



# Group Sustainability profile<sup>1</sup>

	2006	2007	2008
<b>Environmental Data</b>			
Travel for business purposes in '000 Kms	241 503	266 607	303 332
commuter travel	165 503	173 178	163 127
business travel	76 000	93 428	140 205
Total paper consumption in tons	2 938	3 013	2 663
Direct and indirect GHG emissions in tons	78 802	59 061	50 406
GHG emissions of direct energy use	48 961	44 274	21 355
GHG emissions of indirect	29 841	14 814	29 051
Water consumption in m <sup>3</sup>	239 616	224 638	199 723
Total waste in tons	3 768	4 254	3 962
<b>Annual performance of sustainable Mutual Funds</b>			
KBC IF Ethical Euro Bond	-0.77%	0.80%	9.98%
KBC IF Global Ethical Defensive	2.20%	0.96%	4.82%
KBC Ethical Euro Equities	19.67%	7.27%	-47.94%
KBC Eco Fund World	9.27%	-0.21%	-43.13%
KBC Eco Fund Alternative Energy	15.54%	44.88%	-57.89%
KBC Eco Fund Climate Change	N/A	7.56%	-47.02%
KBC Eco Fund Water	17.04%	3.40%	-40.62%
<b>Our Workforce</b>			
Belgium	19 016	19 196	19 636
CEE	26 505	31 947	37 135
Rest of the World	6 101	5 572	5 765
Male	43%	42%	41%
Female	57%	58%	59%
<b>Community Involvement</b>			
Belgium	46%	37.8%	37%
CEE	36%	45.6%	40%
European Private Banking	12.8%	13.6%	20%
Merchant Banking	5%	3%	3%
<b>Sustainability indexes</b>			
FTSE4Good (UK)			
Aspi Index			
Ethibel Excellence Europe			
Ethibel Pionner			

<sup>1</sup> Environmental data refer to Belgian Business Unit.

# KBC in Figures

**Area of operation and activities** KBC is an integrated multi-channel bancassurance group, catering mainly for retail customers, small and medium-sized enterprises and private banking clientele. Geographically, our focus is on Belgium and Central and Eastern Europe for our retail bancassurance and asset management activities, as well as for services to business cus-

tomers. We are also active in a selection of other countries in Europe, both in private banking and in services to businesses. Elsewhere (around the globe), the group has established a limited presence in selected countries and regions with a specific focus on corporate and investment banking activities. Our group headquarters is located in Brussels, Belgium.

## Shareholders

	31-12-2008
KBC Ancora	23%
Cera	7%
MRBB	12%
Other core shareholders	11%
KBC group companies	5%
Free float	42%
Total	100%

## Network, customers and personnel

	31-12-2008
<b>Bank branches</b>	
Belgium	879
Central and Eastern Europe	1 411
<b>Customers (banking and insurance)<sup>1</sup></b>	
Belgium	3.9 million
Central and Eastern Europe	8.5 million

<sup>1</sup> Based on KBC estimates

For more information concerning credit rating and key financial figures and events, see the KBC's 2008 Annual Report.

## 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](#))

**2008 Strategy highlights** 2008 was a year marked by successes in the sphere of ethical practices, with KBC getting the award for best CSR reporting in Belgium and being nominated "Best Banker" both in Belgium and in Hungary. Although growth continued, by means of the acquisition of Istrobanka in Slovakia, KBC – in respect of its strategy in Central and Eastern Europe - remains aware of the limits of a weakening credit environment and the halting of the growth in Hungary and Russia as regards corporate lending, consumer finance, car leasing and CHF mortgage lending, as well as of decreasing intra-group funding to Russia. In Ireland, underwriting criteria were tightened further and commercial-real-estate nominal outstandings

