

KBC Group Anti-Corruption Statement **Joined statement by Johan Thijs – CEO KBC Group** **and Koenraad Debackere – Chairman of the Board of Directors of** **KBC Group**

To make sure that we remain among the trusted financial institutions in Europe, we continue to take our responsibility towards society and local economies seriously and reflect that in our everyday activities. Trust of all involved stakeholders is our license to operate. In order to maintain and increase the level of trust, it is of utmost importance that we behave responsibly in everything we do, at all layers of the organisation, each and every day. KBC therefore considers **responsible behaviour as vital** to successfully implement its strategy and fulfil its role in the society.

Responsible behaviour means for all KBC-staff to go beyond regulations and conformity. The foundation of responsible behaviour is **integrity**, which entails honesty, fairness, transparency, best interest of the client and confidentiality, combined with a sound risk awareness.

Corruption is unacceptable at any time. It is not only linked to potential money laundering with reputation consequences we cannot even assess, but it also undermines the economy and does not serve the interests of a fair and transparent society. Offering or receiving bribes or other benefits of any kind to obtain intentionally an advantage, or not to do something which is required, is not only a criminal offense, it is a behaviour which distorts the market in an unfair way.

It should be very clear that KBC **has a zero-tolerance towards all forms of bribery** and requires compliance with anti-corruption laws and ethical principles in all markets and jurisdictions where we operate. These laws include the UK Bribery Act, the US Foreign Corrupt Practices Act as well as equivalent provisions in other countries where the Group is present. The principles are embedded in our Group Compliance Rule/Policy.

KBC requires all employees, including the Board of Directors, Associated Persons and third-party providers to comply with the principles of its anti-corruption Policy in all their actions whether or not they act on behalf of an entity of KBC-group. And we also strictly monitor whether staff complies with this zero-tolerance policy and will take appropriate actions if that should not be the case.

We are confident that it is only by behaving in a correct manner that we, at KBC, can achieve our objectives in a sustainable way.

Kind regards,

Johan Thijs

Koenraad Debackere



Group Compliance Rule No. 19

Group Compliance Rule: KBC Group Anti-Corruption Program

If you have any questions, please contact ethics.and.fraud@kbc.be

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1. Introduction & background

1.1. KBC Group Anti-Corruption Program

By its decision of 10 May 2011, the KBC Group Executive Committee approved the KBC Anti-Corruption Program. The ultimate goal of this Program is twofold:

- Bring clarity about KBC Group's zero tolerance with regard to all forms of corruption and provide the KBC Group Staff members and associated persons with criteria and principles in order to avoid conflicts of interest.
- Create a groupwide approach for the implementation of all legal requirements stemming from the UK Bribery Act and other legislation linked to anti-corruption. Given its completeness and extra-territorial scope, the principles of the UK Bribery Act form the basis of KBC Group's Anti-Corruption Program.

The overall Program is led and coordinated by KBC Group Compliance. The local coordination of the Program is the responsibility of the local Compliance Function of every KBC Entity, while execution and implementation are a joint responsibility of all involved parties at local level.

This Group Compliance Rule is the concrete elaboration of deliverables and principles of the mentioned Group Exco decision.

This new updated 2021 version replaces the previous version of the Rule, which is hereby cancelled.

1.2. Definitions

Facilitation Payment

A small payment to facilitate routine government action or private company services to which the payer is already legally or otherwise entitled. Examples are passports, permits, licences, access to facilities.

Bribery

As different (local and international) definitions of bribery exist, in this Policy the term 'bribery' is not used in a legal sense but in its common meaning. Paying/offering bribes with the intention to influence the recipient improperly (active corruption).

Receiving/accepting bribes for doing something which would not have been done otherwise or to refrain from doing something which would have been done otherwise (passive corruption). Promising or giving advantages to public officials who are not permitted to be influenced with the intention to obtain an advantage or to obtain a business (public corruption).

Conflicts of Interests

When the individual objective judgment of a staff member can be influenced, or more generally, when gifts or entertainment can, in the eyes of a normal prudent person, create the impression of (trying to) influencing a decision.

Anti-corruption program

The KBC Anti-Corruption program is the clustering of all Group Compliance Rules, (internal) policies, procedures, controls, due diligences, trainings, monitoring, record keeping and monitoring linked to anti-corruption, as described in this GCR 19.

