of KBL, the Community Sponsorship Department at KBL EPB launched a new support initiative focused on microfinance. The project calls upon the voluntary support of staff and creates opportunities to support microfinance programmes in Vietnam. The support is given directly to two microfinance providers: Binh-minh and Chi-Em, which focus on the different needs of the local community. The Community Sponsorship Department focuses on the provision of technical assistance, for which it devoted the sum of 6 000 euros, earmarked for 60 micro-credits of 100 euros each. Technical assistance is a crucial part of this project, which will enable training courses to be run to help microfinance beneficiaries to better manage their financial resources and diversify their economic activities (farming and animal breeding)

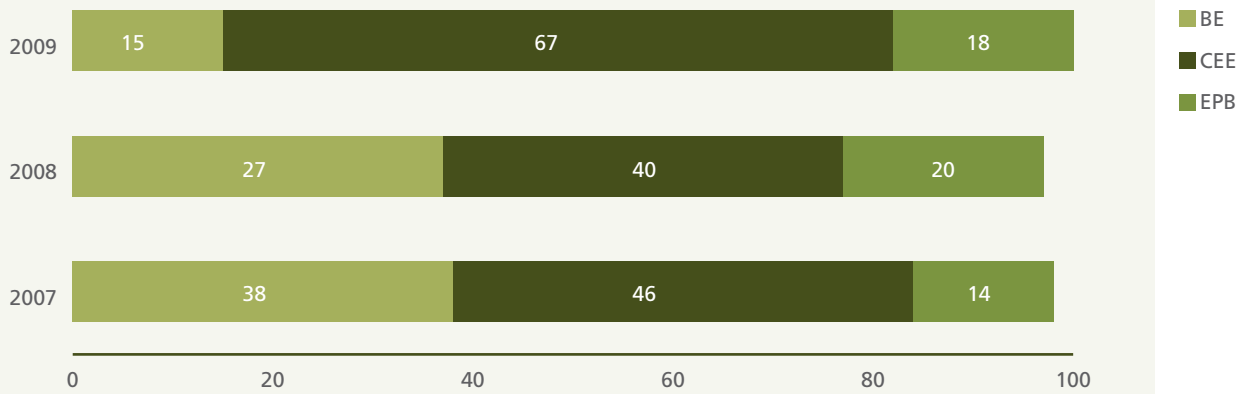
Unlike previous years, this year, we present the results of our contributions to society according to significant impact and positioning. The Merchant Banking Business Unit was not included in the scope and more attention was placed on how the group entities in Belgium and our main Central and Eastern European subsidiaries were implementing their community-related activities and how they were coping with getting the message of solidarity across to their local communities. The figures show a considerable increase in funds allocated for our community involvement activities in Central and Eastern Europe, which have increased by 45% since 2007. The importance of the activities of the group in this geographical area have motivated the rest of the group to develop assessment studies which will allow KBC Group to ensure better communication of results and better monitoring of its activities.

<sup>21</sup> Close the Gap is an international not-for-profit organization that helps bridging the digital divide by offering cost-efficient high-quality used IT-equipment to projects in the South of the world

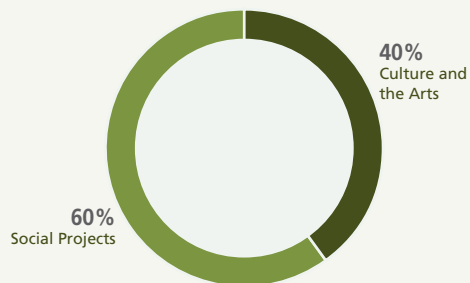
# GLOBAL COMMUNITY



## Budget trend per KBC Business Unit



## Investment by area of activity 2009



## Investing responsibly

### Proxy voting

An active 'proxy voting and engagement' policy was introduced at KBC Asset Management (KBC AM) in 2008 with the aim of defending clients' and investors' interests through exercising the rights of shares held by the investment funds. The policy is centred on the Proxy Voting and Engagement Committee (PVEC), which co-ordinates the various steps of the policy pursued and which consists of seven members, including an external adviser. The PVEC submits a voting recommendation to the Executive Committee of KBC AM, which will take the final decision on how the vote should be cast.

Where appropriate, KBC AM will enter into dialogue with the management of the companies concerned and if necessary before voting takes place. Among the issues that may prompt dialogue are:

- lack of transparency regarding elements of economic, strategic or corporate governance or corporate social responsibility;
- falling short of peer performance as regards one or more 'sustainable business' criteria;
- economic measures that threaten to destroy shareholder value.

The table below presents key voting and engagement facts for 2009. Since the start of the 'proxy voting and engagement' policy in 2008, KBC AM has examined 231 companies. The PVEC gave voting recommendations case by case and, where appropriate, advised the Executive Committee to vote in a certain way. For seven companies, the Executive Committee judged that no action was required.

**Table 1: Proxy voting and engagement: overview of action taken**

	<b>Total</b>
Number of companies involved in voting and/or engagement	107
Number of companies analysed for voting	16
Number of meetings attended	11
Number of companies engaged with	91

# GLOBAL COMMUNITY

During 2009, KBC AM took part in 11 annual general meetings, focusing mainly on the specific agenda items in accordance with its voting policy. KBC's voting policy encompasses:

- *actively supporting proposals made at general meetings to create shareholder value in the medium and long term;*
- *encouraging companies to draft corporate governance policies that make them sustainable and socially responsible players in their field; and*
- *opposing proposals that conflict with shareholder interests and the widely accepted principles of corporate governance and corporate social responsibility.*

*KBC AM works actively to support proposals made at the general meetings that help create shareholder value in the medium and long term and that focus on implementing sustainable policy measures, by remaining true to generally accepted CSR principles. As part of KBC AM's involvement, companies are contacted directly and given the opportunity to enter into constructive dialogue on sensitive issues. Table 2 illustrates the different matters that prompted an exchange of views.*

**Table 2: Reasons for engagement**








Disclosure and transparency	65
Clarification on specific allegations	10
Activities in controversial countries	8
Involvement in controversial weapons	8

## New screening model

One of the aims for 2009 was for KBC AM to develop a brand-new screening model, based on more demanding requirements. In consultation with the External Advisory Board, KBC AM started re-evaluating the stakeholder concept, looking at the expectations and the claims that might be relevant on both sides. After developing a matrix (see table), the members of the External Advisory Board assigned a weight to each of the claims listed, giving particular emphasis to those relating to the social sphere. Claims have also to be verified and justified, and a classification created accordingly. Targets are then compared with actual, strategic implementation measures taken by each company; in order to get full feedback on this, KBC AM uses different CSR rating agencies.



# GLOBAL COMMUNITY

		Claims		
		Social	Environmental	Financial
Stakeholders	Shareholders			
	Employees			
	Clients			
	Suppliers			
	Public Administrations			
	Future generations			
	Communities			

## KBC's blacklist

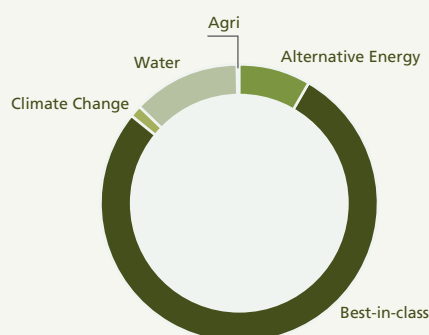
Since 2004, KBC has been pursuing a restrictive policy with regard to companies manufacturing controversial weapons, and an active review is conducted every year. KBC AM has compiled a list of all the companies KBC has decided not to invest in or grant credit to, due to their involvement in cluster bombs and other munitions. The list was drawn up on the basis of in-house research and in consultation with the External Advisory Board for Sustainability Analysis. In 2009, following the latest findings of the in-house research, another two companies were added to the list, in line with KBC's decision to demonstrate the strict and transparent approach it adopts towards these types of weapon. Today, the list comprises 22 companies and is publicly available for consultation on the KBC AM website ([www.kbcam.be](http://www.kbcam.be)). The companies listed are involved in the development, testing, storage or manufacture of (essential components of) controversial weapons systems. KBC's definition of controversial weapons covers not only anti-personnel mines and cluster bombs, but also biological and chemical weapons and weapons containing depleted uranium.

# GLOBAL COMMUNITY

Recently, aspects of the approach received legislative support from the Belgian Government. Although the Mahoux Act of 1 March 2007 prohibits funding of the manufacture, use and possession of anti-personnel mines and sub-munitions, no official list of manufacturers has been published to date. By publishing its own list of companies, KBC seeks to be transparent with regard to its customers and to society at large. Implicitly, this is also an appeal to the companies in question to stop these activities. This approach in fact means that companies will be removed from the list only if they declare that they are no longer involved in the development of the weapons systems in question, and undertake not to be involved in it in the future. This approach is unique to KBC.

KBC's policy is also being followed abroad. For instance, the University of Vermont (US) recently decided not to invest in companies involved in the manufacture of cluster bombs and weapons containing depleted uranium.

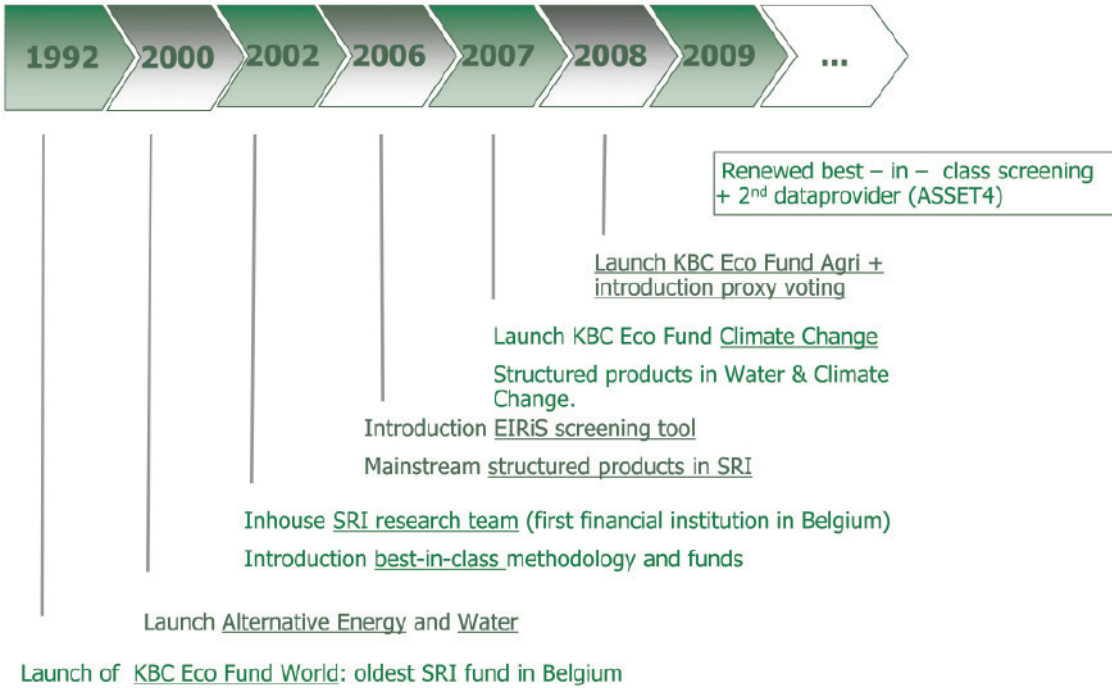
## KBC AM SRI Portfolio composition



In September, KBC AM decided to step forward together with internationally recognised asset managers and endorse the Investor Statement on a global agreement on climate change. The agreement was concluded between the Investor Network on Climate Risk, the Institutional Investors Group on Climate Change, the Investor Group on Climate Change/Australia and New Zealand and the UNEP Finance Initiative. The Statement sets out the investor perspective on climate change and the key elements of a global agreement that will be needed to drive the financial flows necessary to address climate change. The aim was to send the statement to Heads of State, other key policymakers and climate negotiators from around the world in mid-September. KBC AM was proud to offer its support as a further step in its commitment towards the fight against climate change.