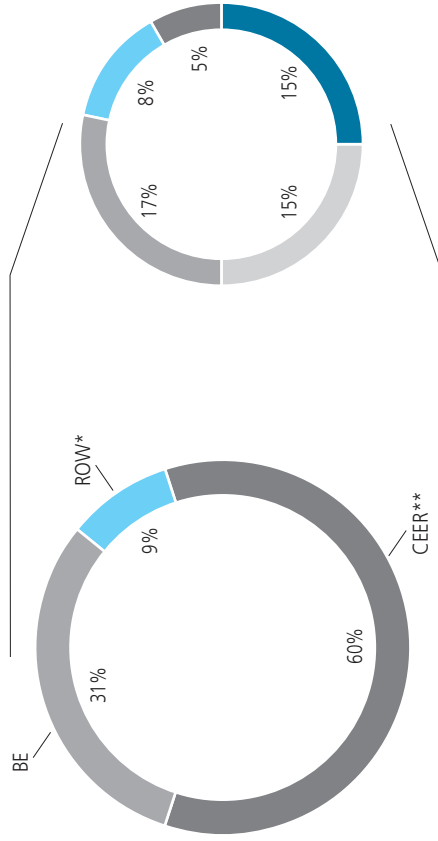
were reduced by 8% year on year. In Belgium, KBC can count on a solid market share and an investment portfolio that is mainly based on its insurance assets. KBC remains committed to continue lending, but remains mindful of the increasing underwriting risks and is looking to reduce its operating expenses to cope with the cyclically low level of revenue. The strong position of capital protected products based on collateralised positions with prime-quality counterparties was confirmed and the decision to reduce sales activities in asset management outside home markets in Western Europe and Asian and Pacific markets, was offset by the development of recent incursions in India, China and Taiwan.

# Our main geographical presence



Breakdown of Profit after tax by business unit	EUR million
Belgium Business Unit	-397
CEER Business Unit	188
Merchant Banking Business Unit	-2 164
European Private Banking Business Unit	-153
Group Centre	41

Breakdown according to the group's legal structure	EUR million
Banking	-1 273
Insurance	-987
European Private Banking	-146
Holding-company activities	-79



\* Rest of the World aka Row. Outside Belgium and Central Europe, our corporate banking operations are focused in Western Europe, Asia and the US. Most of these establishments specialise in government finance, health care, real estate, financial institutions, trade finance, acquisition finance, diamond trade, etc. KBC Bank departments and subsidiaries focus on project finance and structured finance. For more information, see the KBC Annual report 2008

\*\* Central and Eastern Europe and Russia aka CEER

# Memberships, Sustainability ratings and Indices

Analysts and investors are focusing increasingly on issues that are not purely financial, but that combine environmental and social aspects, in order to better define the long term value of a company and, hence, its sustainability. The rapid development in the world of CSR analysis has to a large extent prompted a succession of sustainable investments, practices and international standards, which have all combined to bring about a strong network of responsibility, that KBC is proud to be part of. Since we started our CSR communication activities, we have progressed to a higher level of professionalism which was rewarded last year when KBC was honoured with the "Best CSR Reporting" award from the Belgian Institute of Auditors<sup>1</sup>. KBC is proud of this achievement and within the context of constant improvement, we continue to do our utmost to provide the best and most transparent level of cooperation to CSR rating agencies<sup>2</sup> and other relevant stakeholders, in order to benefit from a co-operative learning environment.

In its 2008 review, Oekom research, awarded the KBC group a C+ on a scale from A+ (best result) to D- (worst result) in a comparison of peer institutions in the financial sector. As the Oekom report on the financial sector had not been completed by the publication date of the present report, Oekom financial sector had not been completed, therefore we will only be able to report on our relative performance only in the next CSR publication.



Our commitment to promoting the advancement of CSR continues to gain momentum and we keep on "doing our bit" in order to be active in stakeholder consultations and the most relevant global responsibility issues dear to our stakeholders. Our corporate responsibility is anchored in the ten principles of the UN Global Compact.