1.3. Regulatory Framework

There is an increasing dual approach to fighting identified white-collar offences like corruption, money laundering, market abuse ... with the power to sanction both administrative and/or criminal sanctions:

- A preventive approach regarding unlawful conduct and focus on compliancy (= regulatory laws) with clear obligations relating to internal systems and controls to prevent and detect unlawful conduct.
- An enforcement approach with increased criminalization and prosecution of unlawful conduct (criminal law).

This GCR is based mainly on the legislation of the UK Bribery ACT. More information on the global regulatory framework can be found on the Compliance Portal.

As KBC endorsed the [UN Global Compact principles](#), it also commits itself to 'work against corruption in all its forms, including extortion and bribery' (= principle 10)

The purpose of this Group Compliance Rule is to provide guidance to put in place these adequate procedures.

2. Top-level Commitment and governance

KBC has a zero-tolerance towards all forms of corruption and this is reflected in the top-level commitments, the anti-corruption program, the KBC codes of conduct and the different related policies.

2.1. Commitment

(Senior) Management is committed to prevent all forms of bribery. They foster a culture across the organization in which bribery is never acceptable and are responsible for ensuring that there is effective design and implementation of the Anti-Corruption Program.

Principle 1 Approval by local Executive Committee (or highest executive body) of a local Anti-Corruption Program, containing all relevant principles from the KBC Group Anti-Corruption Program.

The local Exco (for Entities without Exco: the highest executive body) should approve an Anti-Corruption Program at local level, containing all relevant provisions and principles from this Group Compliance Rule, including the strategy for implementation. This document should be prepared by local Compliance.

This document should include also at least the following:

- The commitment to carry out business fairly, honestly and openly, as stated in KBC's principles on responsible behaviour.
- Commitment to a zero-tolerance towards bribes and corruption.

Principle 2 The local CEO (or GM) issues a clear statement about the anti-corruption culture he/she expects and about consequences of breaches

The CEO (for Entities without CEO, the General Manager in charge) should make a clear statement about the anti-corruption culture which he/she expects, and the consequences of breaching these ideals.

The 'tone at the top' should also be reinforced by the following actions, some of them being part of other principles below, while the others are optional best practices:

- Training for senior managers (see further under "Training").
- Endorsement of publication of bribery prevention measures (see further under "Communication").
- Senior management communications (speeches, presentations...) to employees and business partners (see further under "Communication").
- Engagement with sector organizations/media/relevant NGO's; reference to the Entity's involvement in any collective action against bribery in, for example, the same business sector.
- Oversight of breaches and feedback to the senior management bodies, including clear disciplinary procedures (see further under "Reporting").
- Making the result of the constant monitoring a regular item on the agenda of the Management Committees and on a regular basis of the Executive Committee and Audit, Risk and Compliance Committees. (see further under "Reporting").

Those Entities acting on a subgroup level should make to cause all affiliates to maintain/comply with the KBC Anti-Corruption Program.

2.2. Governance: proportionate procedures and policies

General

Principle 3: Management should design **detailed policies and procedures** based on the results of the risk assessment to provide reasonable assurance that its no-bribes policy and specific objectives for countering bribery are achieved.

This implies that every Entity has to issue procedures to prevent bribery by persons associated with it. These procedures have to be proportionate to the bribery risks the Entity faces and to the nature, scale and complexity of the Entity's activities. They also have to be clear, practical and accessible, effectively implemented and enforced.

KBC Group Policies, Rules and Codes

Within KBC Group several policies, directly or indirectly related to prevention of bribery, already exist. The existing policies hereafter are mentioned for the sake of completeness. Some are applicable to all Group Entities and all businesses while others are specific for a certain activity or businesses.

- KBC Group Anti-Corruption Policy , as published on the kbc.com website under the Corporate Sustainability chapter;
- KBC Group Code of Conduct;
- Group Compliance Rule N° 17 regarding Gifts, Entertainment, Donations & Sponsoring: this GCR is an integral part and one of the backbones of the KBC Group Anti-Corruption Program.
- Group Compliance Rule N° 14 regarding the Protection of Whistleblowers;
- Group Compliance Rules wrt anti-money laundering (= N° 12 on Know Your Customer; N° 13 on Know Your Transaction), as corruption is often linked to money laundering crimes.
- **Human Resources Policies:** Appropriate due diligence/pre-employment screening should be applied when appointing board members and selecting recruits (see also principles with regard to 'fit&proper'), especially senior managers and employees likely to be placed in positions at risk of bribery. Moreover, Human Resources management of bribery risk should be an ongoing process, rather than be restricted to the moment of recruitment.