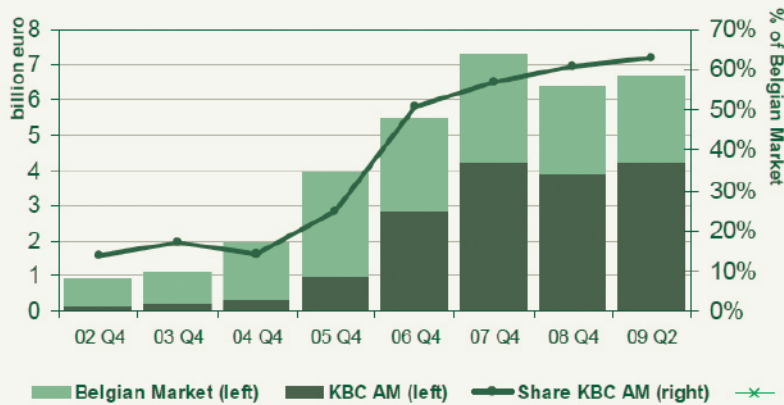
In October, in their study on the state of play in the fight against the production of controversial weapons, Pax Christi and Netwerk Vlaanderen praised KBC for its policies against the financing of cluster bombs. KBC's transparency is highly appreciated by stakeholders, as it is recognised as one of the few banks to publish a list of companies involved in the production of these weapons. In addition, KBC insists that a company may have its name removed from the list only when it can prove that it is no longer active in the production of such weapons.

# GLOBAL COMMUNITY



## Market Share SRI funds

Market Share SRI funds



## The Equator Principles

For the second consecutive year KBC witnessed a substantial decline in the number of new project finance transactions in 2009. Besides the negative impact from the continuing worldwide economic crisis, the change in the business strategy of the KBC group constitutes the underlying causes behind the decrease in the number of transactions. Nevertheless, a favourable note is that the majority of these new project finance transactions was made in the renewable energy sector. Admittedly, the main driving factor for this trend has been the substantial government support which came in the form of various types of subsidies (i.e. feed-in tariffs, Green Certificates), by which companies benefit from fixed guaranteed revenues.

Furthermore, in 2009 Equator Principle banks continued the investigation on 'whether' and 'how' the EP could be expanded towards other types of lending beyond Project Finance. Presently, 'Guidance Notes' on Incorporating Environmental and Social Risk Considerations into Corporate Loans and Bridge Loans, and Export Financing are subject to discussion within the Equator Principle Financial Institution (EPFI) Steering Committee.

## Project Finance Assessment in 2009

The table below provides the number and share of the transactions which were approved and concluded by KBC in 2009. In line with the June 2006 amendments of the Equator Principles, KBC applies the EPs to all projects with capital costs above 10 million US dollars.

### Equator Principles assessed by project category

2009	Total number of transactions		Of which: Refinancing
	Number	As % of 2009 project finance lending volume	
Category A	0	0.0%	0
Category B	8	36.04%	0
Category C	14	63.96%	3

In 2009, KBC also concluded three refinancing transactions, in the telecom, power and oil and gas sectors, respectively. The latter also included financing of the expansion of production facilities.

Over 2008, KBC reported a decline in the number of transactions signed and which began in 2007. This trend continued strongly in 2009 as the number of transactions was halved, while in terms of project finance lending volume, 2009 witnessed a decline of about 60%. This rather substantial reduction is largely due to the current economic crisis that grew relentlessly from the second half of 2008 and was projected in the changes within KBC's business strategy. This adds to the fact that the majority of the closed transactions is placed in the renewable energy sector, where project costs are usually much lower than in the traditional energy sector.

# GLOBAL COMMUNITY

On the other hand, these data do not take into account the small projects, with total costs below the 10 million US dollars threshold. Indeed, like to 2008 there has been a strong increase in the number of smaller projects financed both in Belgium and in Central Europe. Remarkable is also the increase in the number of deals with a 'corporate character', but where the funds were used to finance small scale renewable projects.

The following tables illustrate the sector concentration and the geographical distribution.

## Equator Principles assessed by category and sector

2009	Energy	Infrastructure	Telecom	Other	Total
Category A	-	-	-	-	0
Category B	4	2	-	2	8
Category C	10	-	2	2	14
<b>Total</b>	<b>14</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>22</b>

At first glance 2009, witnessed no new Category 'A' projects in KBC's project finance portfolio, as was the case in previous years, albeit on a rather limited scale. In 2009, our focus was clearly on Category B and C projects.

The Category 'B' projects entail projects in energy (oil and gas projects and power plants, as well as biomass plants) and infrastructure sectors. The Category 'C' projects are characterised by a rather limited or minimal impact on the natural and social environment as they focus on the financing of renewable energy projects (wind farms and solar energy), as well as to financing in the telecom sector and refinancing of existing projects both in energy and infrastructure.

Like in 2008, in 2009, KBC witnessed an increase in the share of renewable energy in the total number of transactions reaching up to 45.5% from 15.6% in 2008. Indeed, in 2009, KBC financed ten renewable energy projects, seven of which were related to solar energy. Of these five are located in the Czech Republic and two in Belgium. Note the decline in new wind farms and biomass energy projects. The limited number of feasible sites for wind farms and the exhaustive quantities of biomass suitable for renewable energy are a possible explanation for this decline.

## Equator Principles assessed by category and region

2009	Western Europe	Central & Eastern Europe	Africa & Middle East	Asia Pacific Oceania
Category A	-	-	-	-
Category B	4	2	2	-
Category C	3	9	-	2
<b>Total</b>	<b>7</b>	<b>11</b>	<b>2</b>	<b>2</b>

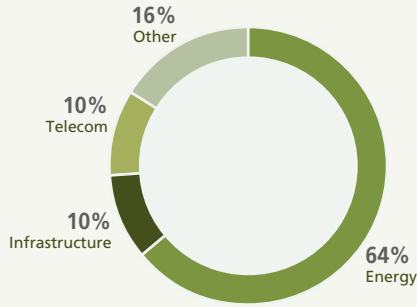
The increased number of transactions in Central and Eastern Europe reflects the progress of renewable energy projects in these countries, which clearly appear to be rich in adequate sites to host solar and wind farm projects.

Every year a number of project finance transactions are rejected, but in 2009 none of these were primarily on account of environmental and/or social concerns.

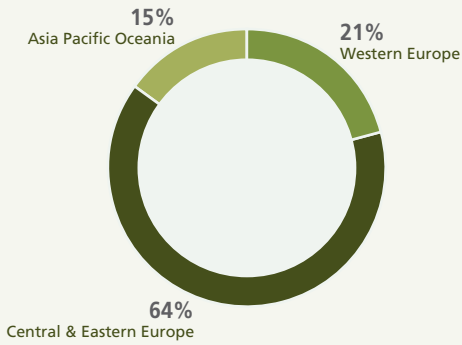
Given that our lending executives apply the Equator Principles strictly at an early stage, any transaction that is not or cannot be made in compliance with the Principles is automatically turned down at a very early stage and not submitted to the credit committee.

# GLOBAL COMMUNITY

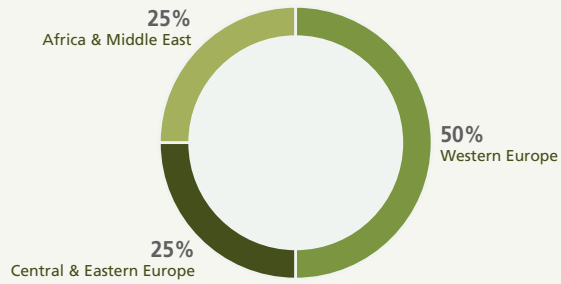
## Equator Principles assessed by sector



### Category C



### Category B



# GLOBAL COMMUNITY

## KBC and Project financing: an eye to the future

As a result of the change in the business strategy of KBC, the focus of project finance activities is expected to change. This means that besides large scale projects, there will be an incremental increase in medium and small scale projects, mainly located in KBC group home markets, i.e. Belgium and Central Europe. At the same time, given the increasing focus on sustainable investments, the share of renewable energy in KBC's project finance portfolio is likely to go up due to the increasing interest in making use of this option as a valuable tool to fight climate change. However, as from 2010 in Belgium, government support for renewable energy will be modified, as the level of subsidies will be substantially lowered. While this might impact the number of new transactions, we expect the sector to continue to expand, albeit at a lower pace and with smaller investment costs transactions.



# GIVING A VOICE TO OUR CUSTOMERS



## Ensuring fairness in our business practices

In line with its commitment to be recognised as the 'warm and friendly bank', KBC has built its customer strategy around the constant monitoring of customer expectations and needs, all the while taking a long-term view and endeavouring to set fair and competitive prices. The customer's voice always matters and KBC has made its mark by successfully aligning its strategy to those expectations and needs.

At KBC, we look always to be fully aware of customer needs and to match them with a sustainable offer, while ensuring that all inherent risks are taken into account before launching new products, activities, processes and systems. One of the most important aspects of strategy that requires attention is avoidance of the risk of mis-selling; it is an aspect that KBC has worked hard on in the course of 2009, in line with the expectations of stakeholders and regulators.

In March and June, KBC approved two Group Standards, in response to the overarching demands of the wider community: a Group Standard on 'Fair Sales Practices' and the basic principles for a new Group Standard on 'Product Development and Marketing'. Both standards were widely discussed with the people directly involved in commercial applications, risk, compliance and audit. All group-wide policies for product development are now combined within one overall Group Standard ('Product Development & Marketing') that is supported by a robust governance framework. The goal of the proposed Group Standard is to establish a strong and transparent process for approving new products right across the KBC group, all the while with a regular review of existing products, whereby risk issues are balanced against commercial issues. The aim is to successfully combine local decision authority with the wider interests of the group. In addition, KBC is in the process of setting up 'New and Active Product Committees' for both the Product Factory and the Distribution Channel. Each of these committees has cross-function representation of different businesses and functions, and includes a member of the Risk Management department and of the control functions. The procedures covered by the Group Standard apply to all new products developed by KBC group entities, all existing products on offer, as well as products issued or guaranteed by third parties. The Distribution Channel retains responsibility for final approval of the offer of products to customers.