<sup>1</sup> Belgisch Instituut van de Bedrijfsrevisoren  
<sup>2</sup> KBC was also previously rated by SAM: [www.sam-group.com](http://www.sam-group.com), Vigeo: [www.vigeo.com](http://www.vigeo.com) and SIRI company: [www.siricompany.com](http://www.siricompany.com)

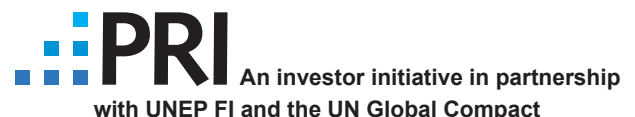
Since becoming signatories to this in 2006, we have committed ourselves to implementing universal environmental and social principles, around respect for human rights, the fight against corruption and the creation of a decent working environment, while striving to find efficient ways to help weave Corporate Social Responsibility into the fabric of daily life. In line with our commitment to promote transparency on activities in the corporate world that have an impact on climate change, we continued our participation to the Carbon Disclosure Project in 2008. In 2006, KBC has adopted the revised version of the Equator Principles for Project Finance activities and in December 2007 signed up to the United Nations Principles for Responsible Investment in respect of its asset management activities.



Principles are intended to serve as a common baseline and framework for the implementation by each EPFI of its own internal social and environmental policies, procedures and standards related to its project financing activities. We will not provide loans to projects where the borrower will not or is unable to comply with our respective social and environmental policies and procedures that implement the Equator Principles



Global Compact, which today stands as the largest corporate citizenship and sustainability initiative in the world - with over 4700 corporate participants and stakeholders from over 130 countries



An initiative of investors cooperating with UNEP FI and the Global Compact to motivate financial players to apply environmental and social principles for financial investments

# KBC's CSR scorecard for 2008

Goals	Score (status)
Designing and drafting a formal climate change programme and a CSR policy governance document	(in progress)
Implementing KBC's carbon neutrality policy in Belgium	(in progress, to be completed in 2010)
Continuing to raise awareness about CSR within the Central and Eastern European area	(in progress)
Preparation of formal CSR stakeholder policy documents for areas where they do not exist	(in progress)
Designing a tool to automate and simplify the data collection and reporting process	(in progress)
Formalising an internal communications structure for implementation and follow-up of CSR policies, including an adequate (automated) management information system (MIS)	(in progress)
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	(in progress)
Formal appointment of persons with CSR responsibilities at corporate and subsidiary levels	(completed)
Continuing to roll out the customer stakeholder policy and complaints-handling standards to new entities	(completed)
Further refinement of data capture for environmental management purposes to achieve ISO14001	(in progress)
Formulating KPIs to monitor employees commitment and voluntary activities	(in progress)

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# Message from the Chairman and the CEO

Dear Reader,

2008 will go down in history as one of the most challenging years for the global financial sector on record. The effects of the economic downturn have had repercussions in worldwide currency fluctuations and significant changes in fuel, food and raw materials prices. Although faced with such an exceptional crisis, KBC made good progress in the field of Corporate Social Responsibility (CSR) over the year. Indeed, even as we continue to face difficult times, we believe it is of utmost importance to maintain our focus on furthering our efforts in CSR.

Over the years, CSR has become more and more prominent within our Group, permeating all our activities. Today, we feel confident that we have attained those internal goals which derive from the Ten Universal Principles of the United Nations Global Compact. In this report, you will find how we have turned our goals into practice, as regards our community involvement, our environmental management and our overall approach to employees, clients and suppliers.

In 2008, we introduced a group-wide procedure to monitor the implementation of CSR policies that make up KBC CSR framework. This was an ambition for 2008, as stated in our previous report and will serve to better clarify our strategy throughout the group and monitor our efforts more closely.

In addition, as a key to our environmental strategy, we continue to work with shareholders, investors and other corporations to stimulate disclosure on greenhouse gas emissions via our long-standing support of the Carbon Disclosure Project. In line with our goal to achieve carbon neutrality in Belgium in 2010, we are particularly proud of our achievements thus far: KBC has reduced its greenhouse gas emissions by one-third since the switch to green electricity, and the Green Building Guidelines have been implemented in Belgium (and in our Central and Eastern European entities), in order to maximise the efficiency of resources and provide eco-friendly workspaces for our employees.

We are constantly striving towards a constructive dialogue with our stakeholders and, in future, we plan to enlarge our discussion forums to include new stakeholders groups, in order to make sure that our yearly meetings continue to be a true opportunity to share opinions and exchange ideas and information.