Principle 4 HR Policies should reflect the Anti-Corruption commitment of KBC and the Entity

In this order Entities should include in their HR policies:

- Written policies regarding recruitment, performance evaluation, promotion, training and remuneration, reflecting the Group's Anti-Corruption commitment.
- Performance of due diligence with respect to new staff members, including board members in line with the Group Key Control Human Resources Management Key Control 4:
"The HR Manager has defined and implemented a selection procedure including the following principles, subject to local mandatory law and/or regulations:
 - a) Four eyes principle.** When screening applicants, the four-eye principle applies, throughout the recruitment process. The HR Manager (Group HR where applicable) is one of the two parties involved.
 - b) Use all relevant and acceptable means to evaluate an applicant's reliability.** The HR manager develops a framework with risk-mitigating measures to evaluate the applicant's reliability upon recruitment. The HR Manager obtains (i) reliable proof of good moral conduct (e.g. through a „Certificate of good moral conduct“ or a comparable document available¹ and (ii) reliable proof of the highest educational qualifications"
- Employees will not suffer demotion, penalty or other adverse consequences when refusing to engage in bribery or when reporting suspected violations of the Group's Anti-Corruption commitment.
- Sanctions related to bribery are clearly communicated, emphasizing zero tolerance applies.
- Records of individual cases of bribery, including sanctions and other measures taken are being kept.

The most exposed departments are (without being exhaustive): commercial, procurement, sales, marketing, sponsoring, lobbying, ICT, Real Estate, OBI, etc.

Anti-Corruption Procedures and Controls in Accounting

Principle 5 Every Entity has to comply with the Group Key Control Accounting and external financial reporting.

Accurate accounting allows checks that proper procedures are followed. Therefore and in order to prevent involvement in bribery, Entities should organise their accounting to make sure that that they fully comply with the Group Key Control Accounting and external financial reporting.

¹ Applicable to all countries where such document is issued by a governmental body and available to employers

Independent investigation unit

Principle 6 Every Entity defines who is responsible for investigating an (alleged) bribery case. As a minimum the lead should be given to an Independent Investigation Unit.

Every Entity should have a response plan which clearly details who will be responsible for investigation in the case of an incident or alleged or discovered bribery. The investigation should at least be led by an Independent Investigation Unit, i.e. a unit not being part of the business and having experience with other similar types of investigation or at least having such investigations in its scope of responsibilities.

Review

Principle 7 Every Entity should periodically and at least annually review, evaluate and update its Anti-Corruption Program.

The bribery risks that an Entity faces may change over time, as may the nature and scale of its activities, so the procedures required to mitigate those risks are also likely to change. The Entity periodically reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

A periodic (minimum annually) update and evaluation of the Program efficiency has to be performed and appropriate actions should be taken if necessary.

This means:

- Evaluation of the Program, its suitability, adequacy and effectiveness and implementation of improvements as appropriate.
- Following up changes in countries and activities.
- Following up changes in local business environment.

Taking into account negative press coverage (incidents, convictions in the country, publications of trade bodies, regulators that highlight good versus bad practices).

3. Risk assessment

Principle 8 Every Entity should perform at least annually a risk assessment to evaluate the nature and the extent of its exposure to potential internal and external risks of bribery, based on predefined criteria.

Each Entity has to assess the nature and the extent of its own exposure, as specific to its particular business, to potential internal and external risks of bribery on its behalf by persons associated with it. The assessment has to be periodic (at least annual) and properly documented.

The goal of the assessment is to establish priorities in terms of a **risk-based approach**: business activities, departments, countries, lessons learned, etc. that are more exposed to bribery risk.

The risk assessment should minimally take the following risk criteria into consideration, which have to be supplemented with those criteria as the Entity considers necessary to add in consequence of its own activities and business environment.