# GIVING A VOICE TO OUR CUSTOMERS



## Measuring customer satisfaction

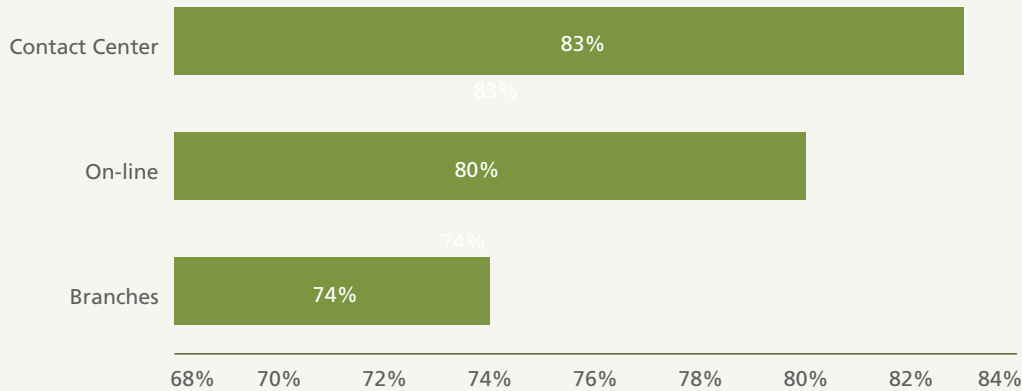
In 2009, as part of KBC's customer policy, the KBC Group Operational Risk Committee approved a Group Standard on Complaints Handling, the aim of which is to ensure that all customer complaints are dealt with carefully and with full appreciation of their motivation. Guidance is provided on how to organise and manage such complaints, and ensures that they are reviewed by Risk Management, since they represent a good source for identifying weaknesses in the control structure. In September 2009, Group Operational Risk carried out a review of the current status of the implementation level of the Group Standard on Complaints Handling. The major conclusions of the review indicated that the complaints handling procedure was firmly in place in all the entities reviewed, in full compliance with procedures on how to inform customers and on how to file a complaint. As part of the follow-up of how complaints are handled and the quality of that service, KBC has defined specific Key Risk Indicators (KRIs) that are to be monitored by KBC group entities. The collation of KRIs at group level started only in the course of 2009, and we are therefore not able to provide relevant figures for the time being.

As announced last year, 2009 would see KBC Belgium launching a new methodology to evaluate the level of customer satisfaction. The change involves focusing further on customers who actually visit the branch regularly for specific transactions or who have an appointment with their investment adviser at the bank. KBC has decided to provide a more detailed breakdown of the different types of customer. And this approach has enabled KBC to better evaluate its performance in relation to these 'regular customers' whose visits during the year have given them numerous more occasions to get to know staff and to become familiar with the services offered. The methodology has also changed in respect of the frequency of review, as the review is continuous throughout the year, customer satisfaction now being an ongoing issue for staff. Customer satisfaction is measured after the customer has visited the branch, met with branch personnel and/or has finalised a transaction. This approach also has the advantage of minimising the time between a visit to the branch and the actual review, whereby the visit remains fresh in the customer's memory. A selection of customers was made by staff, week by week throughout the year.

# GIVING A VOICE TO OUR CUSTOMERS



## Customer Satisfaction levels 2009

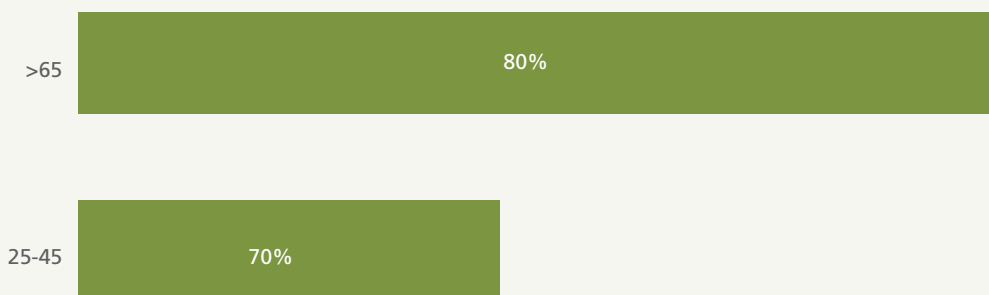


A total of 88 335 customers were surveyed, right across the range of customer type<sup>22</sup>. It was noted that, even during the financial crisis, our customers did not lose faith in the worth of KBC and gave us a clear vote of confidence, as the graph below demonstrates.

74% of our clients gave their KBC branch a score of 8 or more out of 10, and may thus be regarded as satisfied customers. Only 5% were unhappy with their branch. There is greater satisfaction among customers who visit the branch frequently (at least once a month - about half) (77%) than among those who visit less often (71%)

Older customers are more satisfied than younger customers. As the table shows, the most critical group is that of customers aged between 25 and 45, a group that registers a 70% level of satisfaction. The satisfaction level of customers over 65 years of age is 80%.

## Age Breakdown

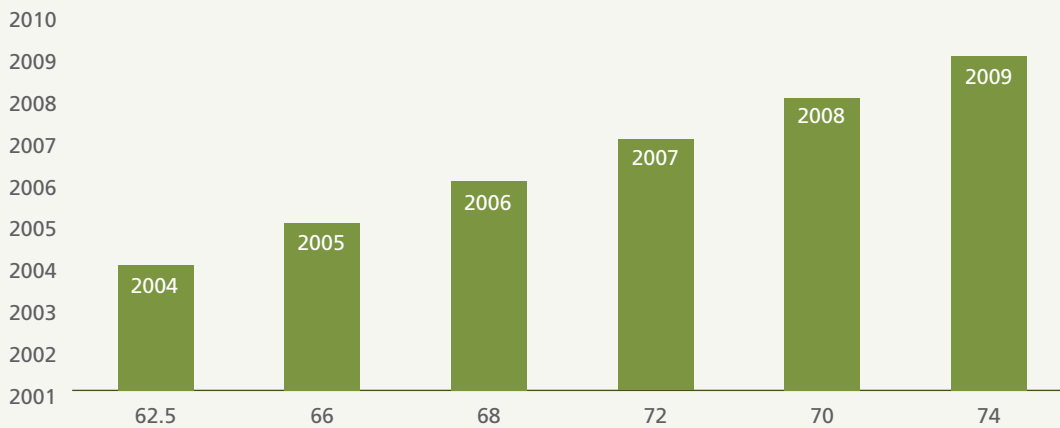


<sup>22</sup> Different types of customer were included, ranging from main banking and branch customers, legal entities, young customers, third-age customers, and more regular and less regular customers

# GIVING A VOICE TO OUR CUSTOMERS



## KBC customer satisfaction rate in %



During the survey, KBC branch staff were described as being very friendly, polite and experienced, and as taking the necessary time to explain to customers, providing clear and sufficient information and demonstrating the necessary willingness to assist them further. In Hungary, the percentage of customer complaints linked to the use of ATMs and bank cards has fallen by 30% in the last six months. The majority of customers facing a problem and contacting the bank with a complaint were rather satisfied with K&H Bank's problem-solving capacity. The proportion of overtly satisfied customers has risen by 26% over the last six months.

## Meeting our customers' expectations in a 'special way'

KBC places particular emphasis on developing 'special' banking and insurance products for its customers, with a specific marketing mix adjusted to the specific needs of the specific segment.

Last year, throughout most of the KBC group, we focused on how to improve our offer to senior citizens. In October, K&H introduced a new account-management package for retired customers, offering a low-monthly-repayment loan with several free services.

At CIBANK, our Bulgarian colleagues developed a 'Third Age' consumer loan expressly designed for senior citizens and characterised by competitive and transparent terms, low rates and conditions. The loan represents a good source for short-term financing with fixed interest rates throughout its entire term.

KBC remains close to its employees at every stage of their lives, and in this respect CIBANK, with the 'I Want a Baby' Foundation, has worked out a project to provide active support to couples in Bulgaria who find it difficult to have children. The programme includes a possibility for the financing, under exceptionally easy terms, of specialised procedures for fertility treatment, procedures for assisted *in vitro* fertilisation and procedures for freezing stem cells from umbilical cords.

The 'I want a Baby' Foundation is one of 14 that have signed special agreements with CIBANK. Those agreements provide an opportunity for all the clinic's patients to apply to CIBANK for a loan in order to finance specialised procedures aimed at resolving their fertility problem. CIBANK also provides the clinic with information and necessary material to distribute to their patients.

# KBC AND THE ENVIRONMENT



In November 2009, KBC group signed up to the *Copenhagen Communiqué on Climate Change*. Originating as an initiative of the Corporate Leaders Group on Climate Change (run by the University of Cambridge), and drawing on some of the key thinking on climate policy that has emerged from the international business community over the past two years, the Communiqué sets out the business case for a strong and effective UN climate framework. KBC is proud to make its voice heard in this way, as part of its contribution towards the fight against climate change.

“This is an opportunity to reiterate our commitment to the fight against climate change while raising awareness in the community around us. KBC wants to have its voice heard, in the joint efforts of the Copenhagen Summit.”

*Jan Vanhevel, CEO, KBC Group*



# KBC AND THE ENVIRONMENT



## KBC buildings go green

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Towards the end of 2009, KBC decided to further maximise its efforts towards achieving greater energy efficiency, and to do that by refining the energy-monitoring systems in its buildings and headquarters. One such project (known as 'The Loop') was the centralisation of all the support services scattered widely around the Ghent region within a single location. A great deal of effort went into this, all of which was part of a multiple-action plan within the context of the Energy Savings in Buildings (ESIB) project, which is based on 55 recommendations for reducing energy consumption in existing buildings. One example of such action is the synchronisation of the operation of technical installations with office opening hours, in order to further enhance efficiency. From 2012 on, moreover, all the above-mentioned support services will be brought together in a single, modern, more sustainable and efficient office building, bringing a saving of 25 million euros for KBC over a period of 15 years. This project is in line with all the work already successfully carried out to achieve similar centralisation and optimisation of resources in Brussels, Leuven, Mechelen and Antwerp.

# KBC AND THE ENVIRONMENT



In 2008, we focused on our new office buildings in Leuven and in the Czech Republic, two good examples of the sort of sustainable building that KBC is increasingly moving towards. 2009 has, in various ways, marked important steps in the sustainability programme for our branches across the group.

Late in 2009, K&H was awarded third prize in an environmental protection competition organised by the Hungarian Business Leaders Forum, in which 32 companies participated. K&H received the 'Business Life for the Environment' award for outstanding achievements in the field of climate control initiatives. The K&H Group strives to contribute to the creation of a sustainable society and environment. The Group received this award primarily for its creation of 'green' corporate branches that greatly contribute to limiting climate change, as these branches don't use any fossil-fuel energy.