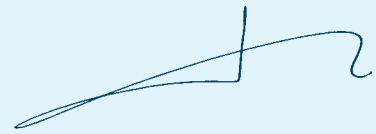
As to KBC approach to community involvement, we also see our role as working ever more closely with the local communities in which we operate. In this context, we are aware of our responsibility to ascertain that bank and insurance products are accessible to all. Moreover, we are also proud of the voluntary contribution our employees make to microfinance initiatives in the developing world via our partnership with BRS (The Belgian Raiffeisen Solidarity). One of our targets for the coming years is to further strengthen our support for microfinance initiatives and enlarging the scope of action in this light.

Finally, it is during difficult times like these, that we must hold on to our pool of talent, which we have nurtured over the years. Consequently, we remain committed to invest in our workforce, including in our state-of-the-art training initiatives across the group.

The unprecedented times have had a lasting impact on all the players in the financial markets. KBC has certainly not remained unscathed. We want to thank our customers for their unaltered trust despite the turbulent financial climate and we also want to thank our staff members for sharing their professional skills and passion to help KBC safeguard its market position through these trying moments. It is this support that enables us to continue to carry on our mission by remaining true to our motto of "putting people first" and reassuring our shareholders that we do our utmost to value their confidence.



André Bergen,  
President of the  
Executive Committee,  
KBC Group NV



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

## Organisational profile

**Our strategy** KBC is a multi-channel bancassurer with a core focus on Belgium and Central and Eastern Europe for retail bancassurance and wealth management activities and services for SMEs and corporates. In the areas of private banking and merchant banking, we are active in selected Western European countries, and we maintain a specific presence in the United States and the Asia-Pacific region with respect to particular corporate banking and niche operations. We are intent on pursuing a standalone strategy, firmly convinced that we can finance our own growth, be profitable and pay dividend.

**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 units:

- the Belgium Business Unit,
- the Central & Eastern Europe and Russia Business Unit,
- the Merchant Banking Business Unit,
- the European Private Banking Business Unit
- and the Shared Services & Operations Business Unit<sup>1</sup>.

Each 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 (an example being the introduction of unified IT platforms and payments 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 2008 (Earnings Release), p. 42 (also available on [www.kbc.com](http://www.kbc.com)), as well as in KBC's 2008 Annual Report.

## Corporate Governance

The Belgian Code on Corporate Governance<sup>2</sup> (referred below as 'the Code') seeks to ensure transparency in corporate governance by requiring every listed company to disclose information in two separate documents: the Corporate Governance Charter (referred below as 'the Charter') and the Corporate Governance Section (referred below as 'the Section') of the annual report.

The Charter sets out the main aspects of a company's corporate governance, such as its governance structure, the internal regulations of its Board of Directors, its committees, and the Executive Committee, together with other important topics. The Charter is available for consultation on [www.kbc.com](http://www.kbc.com).

The Section in the annual report contains more factual information regarding the company's corporate governance, including any changes to it, any relevant events during the year under review and reasons for any non-compliance with the Code. All points that must be disclosed under the Code are covered below, as are a number of other disclosures required by law.

Our Corporate Governance rests on a few key elements:

- **Policy governing transactions between the company and its directors, and conflict of interest.** The Board of Directors of KBC Group NV drew up regulations governing transactions and other contractual ties between the company<sup>3</sup> and its directors, even for matters not covered by the conflict of interest rule<sup>4</sup>, which have nonetheless been incorporated into the Charter of KBC Group NV. No conflicts of interests arose at KBC Group NV during the course of 2008.
- **Measures regarding insider dealing and market manipulation.** In accordance with insider-dealing and market-abuse regulations,<sup>5</sup> the Board of Directors drew up a dealing code which sets specific guidelines with regards to employees, annual blocking periods and rules regulating transactions<sup>6</sup>.
- **Remuneration granted to non-executive directors.** In this regard, KBC has disclosed the total consolidated remuneration for 2008 and reported on those members who receive a different remuneration package<sup>7</sup>.
- **Remuneration granted to members of the Executive Committee.** KBC discloses in full the remuneration paid to the members of the Executive Committee of KBC Group NV for the financial year 2008 in its Annual Report 2008

<sup>2</sup> The Belgian Code on Corporate Governance came into effect on the 1st of January 2005  
<sup>3</sup> (including its associated companies)

<sup>4</sup> set out in Articles 523 or 524 of the Companies Code

<sup>5</sup> In accordance with Directive 2003/6/EC

<sup>6</sup> The principles of this code have been appended to the Charter of KBC Group NV. The code entered into effect on 10 May 2006.