3.1. Key external risks

1. **Country Risk** (perceived high levels of corruption, low quality of legislation, low transparency). In order to qualify country risk, the [perception index of Transparency International](#) is used. Countries scoring less than 50 on that index are considered as higher risk
2. **Sectoral Risk** (some departments of a financial institution or cross-border activities are more exposed; risks are different for a bank as compared to other activities as leasing, investments services, procurement, factoring companies, etc.).
3. **Transaction Risk** (charitable contributions, licenses and permits, public procurement).
4. **Business Opportunity Risk** (complex projects including many intermediaries, not at market prices, no clear legitimate objective, poor regulated markets).
5. **Business Partnership Risk** (transactions with foreign public officials, joint ventures, PEP's, agents, intermediaries, partnerships in ECO-systems,).
6. **Due Diligence Risk** (absence of due diligence on parties performing services on behalf of the organisation e.g. to establish business in a foreign market, M&A's, partnerships).

3.2. Key internal risks

1. **Human Resources** (lack of employee training, skills and knowledge, bonus culture, excessive risk taking).
2. **Monitoring and Control**, (Lack of monitoring (see Principles 9), lack of reporting (see Principle 16 and 17), lack of clear financial/accounting controls (see principle 5)).
3. **Other** (Lack of clarity in procedures for hospitality, promotional expenses charitable contributions, etc., lack of anti-bribery message from the top management (see Principle 1 & 2), specific divestment risks).

3.3. Key mitigating measures

The mitigating measures are those arising out of the policies mentioned in this Rule, adapted for the specific needs and risks of each specific Entity, and translated in more detailed procedures as well as in general principles such as four eyes principle and dual control, proper delegation process, segregation of duties, etc.

3.4. Key Controls

Controls and testing have to be put in place, as further detailed under the Chapter Monitoring.

4. Monitoring & Controls

4.1. Controls on compliancy of procedures and internal rules

Throughout any successful system of corporate governance is the ability to evidence that procedures and controls are not only in place but are effectively working.

Principle 9 Every Entity should establish and maintain an effective system of internal controls to counter bribery, comprising financial and organisational checks and balances over the Entity's accounting and recordkeeping practices and other business processes related to the Program.

- **First line:** install controls at the business level, a.o. appropriate segregation of duties & delegations.

- **Second line:** Compliance is to perform monitoring on first line controls as well as to create operational monitoring to detect breaches.
This is to be done through Compliance Monitoring Program (CMP) testings (although for the detection of breaches more periodic operational checks can be more suitable) and 2nd line controls.
Groupwide mandatory CMP on bribery are mandatory for all group entities. Apart from this, a local Compliance function can decide to add subjects on bribery to its local CMP planning as well.

4.2. Anti-Corruption Due diligence procedures

General due diligence principles

Apart for the more in-depth due diligence mentioned below, a **basic due diligence** should always be carried out before entering into a business relationship containing the following:

- **Define scope and depth of the due diligence:** as an Entity may have many business relationships it will have to define the scope and depth of due diligence for each type of relationship: some will require an in-depth due diligence (e.g. if incorporated in risky countries), some will only require a selective due diligence.
- **Define the way how the due diligence will be performed:** anti-bribery due diligence is the research, investigation, assessment and monitoring that the Entity will carry out on business relationships, to ensure that it is associated with companies and personnel that will behave in a manner consistent with the KBC Group's Anti-Corruption Program. Research and investigation can be done through internet searches, use of more specialized tools containing corruption information (such as Worldcheck) or by requesting documentation/attestations from the counterparty on its anti- bribery policies and measures.
- **The frequency of the due diligence** has to be repeated periodically (i.e. at least once every year for counterparties considered as high risk).

Principle 10: Set-up of Minimal requirements before establishing a contractual relationship with other financial institutions, associated 3rd parties, joint ventures, intermediaries, suppliers, partners in an Eco-system,, with the following 3 elements as minimal deliverables:

- 1. Perform ethical/bribery due diligence** wrt AML, corruption/bribery, fraud and embargo/sanctions
 - World Check search for the Company, the Ultimate Beneficiary Owners (= UBO's) and the legal representatives (= LR)
 - Internet search for UBOs and Legal Representatives on the tags 'Corruption', 'Bribery' and 'Fraud' (or the corresponding terms in the local language)
 - Internet search (via <https://www.google.be>) for name of the company on the tags: 'Corruption', 'Bribery', 'Fraud', 'Money Laundering', 'Terrorism', 'Scandal', 'Illegal' 'Fraud' (or the corresponding terms in the local language)
- 2. Partner has to agree with KBC's principles on anti-corruption** or provides proof of a similar anti-corruption program
 - Corruption is a breaking point for starting or continuing a relationship with a contracted party. If the KBC Entity becomes aware that there are issues with regard to corruption, the business relationship with this party should be frozen and an in-depth investigation carried out.
 - On the basis of this, the Entity should consider which steps should be taken, i.e. cancel the contract or continue the business relationship, if necessary under certain conditions

3. Contract: reference to anti-corruption principles (or similar) + cause to terminate contract if corruption is proven.

In all contracts with partners and suppliers, an Anti-Corruption clause should be added (either in the contract itself or as a separate statement as annex to the contract), showing that the contractual party refrains from any form of corruption.

On top of these three aspects, specific requirements apply for:

suppliers - Group supplier policy (Procurement)

KBC Group aims to conduct business in a fair and transparent way and based on our ethical principles of Responsible Behaviour. Therefore, suppliers have to comply with the principles outlined in the Sustainability Code of Conduct for Suppliers. This code is published on the [KBC.com website](https://www.kbc.com) and is in line with the UN Global Compact Principles and contains some criteria and principles on anti-corruption.

All of KBC's procurement and outsourced activities are covered by this Policy, including IT-related matters, logistics (transportation, office equipment, printing services, etc.), facility services (cleaning, utilities, catering services, technical installations, etc.) and marketing support services (translation services, product merchandising, etc.).

Relationships with Financial Institutions

Additionally to the general KYC principles already in place and to the general due diligence aspects as mentioned in principle 10, the following approach is applicable when accepting a financial institution:

Since KBC Group Central Acceptance Unit (CAU) is responsible for the acceptance and proper identification of financial institutions/ counterparties on behalf of KBC Group, starting point is that, if a certain (professional) counterparty is accepted by CAU, no further formalities are required for individual Entities.

If this is not the case and if prior acceptance by CAU is not obligatory in conformity with applicable guidelines, the Entity has to perform the acceptance and identification by itself, in conformity with the principles of this Rule (also applied by CAU):

- If the professional counterparty (PC) is located in a country that scores 50 or more on the Transparency International Corruption Index, the PC is qualified as low risk for anti-corruption and no further actions have to be taken to accept in the context of anti-corruption (no questionnaire, no enquiries, etc.).
- If the PC is located in a country that scores lower than 50 on the Index, it qualifies as high risk for anti-corruption, and then following principles apply:
 - a. Check the website of the PC: if a clear reference to anti-corruption/anti-bribery is made in the general policy of the professional counterparty, code of conduct or other relevant documents, no further action needs to be taken in the context of anti- corruption.
 - b. If the information mentioned under a. cannot be retrieved, then the PC has to be asked to fill in and sign the KBC Anti-Bribery Questionnaire (see attachment, version financial institutions).

If, for some acceptable reason, the PC cannot fill in and sign the Anti-Bribery Questionnaire (e.g. not all principles are in place), the Senior Management or the responsible Compliance Officer of the PC will be requested to confirm the following (or comparable) statement: *"The Counterparty confirms that it has proper procedures in place including a strict prohibition regarding corruption and bribery. These principles are reflected in internal documents (code of conduct, procedures, etc.), are communicated to staff and are part of training programs."*

c. If none of the above-mentioned information/ documentation is available, then the PC cannot be accepted

Investments: Investment Policy – Sustainable and Responsible Investments

Background

KBC Asset Management has been screening listed companies on their merits in sustainable and responsible business practices since as far back as 1992. This screening is used to determine companies that are potential candidates for Sustainable and Responsible Investment (SRI). KBC's sustainable investment approach is based on the UN Principles for Responsible Investment (www.unpri.org), which KBC endorsed in 2007 and put into practice through its [Socially Responsible Investments policy](#).

The policy covers all investments carried out by KBC. These entail proprietary investments, investments conducted on behalf of its customers and for the investment funds that it manages.

This policy states that KBC incorporates environmental, sustainable and governance issues into its investment analyses, decision-making processes, ownership policies and practices. "Bribery and corruption" is one of the criteria used in the screening methodology.