In Belgium, in accordance with its 'Green Building Guidelines', KBC has classified The Loop - its first pilot project - as part of a sustainable project with an energy rating of 70. This project will result in excellent insulation systems, the right balance between glass and non-glass façade elements, and the best available technologies being applied to the technological installations and intelligent management systems. The Loop meets all KBC's demanding accessibility criteria, essential to guarantee our employees a good work/life balance. Indeed, a factor prompting the creation of The Loop was the greater opportunities it offers to employees in terms of flexible working conditions (see the PLATO project further in this section). This project followed the 'Green Basics' standards that KBC established internally and that are derived from the knowledge and experience gained from the Energy Savings in Buildings project, due to be implemented in all new buildings from now on.

Our target for 2010 is to continue to improve energy efficiency through focusing on energy-saving investment and on electricity sourced directly from renewables.

## PLATO<sup>23</sup>

In last year's report, we announced our plans to combine an increasingly efficient use of resources with a good motivational boost for our workforce. The pilot projects developed by KBC during the past years have evolved to become a comprehensive teleworking facility which simultaneously addresses employee-retention and sustainability. KBC has opted for three PLATO concepts: working locally, working from home and sharing workstations. The benefits from these methods can be seen in the significant increase in employee satisfaction and efficiency, reduction in the time lost in commuting, and promotion of a better use of office space. Teleworking opportunities are designed for KBC employees who work in administrative buildings. In order to qualify, employees must be able to work independently and autonomously, and the data they need has to be mostly in electronic form. Each department determines the positions eligible for teleworking, in consultation with the local operational risk manager.

<sup>23</sup> Abbreviation of 'plaatsonafhankelijk werken', the equivalent in English is 'teleworking'

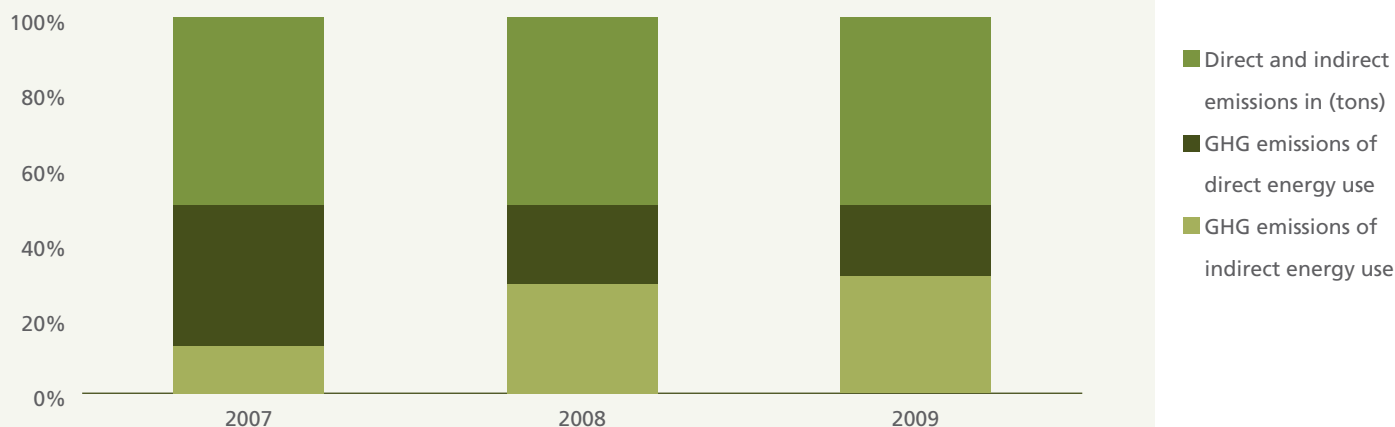
# KBC AND THE ENVIRONMENT



The project aims to create 140 additional, locally based workstations in the near future, with a view to further expansion within existing infrastructures, so as to minimise budget expenditure. The ways of taking up the teleworking possibilities envisaged under PLATO have been comprehensively communicated to employees across the board through internal communication publications (the Bond, Impuls, intranet).

Ten years ago, during the merger that saw the birth of the KBC group, a number of employees were allotted additional 'mobility' days, due to the greater commuting distance they were obliged to travel. Since then, KBC has managed to move the work place of a large number of those employees closer to their homes. Thanks to teleworking and the increase in the number of local workstations, employees with 'mobility' days can now also perform a proportion of their work closer to home.

## GHG emission trend in Belgium



## Energy consumption - electricity and fuel

Energy consumption is definitely a decisive factor in determining our ecological footprint. KBC aims to save 20% energy by 2020 and is on track to achieving this goal. KBC employs numerous measures to identify more eco-efficient solutions within both our existing and planned buildings. The following outlines briefly how close we are today to achieving this goal.

Electricity consumption has fallen again at our Belgian business entities. We have posted an 11% decline in total energy<sup>24</sup> use since 2007. Fossil fuel consumption has also decreased by over 10% since 2007. Our goal for 2011 is to reduce our energy use by a further 10%. Another positive result has been the soaring percentage of electricity derived from green sources, which has gone up from 35% in 2007 to 100% today.

<sup>24</sup> The value is in proportion to the full time equivalent number of employees.

# KBC AND THE ENVIRONMENT



Belgium	2006	2007	2008	2009
Natural gas	269 087	227 389	217 060	221 044
Heating oil	33 304	26 621	24 012	16 392
Fossil fuel consumed in GJ	303 473	254 010	241 072	237 436
Electricity consumed	430 033	415 430	421 537	405 355
<b>Total Energy Consumption</b>	<b>733 506</b>	<b>669 440</b>	<b>662 609</b>	<b>642 791</b>
% of electricity derived from green energy	35%	39%	75%	100%
Fossil fuel consumed in GJ per FTE	17.5	13	14	14.5
Total energy consumption per FTE	42	35	38	39

The responsible heating strategy implemented in our existing buildings is a step in a long-term strategy (long-term, because the impact of major renovations will be felt only in the years to come). In our new buildings, however, we plan to achieve results within a shorter time-scale and have set ourselves a specific goal for 2012 to reduce our oil and gas consumption for heating by 16%<sup>25</sup>.

## ISO 14001 certification

In line with the target it set itself in 2008, KBC received ISO certification for its Belgium Business Unit at the end of 2009. The certification was awarded after an intensive audit round, supported by a large-scale environmental-awareness campaign, which included the establishment of measurable targets and an environmental action plan aimed at continuous improvement of our direct environmental performance. KBC Belgium is very proud of its achievement, which attests to our environmental management system being an appropriate tool for compliance with environmental regulations and for achieving our objectives and targets in further improving our environmental performance over the years.



Any person aware of misuse of this certificate may address himself to the BQA, nv. This certificate may only be disclosed in its entirety.  
BQA, nv - rue Montoyer 24 (09) - 1000 Brussels

<sup>25</sup> Target benchmarked against 2006 results.



# KBC AND THE ENVIRONMENT



## Earth Hour Belgium

In March last year, KBC Belgium again gave its support to the WWF-led initiative for the first Earth Hour campaign in Belgium. The aim of this worldwide initiative symbolises the willingness of everyone around the world to co-operate in combating climate change. KBC was one of the 20 000 businesses that took part in this initiative that spanned 88 countries and more than 4 000 cities.

## Paper <sup>26</sup>

In accordance with its goal of reducing the amount of paper it consumes by 5% from baseline year 2007, KBC has continued during 2009 to push on with its initiatives to support this ambitious goal. Involving our employees, naturally, is the most important part of our paper-reduction plan, because they are the most immediately involved. The following is an overview of the paper campaigns conducted in 2009:

### Raising user awareness

The aim of this campaign was to focus on obtaining a realistic picture of the volume of paper consumption per division and per cluster. This was done by providing detailed consumption information by e-mail to all employees. The information was first made available in 2008, with a quarterly status follow-up in 2009, a process that will continue in 2010. The aim is to make information structurally available on a regular basis for both head office and the branch network. Reporting on the efforts made has also featured in the internal newsletter, enabling everyone to be aware of all the steps that have characterised the campaign so far. Those efforts have included the use of posters to promote different projects, and a forum whose suggestions have been posted on the intranet. The overall findings of this campaign were encapsulated in the commitment of all the employees and their willingness to maintain that commitment during 2010. There has also been a 13.5% drop in the number of white paper boxes within the Belgian divisions, which has translated into financial savings of 20%, a very motivating result.

### Changing the paper weight

Finding new and effective ideas to save paper is a challenging task. As already pointed out, KBC capitalises on the knowledge of its workforce as a basis to find valuable and easy-to-implement solutions. In order to enhance the fun aspect of sustainability, KBC launched an internal quiz to encourage everyone to come up with innovative ways of solving the problem linked to paper reduction, i.e. how to reduce paper use without printing less. KBC's solution in the end was to reduce the weight of the paper itself. The message passed through all our Belgian divisions, resulting in 2009 in a net saving of 4.9% or 2 663 tonnes of paper.

<sup>26</sup> From 2008, we are gradually able to report on consumption of FSC paper used by commercial printing

# KBC AND THE ENVIRONMENT



## Replacing internal paper flows with electronic communication

One of the goals of the group in Belgium is to distribute all internal information electronically and no longer in paper form. This has already been achieved with a number of internal publications (the ICT Annual Review, Coach!), and certain external information flows (CertiPost for electronic invoicing and the Corporate Social Responsibility publication, the first electronic issue of which was the 2008 number). The next information flows to become electronic will be the communication material used for contacting consumers, such as the 'Savings & Investment' newsletters sent out by Asset Management. We are also taking a closer look at paper listings and plan a substantial reduction for 2010. In 2009, KBC also tackled the management of internal account statements, setting a reduction target of 80% for 10 000 customers. Further efforts have been made in the development of internal campaigns and, overall, we achieved a total reduction of 10% over the year.

KBC also worked in 2009 on developing its processing systems, and more particularly, everything related to digital printing and post-processing within the archiving and scanning activities of the Logistics Department. In this regard, KBC obtained ISO9001 certification for its Belgium Business Unit in March 2009. This certification attests to how reliable our customer-focused approach is and to our solid commitment to the continuous improvement of our operations. It is, moreover, recognition of KBC's ability to serve its customers' demands on the basis of a clear focus on their needs.