<sup>7</sup> For more details see AR 2008

<sup>1</sup> The Shared Services & Operations Business Unit includes group-wide product factories and departments providing support to the other business units.

# CSR at KBC

At KBC Corporate Social Responsibility is a crucial element of how we do business and it permeates every unit in a pertinent manner. Our management structure ensures a successful combination (proper mix) of the long term vision of leadership and operational know-how at the various operational units. Last year, KBC has decided to enhance its monitoring of risk and ensure a complete overview of the degree to which policies are implemented throughout the group. In order to proceed to a comprehensive monitoring, the Group Value and Risk Management Directorate has started developing last year to develop a procedure to incorporate CSR into its standard operational risk management tasks.

**Group Executive Committee** The Group CEO, together with the Executive Committee, presides over CSR and is responsible for giving strategic direction and for providing periodic updates on it to the Board of Directors. Decision-making uses the lines of reporting already in existence for communicating and monitoring, rather than creating a separate CSR entity, for the purpose. This gives additional emphasis to the concept of CSR as a set of values that permeate the entire Bank in an even manner. A CSR Communication officer acts as a “funnel” by making sure that decisions are properly presented and acted upon by the different divisions of the group and that our CSR strategy is properly communicated to our stakeholders. In Central and Eastern Europe, there are already interfaces that report at national level.

**Group Value and Risk Management Directorate** KBC has introduced an Operational Risk Governance model that is to be implemented by all the material group entities in accordance with their size, and the complexity and nature of their operations. Responsibility for the management of operational risks ultimately lies with line management, supported by local operational risk managers. In 2008, KBC’s Group Executive Committee approved the use of existing lines of monitoring and reporting in place at the Operational Risks Management Department to apply its monitoring procedures with regard to the implementation of CSR procedures. During the reporting process, appointed members of the Operational Risk Management Department channelled all the relevant information coming from the different entities within and outside Belgium. In doing so, they applied the procedures already in existence for standard operational risk management tasks. This was done in order to bring added transparency, enhanced cohesion and increased timeliness to the information-gathering process.

**Operational Units for the Group National entities** At business-department level, there are ad-hoc personnel or desks that act as CSR reference points and directly implement and manage the CSR policies that apply to them. The various departments are as follows:

- the Compliance departments, in charge of monitoring business ethics, compliance and the application of the Ethical Code;
- the Human Resources Department in charge of implementing strategies and policies relating to employee matters;
- the Logistics departments-for Belgium, grouped under one main entity-in charge of managing the environmental strategy and fulfilling the relevant objectives;
- the sponsorship and philanthropy units, in charge of rolling out the objectives of KBC as a responsible citizen and supporter of the local community;
- the central Asset Management Department, in charge of all our socially responsible investments and the relevant management of funds, which fol-

lows stringent blacklisting criteria and which can rely on its own in-house<sup>8</sup> Sustainable and Socially Responsible Research Department for countries and companies;

- the Central Corporate Credit Department, in charge of implementing policies and guidelines for the granting of corporate credit and coordinating policy matters concerning the Equator Principle;
- the Marketing and Customer services Department, in charge of developing and researching products and services for customers.

Coordination, communication and reporting on all group-related CSR matters is the responsibility of the CSR communication officer, although outside Belgium, there is an ad hoc control unit at country level, which is also in charge of coordinating and verifying the implementation and the strategic management of CSR policies within the local entities. The CSR unit is also responsible for providing support and feedback for all the group’s activities and for strategic monitoring.