Based on these principles, the Executive Committee of KBC Asset Management endorsed the following principles, which equally apply to the other Entities of the Group:

- KBC will exclude new investments in companies which do not have an anti-bribery policy, AND had a negative outcome of an in-depth investigation of the KBC Entity on unaddressed corruption cases over the past two years.
'Not having an anti-bribery policy' is defined as not finding evidence of an 'acceptable' company policy addressing the issue of bribery. An 'acceptable level' means that there is minimally a policy concerning prohibiting bribes and obeying laws; and that this policy is publicly available (e.g. a Code of Conduct published on the public website). In this case the consideration to invest is allowed.
- The Entities Investments Research Department or other comparable Department will be responsible for the in-depth analysis of corruption cases. In case of a proposed negative outcome, the proposal will be presented at an authorized Committee (e.g. Investment Committee, or directly by the Executive Committee).
- As part of its commitment to the KBC Group Anti-corruption program, the KBC Entity integrates this Principle 10 into its investment and advice processes and will not publish investment recommendations regarding the companies listed on the blacklist for bribery and corruption for internal use, clients or other entities.
- The companies involved are listed on a Blacklist for Bribery and Corruption, communicated by KBC Asset Management or locally developed and approved by the local Executive Committee.

The Blacklist for Bribery and Corruption will be available to all relevant employees. The KBC Group entities are required to either rely on the analysis of KBC AM for the blacklisted entities or perform a comparable analysis in accordance with the above mentioned KBC AM approach.

Exposure on strong violators of UN Global Compact principles, the KBC Group Exco has decided:

- To install a blacklist of worst offenders/strong violators of UN Global Compact Principles, human rights and corruption. No KBC Group Entity may initiate or conduct any business with any company listed on this KBC Blacklist on Global Compact Principles.
- The blacklist will be based on a four eye principle: a company listed in KBC's own Sustainable Responsibility Index exclusion list and in the list of the Norwegian government fund or the Sustainalytics list, will be assessed by KBC's External Advisory Board and relevant business entities following the same procedures as currently used for the blacklist on controversial weapons.
- The initial UN Global Compact Blacklist will (as procedures prescribe) be presented to the relevant business entities.
- The implementation of this Blacklist and the update procedure will be integrated in the existing Zero tolerance framework.

The same procedures will be used as they exist for the blacklisted companies on controversial weapons:

- a. This blacklist too will be updated at least twice a year according to the following procedure:
 1. Group CSR and External Advisory Board (EAB) surveys external and internal data- sources.
 2. Changes in the composition (additions/deletions) will be presented to impacted entities (impact analysis and comment on the specific case).
 3. GM CSR confirms on the proposed changes in composition or.
 4. GM CSR presents the case for decision to the Group Exco in case of conflicting views between business and EAB.
- b. For companies on the list no new business can be accepted or developed. Existing contracts will be respected until the defined end date. When these companies are part of investment portfolios every opportunity to clean up will be used to do so (e.g. portfolio rebalancing).

Mergers and Acquisitions

Should a merger or acquisition occur, the due diligence process linked to compliance issues should encompass corruption aspects as mentioned in principle 10.

Due Diligence in Joint Ventures and Consortia

With respect to **joint ventures, consortia or partners in a broader ECO-system**, all Entities should take measures within their power to ensure that a policy consistent with this GCR is accepted by their contractual partners. This will a.o. include the conduct of proper due diligence of the partners as mentioned in principle 10.

The approach will depend on the degree of control the Entity has in the context of the joint venture.

- Should a joint venture be set up under the form of a separate entity in which a KBC Group Entity has a minority ownership, the Entity has to make sure that the KBC Group Code of Conduct or equivalent provisions are enforced and the basics of the Anti-Corruption Program are communicated.
- Should the KBC Group Entity have a majority ownership, the Entity has to make sure that the Policies are enforced.
- Where the joint venture is concluded through contractual arrangement, Entities have to ensure that provisions are made within the agreement to reflect minimum ethical values on the basis of the existing group policies, including those related to anti-corruption.

The Entities should further include in their contracts with these business partners a provision allowing them to terminate the relationship if they have a unilateral good faith concern that the partners have acted in violation of an applicable anti-corruption law or of other regulations, as mentioned in principle 10.