## Amount of FSC and recycled Paper use per employee



# KBC AND THE ENVIRONMENT



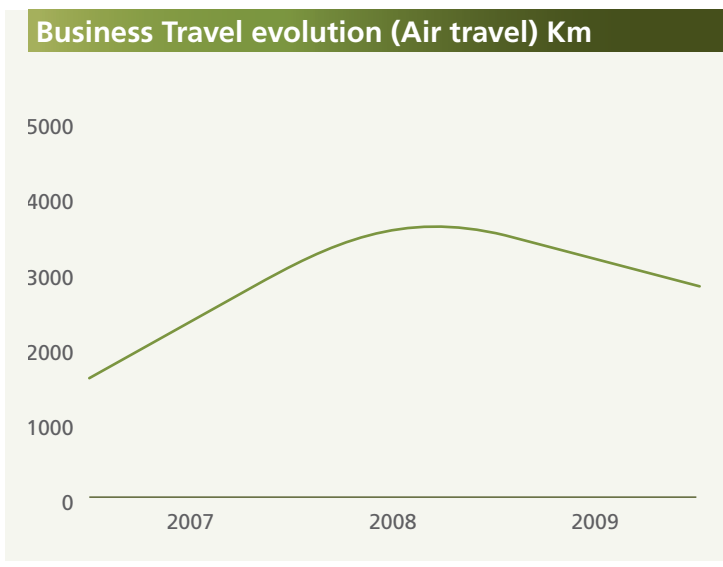
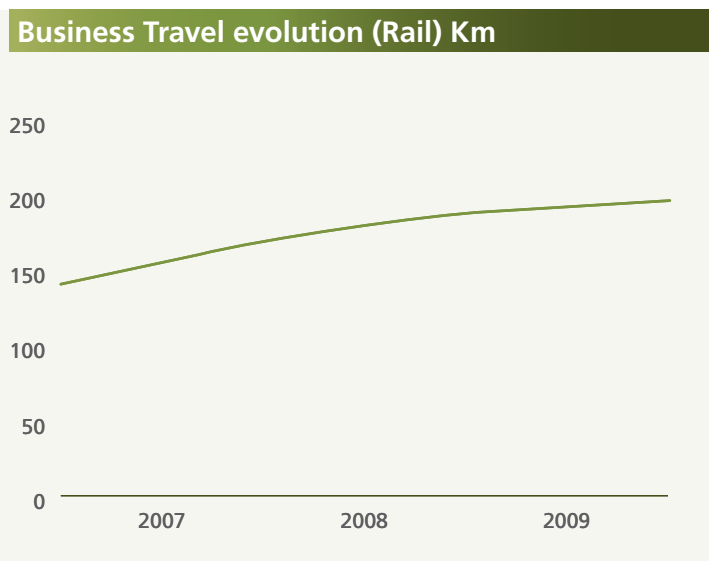
## Eco-friendly catering

Catering facilities are carefully monitored and evaluated at KBC, where a great deal of emphasis is put on opting for reusable materials when procuring supplies for the kitchen and the in-house restaurant. A limit is placed on foodstuff packaging and special care is taken to improve the delivery of drinks, while minimising the packaging, in which respect bottles that can be recycled are also used. The BioWare range of cups used at KBC in Belgium have been developed to have a lower impact on the environment and are made with various compostable raw materials (mainly bio-coated paper and biopolymers). All BioWare products are certified in accordance with EN13432, the European standard for compostable packaging. The percentage of bio-degradable cups<sup>27</sup> used has gone up by 12.5% on last year's level. The plans for 2010 include switching some of the products we serve to fair trade products. For instance, from the beginning of 2010, we will start serving fair-trade rice in all the restaurants of our Belgium Business Unit.

Since 2007<sup>28</sup>, the amount of recycled waste has decreased by 27%, while the percentage of incinerated waste has gone up by almost 630%, and the percentage of land filled waste has increased by 36%.

## Business Travel

The tables show the commuting and business travel undertaken by KBC employees in 2009. Although, in absolute values, we have registered an increase in the number of kilometres of air travel since 2007<sup>29</sup>, (including both short and long-haul flights), the normalised values, as shown below, highlight a clearly decreasing trend, coupled with a 38% increase in rail travel during the last three years.



27 For more information, visit [www.hiitamaki.com](http://www.hiitamaki.com)

28 See Absolute figures on recycled waste on page 2

29 As presented in the table on page 2

# KBC AND THE ENVIRONMENT



The steps taken by KBC to reduce emissions arising from commuting have focused mainly on the promotion of environmentally friendly transport and on the use of public transport.

Employees are reimbursed in full for public-transport season tickets. Furthermore, the intranet offers a permanent direct link to public transport companies' websites, thereby offering rapid access to timetables, connections and online ticket sales. KBC also provides a shuttle bus service in Brussels and Leuven, between the railway stations and the respective head office buildings.

The efforts within the group to consolidate the data relating to our environmental figures continue and we are working towards a complete alignment in order to be able to fully consolidate data and have group-wide comparable figures for the future. Below are figures relating to some of the entities based in Central and Eastern Europe. Note that all the figures are normalised<sup>30</sup> and that the figures relating to business travel include details for rail, road, short and long-haul flights.

<b>ČSOB Group</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Energy (GJ)	22.62	20.46	20.83
Total Business travel	6 062	2 236	2 627
Paper (t)	0.17	0.15	0.14
of which FSC	98%	0	0
Water (m3)	14.5	14	13
Waste (t)	0.22	0.21	0.25
Emissions (t)	1.8	1.9	2

<b>Serbia</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Energy (GJ)	72.45	38.98	32.64
Total Business travel	1 068	1 336	1 613
Paper (t)	0.05	0.06	0.05
Water (m3)	33	27	36
Waste (t)	0.008	0.007	N/A

<b>K&amp;H Insurance</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Energy (GJ)	15.34	16.35	15
Total Business travel	3 043	1 515	2 380
Paper (t)	0.16	0.23	30
Water (m3)	9.7	9.7	9.5
Waste (t)	0.44	0.46	0.65
Emissions (t)	3.15	2.7	1.96

<sup>30</sup> FTE in ČSOB 2007:9 099, 2008:9 256, 2009:8 720; Serbia 2007:383, 2008:602, 2009:635; K&H 2007:3 962, 2008:4 127, 2009:4

# KBC AND THE ENVIRONMENT



## Sustainable procurement

KBC's group-wide decision to adopt a specific policy to guarantee that our suppliers<sup>31</sup> were abiding by the same sustainability requirement of the KBC group has allowed us raise our standards even higher. The policy was adopted to clearly make our statement towards the requirements contained in the ten principles UN Global Compact. The scope of this policy extends to all companies supplying the KBC group<sup>32</sup>, and all the KBC group's direct and indirect subsidiaries. All those who wish to enter a supplier's business relationship with KBC have to sign KBC declaration of sustainability. For a complete list of specific requirements for KBC suppliers, please visit our section on suppliers on [www.kbc.com](http://www.kbc.com).

Such strict implementation and follow-up has paid off. KBC Group companies registered an important increase in the number of suppliers which have signed up to its CSR requirements. The number of CSR compliant suppliers has in fact reached 786, increasing the number of purchases made from compliant suppliers from 22.5% in 2007 to 68% in 2009, a great achievement.

KBC makes a distinction between absolute minimum requirements and other aspects that may be regarded as positive points or recommendations; these will be regularly reviewed and updated, in order to make sure that they continue to be in line with our stakeholders' expectations and with normal business practices. On top of that, KBC expects its suppliers to keep it informed about any changes in their policies regarding the above-mentioned key areas and at the same time, to take a proactive stand as responsible businesses.

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31 The decision required all departments, and explicitly asked to initially focus on those suppliers that invoice more than 500 000 euros to KBC.

32 KBC Group NV, established at 2 Havenlaan, 1080 Brussels and the following companies: KBC Bank NV, KBC Insurance NV, KBC

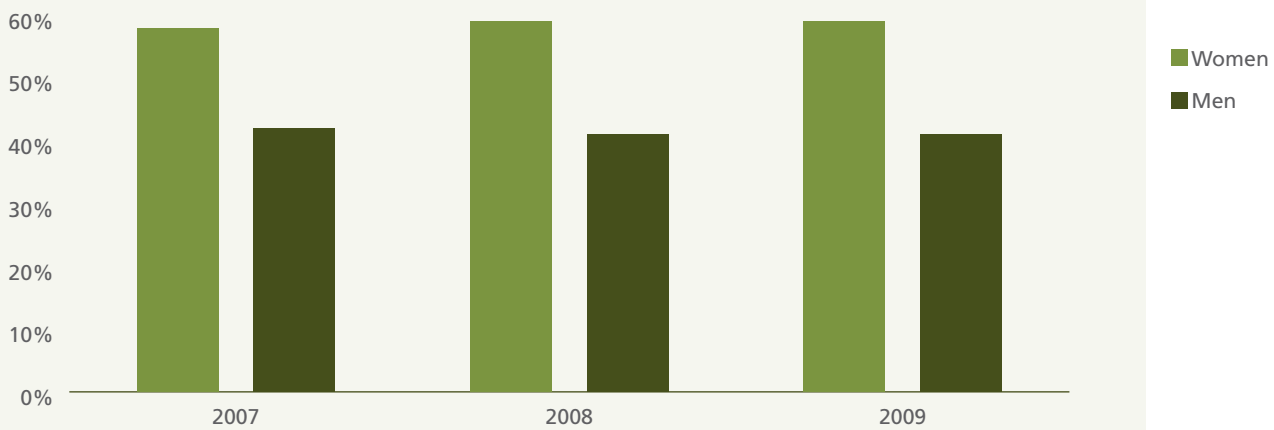
# OUR HUMAN RESOURCES

The financial crises represented a very big strain for employees in the financial sector. KBC is very aware of the responsibilities it has as an employer in all the regions of the world. Employees are the key success factor for the group and KBC ensured it provided good opportunities for personal development and a good mix of responsibilities. The HR policy revolves around clear pillars of job stability, attractive personnel structures and a relationship of trust, which KBC is known for. Ensuring the good evolution of the careers of our workforce is also mirrored in its representation. KBC respects its commitment to prevent discrimination and ensure equal opportunities<sup>33</sup> as shown in the tables. The ratio of women in KBC has been rather stable, as shown in the table, for the past three years. The ratio is a rather good indicator of a balanced situation common to all entities of the group.

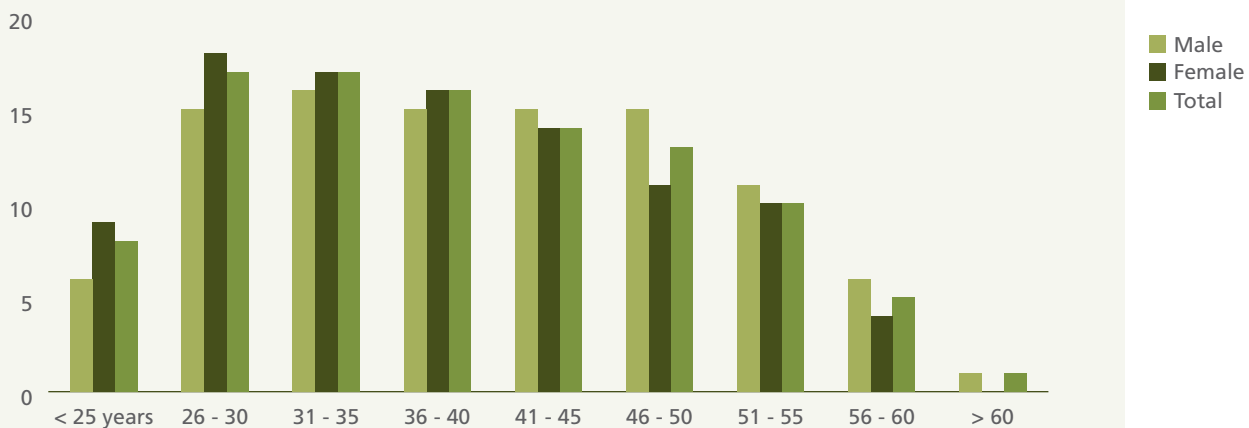
The same goes for the representation of the workforce by age and gender, which is very much in line with the results of the previous year. Of note is a sharp increase in the representation of men in the age category between 46 and 50. The average age is at 38.9 and the average years of service 10.4.