<sup>8</sup> KBC has been the first financial institution in Belgium to have set up its own in-house Sustainable and Socially Responsible Research Department for SRI screening

# Key CSR achievements and targets - 2008

## Corporate Social Responsibility Communication Strategy:

- KBC's 2007 CSR Report shared the Best CSR Sustainability Reporting award in Belgium (November 2008).
- Our Hungarian operational unit published its second CSR report (relating to 2007) which was short listed by Deloitte Hungary for the Central European Environmental Reporting Award and thereby received a certificate of merit (October 2008).
- In the Hungarian market, KBC was also one of the 10 companies short-listed for inclusion in the Hungarian Public Relations Association's publication on "CSR Best Practices 2007" (reported in August 2008).
- Our Czech operational unit also published its second CSR report for FY 2007
- The second annual stakeholder consultation meeting between national and international NGOs, together with KBC, including the Group CEO, was held in Brussels. This year's discussion focused on a presentation of KBC's performance in the areas of environment, credits and investments (May 2008).
- Once again KBC ranked among the top ten "best employers" in Belgium.

## Policy Framework:

- Launch of the 2008 CSR action plan.
- Investigation into the possibility of extending our carbon neutrality policy for Belgium to all of the KBC group.
- Co-operation with KBC's operational risk management's group-wide network, in order to monitor the implementation of KBC's CSR policies throughout KBC's entities around the world (on-going basis).
- Drafting of formal CSR stakeholder policy documents for areas where there was still a lack and a need (see all the new policies published on [www.kbc.com](http://www.kbc.com)), and start of the implementation phase.
- The Belgian operational unit took the lead by developing a declaration form which current and new suppliers are required to sign to ensure that they are in compliance with the environmental, social and governance principles outlined in the UN Global Compact. Final implementation will continue throughout 2009. The Belgian operational unit also took the lead in proposing advanced sustainable solutions in the management of its suppliers, by presenting its methodology during ad hoc seminars organised at Business & Society<sup>9</sup> in Brussels.

**Environment:** As part of the carbon neutrality target for Belgium to be achieved in 2010:

- We managed to switch to 100% green energy at all our Belgian establishments.
- In March 2008, we drafted the "Green Building Guidelines" for all new buildings and major renovations to existing buildings, in order to ensure effective energy use and reduce carbon emissions.
- ARGUS, the independent organisation financially supported by KBC, has been mandated to serve as the competence centre to manage-with the help of an external provider- the purchase of emissions rights and other projects to offset the remaining carbon emissions resulting from our logistics Departments and employee travel.
- The employee mobility plan is being aligned with the carbon neutrality project for facilities, in order to reduce emissions arising from employee travel.
- There was finalisation of the research concerning "PLATO" the project to increase efficient occupancy level at KBC working stations.

- Our Czech operational unit's new head office building was awarded a "Gold" rating by the US-based LEED<sup>10</sup> (July 2008)
- In Hungary we opened our first "green" branch, exclusively powered by renewable energy (July 2008); subsequently, we came second in the national selection of the European Energy Trophy<sup>11</sup>, based on international communication efforts to raise awareness amongst employees about the advantages of reducing energy consumption (December 2008).
- In the Belgium operational unit we have developed a clear environmental policy with a view to achieving our goals.

## Goals for 2009

- To continue to work towards achieving carbon neutrality in Belgium by the end of 2010.
- To work towards the final implementation of "PLATO" and harmonise the implementation plan among all entities.
- To take initiatives to further involve our employees and customers in our environmental strategies

## Community Involvement:

- Always pursuing the goal of creating one group strategy for community involvement projects, our Czech subsidiary launched an employee engagement project called "Helping Together", with the two-fold purpose of introducing a grant system for employees already working with local charities, and offering other staff members with no voluntary work with local charities one day a year (paid for by the employer)
- In Hungary, important long-term projects focused on "the Magic Cure Programme", to provide medical equipment to children's hospitals on a yearly basis (including the possibility for customers to contribute financially via purchases made on credit)
- In the Czech Republic, the insurance business of CSOB supported children's refugees there while its Slovakian counterpart donated funds in the local League Against Cancer and to the children's hospitals in Bratislava and Kosice.
- In Poland, as part of the "I Want to Help" voluntary programme, the Warta foundation disbursed 20 grants for a total of 90000 Polish Zloty.
- In Belgium KBC continues its support with the Belgian Raiffeisen Solidarity (BRS), the microfinance arm of its principle shareholder CERA, by formalising the role of KBC employee volunteers in BRS projects in the developing world.