Private Equity

For Entities engaged in private equity activities, several potential areas for liability exist for firms which fail to comply with anti-corruption regulation.

Companies owned, controlled, or invested in by the Entity, can be defined as an "associated" company, even where the Entity holds less than a controlling interest in the company or only serves on the board of directors of the company.

Private equity Entities could also be held liable under existing money laundering laws for benefits they receive from companies which derived revenues from illegal conduct.

Principle 11 Entities engaged in private equity activities should pay close attention to anti-corruption issues before undertaking acquisitions and investments and should also ensure proper anti-corruption measures after the acquisition is made.

Private equity managers need to pay close attention to anti-corruption issues when undertaking acquisitions and investments, especially those arising when the private equity Entity takes a controlling interest in a company. Given the speed with which private equity deals are reached and consummated, it will be critical for such firms to put in place real and meaningful due diligence procedures taking corruption aspects into account.

Private equity Entities should also look at creating a corporate culture of compliance in

the post-acquisition/investment period and ensure proper controls are put in place and efforts are made to integrate the new company within the overall anti-corruption approach.

As this activity is also a form of an investment, the principles under “Investment Policy” should also be applied to Private Equity acquisitions!

Agents and Intermediaries

A “**person associated to an entity**” is a person who performs services for or on behalf of the Entity. This qualification does not take the (legal) capacity nor the legal qualification or the nature of the relationship as a criterion, but refers to all relevant circumstances and the concrete actions of the associated person in scope (‘what is done’). Therefore it is not possible to define or make an exhaustive list of all “associated persons”.

Commonly agents, intermediaries, consultants, sales representatives, customs agents, general consultants, resellers, subcontractors, franchisees, vendors, lawyers, accountants or similar intermediaries, acting on the enterprise’s behalf in connection with marketing or sales, in the negotiation of contracts, the obtaining of licenses, permits or other authorizations, or any actions that benefit the Entity or as subcontractors in the supply chain, etc. are understood to qualify as “associated persons”.

However, it could also be joint ventures or even suppliers, e.g. if they are part of a complex project where a prime contractor works with chains of subcontractors.

As ‘agents’ and especially ‘tied or exclusive agents’ in an insurance context working exclusively with one entity in most cases have a specific legal status according to local law, they have to be treated differently, compared to ‘other’ third parties.

Third parties and intermediaries in general

Entities should:

- Not instruct third parties to engage nor tolerate that they engage in any act of corruption.
- Not use them as a conduit for any act of corruption.
- Hire them only to the extent needed for the regular conduct of the Entity’s business.
- Not pay them more than an appropriate and justifiable remuneration for legitimate services rendered.

All Entities are required to implement procedures for associated third parties (as defined above) due diligence, as mentioned in principle 10.

These procedures should at least include the following:

- Identify the owner of “third party due diligence”: for every type of counterparty a clear owner of the acceptance process has to be appointed.
- Identify and make an inventory of all associated third parties who perform services for or on behalf of an Entity, in the sense that they represent the Entity by acting for its own name and for its own account.
- Scoring in terms of Bribery Risk

The business is in a position to know best which counterparties present the highest risks of bribery and score accordingly. A well-defined risk-based approach is therefore acceptable.

The following should always be considered to be high risk:

- Third parties meant to provide government contacts.
- Third parties proposed (“suggested”) by others.
- External sales agents.
- External marketing firms.
- Always in case of red flags related to bribery and corruption.

The Entity should define the scope and content of the due diligence: what information is to be collected and how it will be used.

Minimal conditions are:

- Appropriate business case for making use of the third party.
- Proper identification.
- Checking of the qualifications & integrity of the third party by implementing the minimal aspects as mentioned in principle 10.
- Prior management approval.

Documentation of the due diligence: the Entity should keep documentation of all steps and the final results of the due diligence process.

Periodical renewal: the Entity should include in its procedures a regular follow up and update of the due diligence, in order to make sure that it’s aware of the changes in the risk qualification of the third party.

Principle 12 Each Entity should include written commitments and clauses in the contractual agreements with third parties representing (‘associated with’) the Entity.