**Breakdown by gender of the KBC Group 2009**



**Breakdown by age and gender of the KBC Group 2009**



Global Services NV and Centea NV.

<sup>33</sup> Supporting our employees right to collective bargaining is also part of our commitment to the UN Global Compact: Principle 3:

# OUR HUMAN RESOURCES

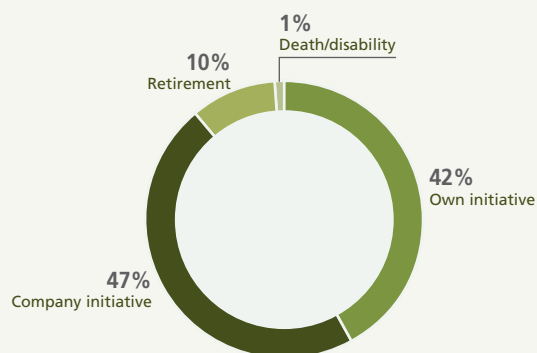


On the other hand, the next table confirms a rising trend which already became evident last year, in the representation of women in the senior management category, which has gone up up by 27% since 2007 and which we hope continues to grow in the next years.

Breakdown per pay category	2007	2008	2009
Senior management	1 658	1 944	1 788
of which women	342	406	435
Junior and middle management	19 796	20 659	21 371
of which women	8 445	8 962	8 831
White and blue collar staff	38 295	39 268	34 787
of which women	26 231	27 295	23 709

The following table shows the reasons behind employee departures. Results varied significantly in the past three years, especially with regard to the percentage of employees who left on their own initiatives which is down 43% since 2007 and, conversely, employees who left on KBC's initiative up 94%. The ratio of new recruits to employee departures has dropped by 61% in the last three years due mainly to a sharp decrease in new recruits, also originating from a recruitment freeze caused by the financial crises. This situation is likely to change significantly in the years to come.

## Reasons for employee departures 2009



(in number of employees)	2007	2008	2009
new recruits	10 018	9 752	3 629
employee departures	7 443	6 501	7 013

# OUR HUMAN RESOURCES



## Age matters!

The 'age-conscious HRM policy' developed and implemented at KBC last year, is our way of making sure that employees of every age remain well-motivated and dynamic throughout their career. Maintaining a good employability level in every stage of life, this is the objective we have at KBC. Mental flexibility remains one of the conditions necessary to this equation. In order to keep mental flexibility high, a career has to be rich in challenges, with good opportunities for learning and for sharing knowledge. KBC follows a series of steps in order to ensure it meets its targets:

- Measuring mental fitness
- Programming and planning the 'Horizon' training
- Holding career evaluation meetings for employees aged 50 or more
- Communicating and integrating 'age-conscious policy' into the HRM framework

Measuring mental fitness means raising awareness among employees as to which tools are best to allow for a mental fitness test. This facilitates the development of a strategy around five axes of relevance, namely: the specific job, the complete career span, continuous training, knowledge-sharing and maintaining knowledge level. Every job foresees different challenges which come with responsibilities and participation in projects. KBC always makes sure it provides its employees with the possibility to find new challenges in other positions in order to rotate and experiment what other jobs have to offer. Continuous training is a crucial part of the process and KBC provides its workforce with ongoing possibilities to receive training. The degree of mental fitness is then measured with electronic questionnaires for all KBC personnel working at headquarters and in branches all around the north of Belgium. As part of the 'Horizon' trainings employees have the possibility to follow different courses on operational management, knowledge management, communication and self-management. These specific modules were implemented in the course of 2009 with the help of an external trainer. The extra challenge for tailor-made trainings courses focusing on senior members of staff is to encourage these employees to focus on what they envision to be their future challenges, taking into account that the main emphasis lies in finding constructive ways to enhance already existing knowledge and competencies. KBC strives to help its employees to keep a high level of mental flexibility and the underlying aim of the Horizon program is to focus on encouraging employees to take full responsibility for the management of their career by taking advantage of the training courses offered and through knowledge sharing. The tool developed to measure mental flexibility is present on KBC's intranet, together with the results of the latest evaluations, which are used to clearly identify the different needs for development within the different departments of the group. Throughout its experience, KBC has understood what are the important focus points to succeed in a constructive personal development policy. It seems crucial to start with a precise analysis of the characteristics of the particular group we want to focus on, without leaving out those categories which may seem out of target but have direct links with an homogenously even internal development. Creating a visible thread among all the actions in the earlier stages of a career, while guaranteeing interaction with management and trade unions and ensuring internal as well as external communication. These are the crucial steps KBC follows to transform a project into a policy.

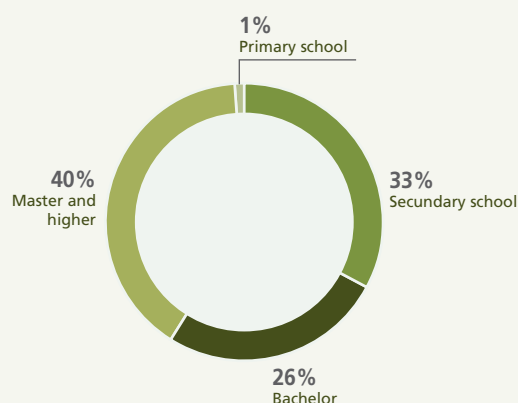


# OUR HUMAN RESOURCES



KBC has embarked on a trend that is going to put more emphasis on in-house training facilities than external ones. We look at this trend more specifically when we describe the strategy which characterises HR management at \_SOB. Nevertheless, as the table on training depicts, this clearly is a trend which is valid for the entire group, as internal training has gone up by 25% in the last four years.

## Reasons for employee departures 2009



The composition our workforce has been mostly stable for the past three years. The most significant changes are in the composition of those with a secondary school certificate, which has gone down by 9% in the last three years and which has been compensated by an 11% increase in those who hold a master's degree or a higher qualification.

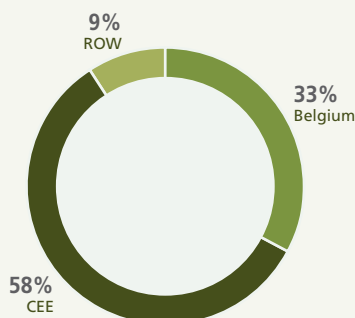
Training Costs	2006	2007	2008	2009
Number of FTE covered	41 046	39 055	43 635	37 926
"Training cost as a % of total HR budget"	2.22%	2.47%	2.91%	1.3%

Breakdown of courses according to course days	2005	2006	2007	2008	2009
Number of course participants days (total)	277 956	282 316	290 656	401 747	292 183
In-house courses	187 045	207 709	193 844	289 084	233 034
External courses	90 911	74 607	96 812	112 752	59 149
Average number of training days per FTE	7.44	6.88	7.44	6.52	5.19

# OUR HUMAN RESOURCES



## International deployment of staff



## Continuous coaching opportunities

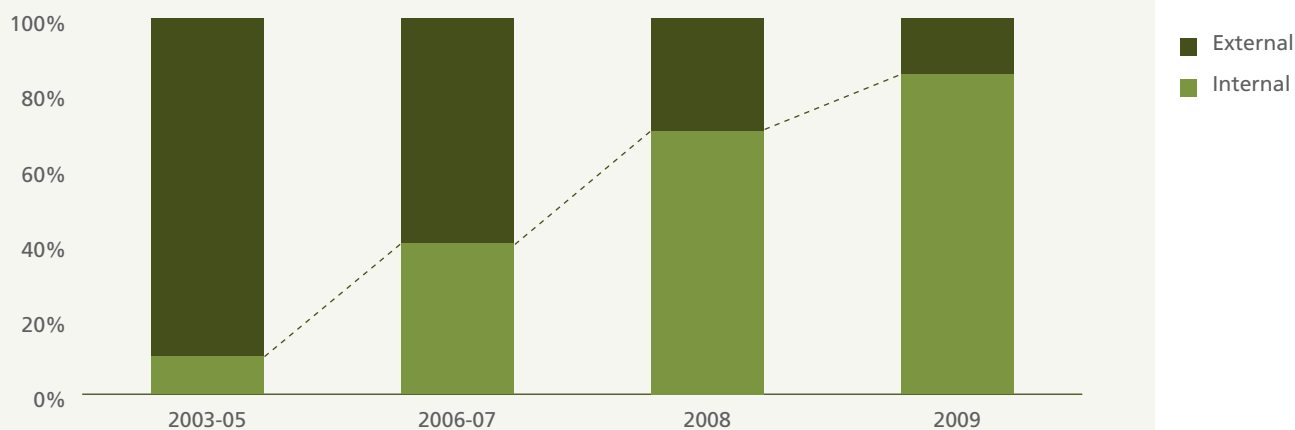
The ČSOB coaching centre provides coaching services, giving advice relating to choosing a proper coach, supporting a definition of coaching contracts and setting out implementation of coaching in accordance with ČSOB rules. The ČSOB coaching centre is aimed at creating an effective system and tools to enhance employees' motivation, self-reliance and corporate readiness to cope with permanent changes and new challenges within the economic environment. Starting from 2009, internal coaching has been offered to all ČSOB staff, middle and line managers. However, talented employees with notable managerial potential still remain the main target group of this activity.

Since the 'coaching culture' was launched and implemented at ČSOB, back in 2005, all managers have been passing through Leadership Academy, where group coaching was part of a programme. While some of the top and middle managers hired external coaches and completed their first coaching contracts, between 2006 and 2007 the first internal coaching contracts were rolled out. During 2009, 10 managers, compared with 15 in the previous year, were coached by external professionals, while 60 managers and talented employees, compared with from the 32 in 2008, used the internal ČSOB coaches. This shows that trust and competencies are growing in parallel at ČSOB, as represented in the table showing ČSOB coaching centre data trend.

# OUR HUMAN RESOURCES



ČSOB Coaching centre data trend



In Hungary, K&H has further developed and implemented a talent development and succession management system, which supports the identification, development and regular follow-up of employees with leadership potential and or higher level professional competencies. This plays a fundamental role in the composition of a 'living org-chart' which gives a systematic approach for mapping potential gaps in leadership resources in strategic functional areas, helping to direct human resources activities in order to better meet the requirements of present and future business scenarios.

## Guaranteeing security at uncertain times

KBC agreed with the trade unions<sup>34</sup> in Belgium to avoid any redundancies either on a collective or individual basis linked to organisational, economic, technical and other related reasons, until the end of the 2011. KBC is also counting on the flexibility of its workforce to transform these efforts into reality. With the time-credit option, KBC agreed to extend the conditions of time credit into full-time for a period of one to five years for employees aged 55 and above.

What measures were taken at other entities of the KBC group? During 2009, HR management at ČSOB completely redesigned its bonus scheme. The main objectives of this redesign were ultimate simplification, alignment across the bank, financial sustainability and a view to creating a closer link between the bonus scheme and the mid-term financial results. All the changes were designed in a way that would not burden ČSOB financials and would represent a sustainable solution for everyone.