## Goals for 2009

- KBC Belgium intends to become a leading force in the microfinance arena, taking advantage of its strong identity to attract attention and fuel initiatives.
- The intention is also to further align strategies among the different entities and reinforce their support role at local level

<sup>10</sup> LEED (The Leadership in Energy and Environmental Design Green Building Rating System), developed by the U.S. Green Building Council, which provides a set of standards for environmentally sustainable construction.

<sup>11</sup> The Energy Trophy is an EU-wide energy saving competition where the participating companies and institutions are expected to realise the highest energy savings over a one-year period. They must achieve this solely by raising employee awareness, via the introduction of new procedures and habits.

# Mission & Ethics

CSR embeds our actions which are encapsulated in our **mission statement**, in which we clearly set out our values and principles of action. We believe in being “PRO<sup>12</sup>”:

- “Professional”
- “Respectful”
- “Open”

Intrinsic to these are the qualities of customer-friendliness, efficiency, enterprising spirit and capacity for innovation, as set out explicitly in KBC’s mission statement. In our expansion strategy we are keen believers in a far-reaching integration and development of banking and insurance operations in Belgium and the rest of Europe being based on a respect for local culture and way of doing business. Our dedication to quality and respect for our customers, companies, institutions and public authorities, will always be expressed in the optimum atmosphere of respect and transparency. Our main focus on enhanced accessibility with regard to all our stakeholders is shared by all our employees. Close and mutual co-operation and an unrivalled dedication to objectives is the value added our employees give us in return for the constant recognition of the value they represent; that recognition is expressed through fair wages, excellent training opportunities, interesting challenges and a caring concern for their personal needs. Our openness and desire to exchange experience leads to an interplay with authorities, professional associations and interest groups, based on mutual respect. Risk is managed at group level and management is applied to all our operations. In last year’s report, we mentioned our on-going efforts to communicate and to verify the implementation of the various CSR policies that were drawn up and developed in the course of 2007<sup>13</sup>. As part of the monitoring process, periodic assessments of policy compliance via internal audits was one of the tools that was used at group level to verify the compliance level of our employees.

## 1. Compliance within KBC Group

For the management of compliance risks and particularly CSR issues, proactive action is ensured by the presence at local (national) level of Compliance units and departments at all international subsidiaries and entities, which are co-ordinated and report back to the Group Compliance Division.

### Core objectives of the Compliance Department at KBC:

To provide better coverage of the key compliance domains

- Anti-Money laundering (and tax fraud prevention)
- Investor Protection
- Privacy & Data Protection
- Ethics & Fraud Risk Management

To focus more clearly on the core roles of compliance

- Preventing, providing advice and support
- Monitoring

To enhance the support of

- The group wide compliance officers network
- The Business

These core objectives are embodied in the KBC Group Compliance Charter and the KBC Group Integrity Policy. Within the context of CSR, the compliance function is responsible for:

- the KBC Code of Conduct – behaviour rules for KBC group employees;
- the Whistleblower Policy;
- the Anti-Corruption Policy Statement;
- the Anti-money-laundering Policy;
- the Human Rights Policy Statement;

The testing of compliance with these issues and policies is part of the Compliance Monitoring Programme.

In line with the regular reporting requirements and Group Ethics and Fraud Information Management, entities and departments are requested to report any case of fraud or misconduct, including corruption and bribery.

Procurement being one of the most vulnerable activities in the area of Compliance we started up an assessment at group level, to identify major areas of risk, developing testing procedures within the Compliance Monitoring Programme and performing concrete investigations. The results derived from this assessment, will drive the drafting to be communicated group-wide in the course of 2009.

As a goal for 2009, Group Compliance will also start working toward the development of a more structured approach to the customer data protection system and, in time, create one entity that covers all operations.