With respect to third parties and to the extent that this is within their power, Entities should make it clear that they expect all activities carried out on their behalf to be compliant with the KBC Anti- Corruption commitment and enter into written agreements with them:

- Informing them of the KBC Anti-Corruption Policy and committing the third party as well as its subcontractors as the case may be not to engage in any act of corruption.
- Permitting the Entity to request at its discretion an audit of the third party’s books of account by an independent auditor to verify compliance with the regulations.
- Allowing the Entity to terminate the relationship if it has a unilateral good faith concern that there has been a violation of an applicable anti-corruption law or of other regulations by the third party.
- Providing that the third party’s remuneration shall not be paid in cash and shall only be paid in the third party’s country of incorporation, of its headquarters or of its residence or in the country where its mission is executed (not on offshore accounts).

Due diligence with regard to third party should at least encompass the approach and the steps mentioned under Principle 10

As an example the following clause/statement can be inserted in all contracts:

*“Existing or potential third-party associates conducting services for the Entity must abide by the law. They may not commit tax fraud and must refrain from using mechanisms to commit tax evasion and money laundering. In accordance with **principle 10 of the UN Global Compact**, KBC has developed and implemented an anti-corruption program, including a strict code of conduct and expects its staff to adopt the correct, professional attitude. Equally, third parties, conducting services for the Entity must combat any form of corruption, including bribery, extortion and efforts to influence procurement decisions.*

The offering of bribes and the laundering of money are unequivocally regarded as breaking points. A policy declaration on combating corruption is regarded as a positive point.

KBC's policy declaration on bribery and KBC's anti-money laundering declaration can be viewed at the website www.kbc.com.”

Tied Agents

Principle 13 Entities working with tied agents should include anti-corruption guidelines in their procedures and foresee training on this subject.

In addition to the principles mentioned above for third parties and intermediaries in general and within the boundaries of the local applicable regulation, all Entities working with agents who perform activities exclusively for the Entity ('tied agents') have to include appropriate clauses in the cooperation agreements with the agents (aligned with principle 10), that reflect the basic principles of the KBC Anti-Corruption commitment.

In the same sense internal guidelines and procedures should be drafted and communicated for the agents, comparable to the principles applicable to bank and insurance employees. Specific trainings should be set up to make agents acquainted with the Program.

However, as agents are usually independent, the Entity has to make sure that by doing this, they could not be considered as employees according to local law.

5. Communication & Training

5.1 Communication

Bribery prevention policies and procedures should be embedded and understood throughout the whole Group and each individual Entity through internal and external communication, including training, that is proportionate to the risks it faces.

Principle 14 Every Entity foresees as part of their Anti-Corruption Program an annual communication plan for issuing communications on anti-corruption through available channels, proportionate to the corruption risk it faces.

Policies and procedures have to be communicated via available internal and external channels, like intranet, the corporate website, etc.

Examples of **possible types of communication** and channels are:

Internally

- Communication to convey the tone from the top with focus on implementation and implication for employees.
- Coverage of all aspects of the Anti-Corruption Program.
- Communication of procedures on local intranet.
- Training and forums.
- FAQ.
- Magazines and other internal publications.
- Reminder of major risk mitigating policies like the Whistleblowing Policy, including emphasis on the existence of a secure, confidential and accessible means to raise concerns about bribery.

Externally

External communication includes a.o. a statement (prohibition, prevention, mitigation, monitoring, sanctions) in Corporate Sustainable Responsibility report, Report to Society, press, Annual Report, the local corporate website, etc.

5.2. Training

Principle 15 Every Entity foresees a training program on anti-corruption or embeds this topic into existing training programs, proportionate to the corruption risk it faces.

Training provides the knowledge and skills needed to apply the Entity's procedures and deal with any bribery related problems or issues that may arise.

Training has to be given to staff members and associated persons, proportionate to the risk.

Records have to be kept of all trainings given and of people that have undertaken the training.

All Entities need to consider how they can demonstrate that their training and awareness programs have been effective.

Group Compliance provides generic presentations and a video/e-learning.

6. Record keeping & Reporting

Principle 16 Every Entity should keep a record of breaches against anti-corruption procedures

A general oversight of breaches of the procedures has to be kept and reported.

Principle 17 Reporting on issues regarding implementation of the Anti-Corruption Program as well on specific breaches should be included in the regular compliance reporting to the highest management of every Entity.

Regular reporting implies reporting to Management Committees, Exco and ARCC (including at the local level) and includes also include incident reporting.