<sup>34</sup> 'Business should uphold the freedom of association and the effective recognition of the right of collective bargaining'

<sup>34</sup> Due to privacy issues, trade unions are not willing to disclose the number of members, therefore it is not possible to either present

# OUR HUMAN RESOURCES



The collective agreement, for the years 2010-2012 at ČSOB and KBC Global Services in the Czech Republic, focuses largely on ways to improve the proportion of assets for social funds and health care benefits while strengthening the individual responsibility of employees in this division and raising awareness on the issue. In December 2009, after five years of negotiation and discussion, parties reached an agreement which is currently being complemented by an information campaign.

In Poland, a new collective labour agreement was negotiated and a common remuneration policy project finalised.

## Finger on the pulse

Once again, KBC is proud to be awarded the prize as one of the best companies to work for in Belgium. KBC is proud of this recognition which has characterised its style as employer over the years and which KBC is proud to maintain.

We strive to guarantee the rights of our employees against any discriminating factor they might encounter in their working relations. We have set different policies and procedures in place that constitute a formalised grievance procedure.

In last year's report, we stressed the importance the KBC group places on finding out new ways to improve the working conditions of its employees through finding out how to meet the needs. The specific section on Mobility included in the Satisfaction survey helped us further delve into the degree of importance employees place on the flexibility aspect of their work, especially when it comes to mobility. Thanks to this tool we were also able to develop and implement PLATO. Finger on the pulse, our satisfaction survey showed in January 2009 the same positive results registered in November 2006. Just like in 2006, only 4% of employees said they were dissatisfied with working at KBC and only 6% would not recommend KBC as an employer. The involvement index registered 80, like the previous survey. Nevertheless, the level of involvement registered at head office and the branches is somewhat different than in the previous survey and is 4 points higher than the branches, which still register a rather positive result of 77 points. Another similar result is to be found in the satisfaction level concerning the different macro dimensions of the work, with results similar to the levels of 2006. Satisfaction is higher with regard to the workload, evaluation policy, the career prospects and development possibilities. The general satisfaction level with the Executive Committee and the Board, together with the financial appreciation, remain unchanged compared to the 2006 levels. On the other hand, the satisfaction level relating to the strategic decisions taken by the Executive Committee went down by 5.6% compared to 2006 levels. Clearly, the element which differs most in terms of results, is the satisfaction level in relation to job security. This figure has gone up by 6%, but is still rather low, at 9%. Satisfaction regarding the competitive position of KBC as an integrated bancassurance group was down 3% on 2006 levels. Comparing these results with the general climate of the financial crises, we can clearly conclude that the external context has had little negative impact on the satisfaction level of employees, and only with regards to job security. Furthermore, existing problems are very much correlated with exogenous factors, a clear positive sign for the group.

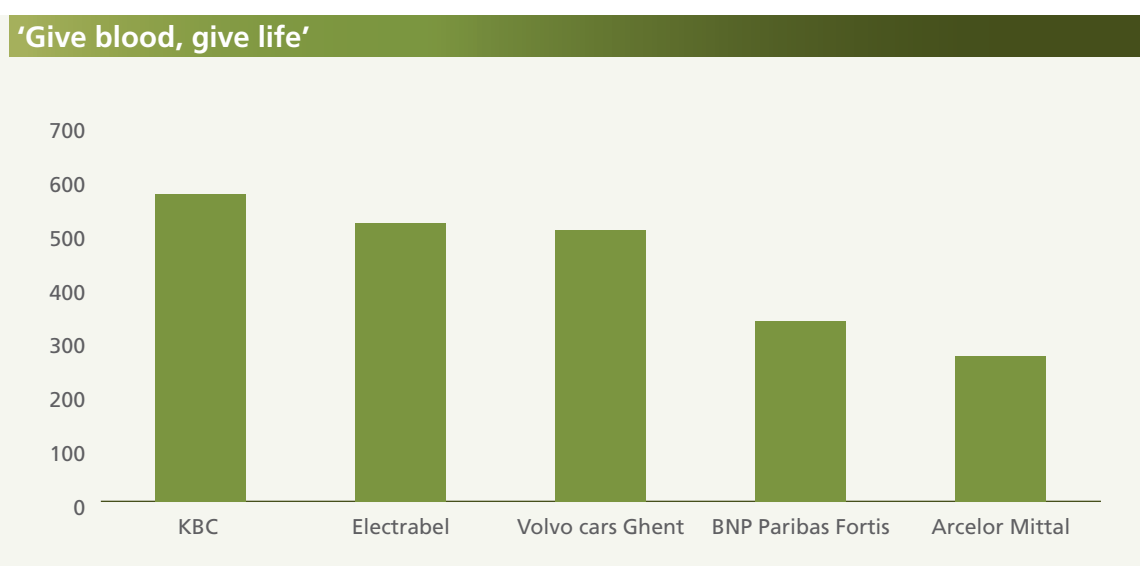


# OUR HUMAN RESOURCES



## Health & Safety

In August 2009, the Red Cross in Flanders launched its 'Give blood, give life' campaign in which it aims to recruit 4 000 new blood donors per month over a year-long period. KBC took part in the January campaign which focused on Flemish-based companies. With 4 831 new donors, the January target of 4 000 new donors in these companies was far exceeded. The aim was to acquire 200 candidates per company. 572 KBC employees put themselves forward as blood donors, helping KBC achieve an extraordinary result, being ranked as first in the top five participating companies:



In addition, KBC organises an annual blood collection drive in its administrative buildings in Brussels and Leuven.

And because it participated in both campaigns, the Red Cross has awarded it the **'Company with a heart'** logo. KBC considers this award as the pinnacle of years of good co-operation with the Red Cross, which KBC wants to continue in the future.

# OUR HUMAN RESOURCES



On a positive note, the percentage of absenteeism shown in the table\* due to illness has either remained stable or gone down since last year. Only in the CEE countries, we notice a raising trend<sup>35</sup>. Since we are not able to provide more detailed figures on the specific causes behind the sickness absence, we cannot elaborate or depict any logical trend.

Employee absenteeism in KBC Group (in %)	2007	2008	2009
Sickness	7.1	8.5	8.4
Maternity leave	4.1	5.6	5.5
Accidents	0.2	0.2	0.2
Other	0.2	0.2	2.2
<b>Total</b>	<b>11.6</b>	<b>14.5</b>	<b>14.2</b>
In Belgium	7.9	8.4	8.4
In CEE	14.3	18.8	21.8
In ROW	0.0	0.0	0.0

## The H1N1 pandemic

Last year was also characterised by the danger posed by the H1N1 flu virus (also known as 'swine flu') which has affected many tens of thousands of people worldwide. Throughout the year and in the most dangerous seasons, KBC rolled out an information campaign which ensured all employees were kept up-to-date with useful information, through the intranet and internal publications.

KBC took several measures to ensure its employees would be reasonably protected, by equipping head offices and bank branches with alcoholic gels for disinfecting hands and other products that improve hygiene. Employees are also alerted with posters displayed to urge them to observe a number of rules regarding hygiene in order to help restrict the spreading of the flu. In line with the Business Continuity Plan at KBC group, every department and or division must have a list of crucial members of staff, including their replacements and, where applicable, their replacements' replacements. This list has to be kept updated and employees informed accordingly.

or monitor this indicator.

# OUR HUMAN RESOURCES



## The importance of being ergonomic...

The term 'ergonomic' derives from the Greek words: 'ergon' meaning work and 'nomoi', meaning natural laws. Ergonomists try to find ways in which the negative effects of the static nature of work can be reduced. At KBC, we are all aware of the difficulties our muscles encounter while being forced to remain in static positions all day, for most days of the year. At KBC, we try to help employees find ways to prevent the risk of injuries deriving from long hours of still work. Internal informational campaigns were run throughout 2009 to reiterate the importance of basic movements which can prevent our employees suffering serious injury. Advice and reminders are sent out on a regular basis to make sure our employees do not forget our motto: exercising helps.

**Draai je hoofd langzaam van links naar rechts.**



**Duw je hand naar beneden en kantel je hoofd zijwaarts.**



Je moet de bewegingen zachtjes voelen, ze mogen zeker geen pijn doen.





GRI - G3 index



We are applying the B level to our report and have covered the minimum required disclosures associated with this level, as well as the inclusion of the Financial Sector Supplements (social and environmental indicators). For the second consecutive year, we have submitted our CSR report to a GRI-Checked Application Level.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

\*Sector supplement in final version

<b>Content and description<sup>36</sup></b>	<b>Page</b>
<b>Strategy and analyses</b>	
1.1 CEO statement	4-5
1.2 Key impacts, risks, and opportunities	22-26
<b>Organisational profile</b>	
2.1 Name of organisation	Front cover, 7
2.2 Products and services	7
2.3 Operational structure	8-9, 11, <a href="http://www.kbc.com/csr">www.kbc.com/csr</a>
2.4 Location of headquarters	10
2.5 Countries located	10
2.6 Nature of ownership and legal form	9
2.7 Markets	10
2.8 Size of operations	6-7,9,10
2.9 Organisational changes	8,10-11
2.10 Awards	22-26, <a href="http://www.kbc.com/csr">www.kbc.com/csr</a>
<b>Reporting parameters</b>	
3.1 Reporting period	6
3.2 Previous report	6
3.3 Reporting cycle	6
3.4 Contact person(s)	Back cover page, <a href="http://www.kbc.com/csr">www.kbc.com/csr</a>
3.5 Process report content	6
3.6 Scope	6
3.7 Scope limitations	6
3.8 Basis for reporting on joint ventures, subsidiaries	6-9
3.9 Data measurement techniques	6
3.10 Re-statements	none
3.11 Reporting changes	6
3.12 Standard disclosures	6, 73, 81
3.13 Policy & practice on external assurance	6, 73
<b>Governance, Commitments, and Engagement</b>	
4.1 Governance structure	Corporate Governance Charter <sup>37</sup> pages 5,6
4.2 Chair of the highest governance body	Corporate Governance Charter pages 23
4.3 Independent members	Corporate Governance Charter page 19
4.4 Mechanisms for shareholders and employees	Corporate Governance Charter (partially, as the more complete original agreement is not for publication. Nevertheless, a comprehensive summary version is available within the CG Charter pages 8-9,22)
4.5 Compensation of highest governance body	Corporate Governance Charter pages 21-23+40-41
4.6 Processes to ensure conflicts of interest are avoided	Corporate Governance Charter pages 26-27,43-44
4.7 Expertise of highest governance body	Corporate Governance Charter pages 20+40+21
4.8 Internally developed statements	15, 29
4.9 Procedures of the highest governance body	Corporate Governance Charter pages 24-25,29,32,35,37,42
4.10 Performance highest governance body	Corporate Governance Charter page 26,43
4.11 Precautionary approach	12-16,27

<b>Content and description<sup>36</sup></b>	<b>Page</b>
4.12 Externally developed principles	18,4-5,28,33,45,56
4.13 Memberships in associations	28, <a href="http://www.kbc.com/csr">www.kbc.com/csr</a>
4.14 List of stakeholder groups	3,7,18
4.15 Identification and selection of stakeholders	3,27
4.16 Approaches to stakeholder engagement	20,22,27
4.17 Key topics through stakeholder engagement	3
<b>Economic performance indicators (core only)</b>	
EC 1 Direct economic value	Back Cover, <a href="http://www.kbc.com/csr">www.kbc.com/csr</a>
EC 2 Financial implications due to climate change	20,22,47
EC 3 Coverage of defined benefit plan obligations	NR
EC 4 Financial assistance received from government	4
EC 6 Locally-based suppliers	60-61
EC 7 Local hiring	NR
EC 8 Infrastructure investments & services for public benefit	30-37
<b>Environmental performance indicators (core &amp; additional)</b>	
EN 1 Weight or volume of materials used	2,57-58,60
EN 2 Recycled input materials	58
EN 3 Direct energy consumption	2,55-56
EN 4 Indirect energy consumption	2, 55-56
EN 6 (add.) Initiatives on energy-efficient or renewable energy	56,47
EN 8 Total water use	2, 60
EN 11 Location land in protected areas	NR because KBC does not own land in protected areas
EN 12 Significant impacts on biodiversity	NR
EN 16 Direct and indirect greenhouse gas emissions	2,55,60
EN 17 Other relevant indirect greenhouse gas emissions	NR
EN 19 Emissions of ozone-depleting substances	NR
EN 20 NOx, SOx air emissions	NR
EN 21 Total water discharge	NR
EN 22 Total weight of waste	2, 59
EN 23 Total spills	NR
EN 26 Initiatives to mitigate environmental impacts	22-23,34,54-60
EN 27 Products reclaimed at the end of the products' useful life	NR
EN 28 Monetary value of significant fines	None
<b>Social performance indicators</b>	
<b>Labour Practices and Decent Work (core &amp; additional)</b>	
LA 1 Breakdown of total workforce	(partial reporting as the full-time and part-time break down was not available) 2,62-63
LA 2 Employee turnover	62-63
LA 4 Employees covered by collective bargaining agreements	67
LA 5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	NR
LA 7 Rates of injury, occupational diseases, lost days, and absenteeism	69

<b>Content and description<sup>36</sup></b>	<b>Page</b>
LA 8 Risk-control programmes regarding serious diseases	69
LA 10 Training per employee category	63-64
LA 11 (additional) Programs for skills management and lifelong learning	64-65
LA 13 Gender breakdown of governance bodies	2,62
LA 14 Ratio of basic salary of men to women	62
<b>Human Rights (core)</b>	
HR 1 Significant investment agreements that include human rights clauses	39,41
HR 2 Screening of suppliers on human rights	60-61
HR 4 Incidents of discrimination	-procedures at group level to prevent discrimination and to support affected employees-67
HR 5 Incidents of violations of freedom of association and collective bargaining	NR
HR 6 Child labour	5,33,61
HR 7 Forced or compulsory labour	5,33,61
<b>Society (core)</b>	
SO 1 Impact on communities	2,4-5,22-38
SO 2 Number of business units analyzed for risks related to corruption	16
SO 3 Employees trained in organization's anti-corruption policies and procedures	15-16
SO 4 Actions taken in response to incidents of corruption	15-16
SO 5 Public policy positions and participation in public policy development	NR
SO 8 Monetary value of significant fines	NR
<b>Product Responsibility (core &amp; additional)</b>	
PR 1 Improving health and safety impacts across the life cycle	39-43
PR 3 Product information and labelling	39-43
PR 5 (additional) Customer satisfaction	49
PR 6 Marketing communications	NR
PR 9 Monetary value of significant fines	None
<b>Financial Sector Supplement Indicators (Social)</b>	
CSR 1 CSR policy	27
CSR 2 CSR organisation	27
CSR 3 CSR audits	12-16
CSR 4 Management of sensitive issues	12-16
CSR 5 Non-compliance with regulations	None
CSR 6 Stakeholder dialogue	27-29
INT 1 Internal CSR policy	27
INT 2 Staff turnover and job creation	63
INT 3 Employee satisfaction	68
INT 4 Senior management remuneration	Corporate Governance Charter page 22-23+40-41

<b>Content and description<sup>36</sup></b>	<b>Page</b>
INT 5 Bonuses fostering sustainable success	None. Bonuses are not granted within KBC Group, as part of internal policy
INT 6 Female-male salary ratio	62
INT 7 Employee profile	62-63
SOC 1 Charitable contributions	38
SOC 2 Economic value added	Back cover
SUP 1 Screening of major suppliers	60-61
SUP 2 Supplier Satisfaction	NR
RB 1 Retail banking policy	50-51
RB 2 Lending profile	50-51
RB 3 Lending with high social benefit	NR
IB 1 Investment policy	39-40
IB 2 Customer policy	48
IB 3 Transactions with high social benefit	39-43
AM 1 Asset management policy	39-43
AM 2 Assets under management with high social benefit	39-43
AM 3 SRI oriented shareholder activity	39-40
INS 1 Underwriting policy	48
INS 2 Customer profile	48
INS 3 Customer complaints	49-50
INS 4 Insurance with high social benefit	51

#### **Financial Sector Supplement Indicators (Environmental)**

F1 Policies applied to core business lines	12-16,48-50
F2 Screening of environmental risks	44-45
F3 Threshold(s) for risk assessment	39-43
F4 Monitoring aspects raised in risk assessment process(es)	39-43,45-46
F5 Addressing risks and opportunities	44-46
F6 Audits of risk systems and procedures	NR
F7 Interaction with stakeholders about risks and opportunities	42-45
F8 Engagement with companies in portfolio	43,44-46
F9 Assets subjected to screening	43,44-46,39-40
F10 Share voting policy	43,44-46
F11 Assets under management with right to vote shares	43,44-46
F12 Value of products and services	NR
F13 Value of portfolio	NR

Disclosure on management approach						
	Materiality	Responsibility	Objectives and performance	Policy	Training	Monitoring
<b>Economic</b>	Economic Performance Market Presence Indirect Economic Impacts	Group Executive Committee	AR	AR	NA	AR p. 2-3 pp. 4-11
<b>Environment</b>	Materials Energy Water Emissions, Effluents, Waste Transport	Logistics Department	pp. 52-61	Group Environmental Policy	p. 52	pp. 56-58
<b>Labour practices</b>	Employment Labour Relations Occupational Health & Safety Training and Education Diversity and Equal Opportunity	Human Resources	pp. 62-71	Group employee policy	pp. 63	p.62-63
<b>Human Rights</b>	Investment & Procurement Non-discrimination Freedom of Association & Collective Bargaining	Credit /Assett Management/Logistics Human Resources	pp. 39-43 p. 62	Group Human Rights policy pp. 61 Group Human Rights policy Group employee policy	NR pp.61-63	pp. 49-55 pp. 61-63
<b>Society</b>	Community  Corruption Public Policy Anti-competitive Behaviour Compliance	Sponsorship Department  Group Compliance	pp. 29-38  p. 12 pp. 13-14	Group Community Involvement policy Group Code of Conduct, Anti- corruption policy statement, Anti-money laundering certification pp. 12+14-16	NR  pp. 15-16	p. 38  pp. 12+14-16
<b>Product responsibility</b>	Product & Service Labelling Marketing Communications Customer Privacy Compliance	Business Lines/Asset Management Marketing/ Communications Depts. Compliance	49-50  12-17	49  12-17	50  16	50  16

**Global Compact - GRI cross-reference table**

<b>Global Compact Issue Areas</b>	<b>Global Compact Principles</b>	<b>Directly Relevant GRI Indicators</b>	<b>Indirectly Relevant GRI Indicators</b>
Human Rights	Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights.	HR1-9	LA4, LA13, LA14 ; SO1
	Principle 2 - Businesses should ensure that they are not complicit in human rights abuses.	HR1-2, HR8	
Labour Standards	Principle 3 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5; LA4, LA5	
	Principle 4 - Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR7	HR1-3
	Principle 5 - Businesses should uphold the effective abolition of child labour.	HR6	HR1-3
	Principle 6 - Businesses should uphold the elimination of discrimination in respect of employment and occupation.	HR4; LA2, LA13, LA14	HR1, 2; EC5, EC7; LA3
Environment	Principle 7 - Businesses should support a precautionary approach to environmental challenges.	Profile Disclosure 4.11	EC2
	Principle 8 - Businesses should undertake initiatives to promote greater environmental responsibility.	EN2, EN 5-7, EN10, EN13-14, EN18, EN21-22, EN26-27, EN30	EC2; EN1, EN3-4, EN8-9, EN11-12, EN15-17, EN19-20, EN23-25, EN28-29; PR3-4
	Principle 9 - Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN2, EN5-7, EN10, EN18, EN26-27	
Anti-Corruption	Principle 10 - Businesses should work against all forms of corruption, including extortion and bribery.	SO2-4	SO5-6

# KBC AT A GLANCE

## Consolidated income statement, KBC Group

In millions of euros	IFRS		Underlying result*	
	2008	2009	2008	2009
Net interest income	4 992	6 065	4 910	5 497
Gross earned premiums, insurance	4 585	4 856	4 585	4 856
Gross technical charges	-3 883	-4 436	-3 883	-4 416
Ceded reinsurance result	-72	-64	-72	-64
Dividend income	259	145	196	96
Net (un)realised gains from financial instruments at fair value through profit and loss	-3 481	-3 450	933	938
Net realised gains from available-for-sale assets	95	273	343	293
Net fee and commission income	1 714	1 492	1 755	1 569
Other net income	618	428	404	342
Total income	4 827	5 310	9 172	9 111
Operating expenses	-5 600	-5 292	-5 591	-4 888
Impairment	-2 234	-2 777	-743	-1 913
on loans and receivables	-822	-1 903	-641	-1 883
on available-for-sale assets	-1 333	-350	-44	-16
Share in results of associated companies	-1	-22	13	-22
Profit before tax	-3 007	-2 781	2 850	2 289
Income tax expense	629	234	-470	-507
Net post-tax income from discontinued operations	0	0	0	0
Profit after tax	-2 379	-2 547	2 381	1 782
Profit after tax, attributable to minority interests	105	-82	111	58
<b>Profit after tax, attributable to equity holders of the parent</b>	<b>-2 484</b>	<b>-2 466</b>	<b>2 270</b>	<b>1 724</b>
Breakdown by business unit				
Belgium Business Unit	-397	961	1 145	1 103
CEER Business Unit	188	-242	687	140
Merchant Banking Business Unit	-2 164	-3 272	418	411
European Private Banking Business Unit	-153	109	161	140
Group centre	41	-21	-140	-71
Return on Equity (ROE)	-18%	-23%	16%	16%
Cost/income ratio, banking	104%	104%	64%	55%
Combined ratio, non-life insurance	95%	98%	95%	98%
Credit cost ratio, bankieren	0,70%	1,11%	0,46%	1,11%

\* For a methodology on how the figures are calculated, please refer to the 2009 Annual Report of KBC Group.

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