## 2. KBC Code of Conduct

Our **Code of Conduct** stems directly from our mission statement, as it embodies our values and applies to our clients, employees, the community, competitors, and the media. Since its first drafting in 2000, the Code of Conduct, has been sent out in a booklet and sent out to all employees in Belgium. In Central and Eastern Europe countries, the code was translated, transposed and integrated in full compliance with national legal frameworks. The Code of Conduct in force today at group level was formulated in 2000. During 2008, Group Compliance, in close co-operation with all the other relevant entities, conducted a revision of it, in order to ensure that it comprehensively covers all the newly acquired entities and at the same time, reflect their national realities. The new version has recently been approved and will be distributed to all the entities worldwide during the course of 2009.

As a goal for implementation of the new Code of Conduct, the Group Compliance (which boasts the equivalent of 250 full-time employees), and Group Communication, is working on a global communication plan and subsequent implementation through local procedures, as well as raised awareness via the different e-networks and via the local Compliance departments.

<sup>12</sup> As part of the “PRO” initiative launched in September 2007, focused on the above mentioned values common to all our employees. See CSR report 2007 pg.43

<sup>13</sup> See CSR report 2007 pg.21

### 3. Ethical Policies

Since 2005 and 2006, always as part of KBC ethical policies at KBC, the group has rolled out several relevant policy documents, which are available for consultation at [www.kbc.com](http://www.kbc.com) and on our intranet site. They concern an **Anti-corruption policy statement** (2005), an **Anti-money laundering certification** (updated in 2008) and a **Responsible tax strategy** (2006). A questionnaire regarding the Anti-money-laundering certification was sent out to all financial institutions in February last year. Certification was a way of monitoring implementation of the relevant process and raising awareness amongst the relevant employees.

A detailed **whistleblower protection** standard has also been finalised and rolled out in the last two years in order to ensure the protection of all whistleblowers who report signs of fraud or gross malpractice. This policy is also available on the intranet for all the employees and a clear set of guidelines is also included, together with a list of contact points for the group. The Independent Investigation Departments are in charge of assessing the relevant issues. Exceptionally, reports can also be made anonymously.

### 4. Status of Implementation

During 2008 a Status & Action Plan was carried out at Group Compliance, in order to assess the level of compliance with the Group Code of Conduct, the Whistleblower policy, the anti-corruption policy statement, the anti-money laundering and the Human Rights Policy Statement, which all fall under the responsibility of Group Division. See tables for results.

#### 4.1 KBC Code of Conduct

As stated above, reviewing the Code of Conduct was a goal for 2008. While the revised Code was being drafted, we evaluated internally the existing level of compliance, in order to gain valuable ideas for the roll out of the new version. In order to reduce the 9% of non-compliance, registered, different ways of presenting different entities with the Code were and will continue to be devised by Group Compliance in co-operation with its national interfaces and other departments. Some of the proposals include raising awareness in the Management Bulletin, on the e-net, in national and international publications and in induction training sessions. The follow-up of the Code's implementation will be part of the Compliance Monitoring Programme. Similar initiatives will be taken in order to continue to ensure awareness and make employees familiar with the whistle blowing procedures.

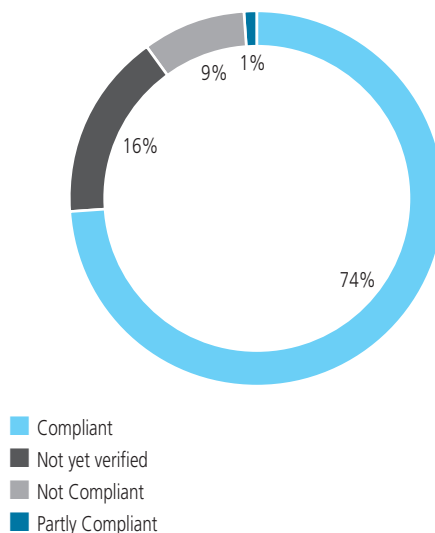
#### 4.2 Whistleblower policy

In every entity, a dedicated independent unit is appointed in order to investigate all types of fraud and misconduct, including corruption and bribery. A specific communication is to be prepared in order to boost awareness of this Policy Statement.

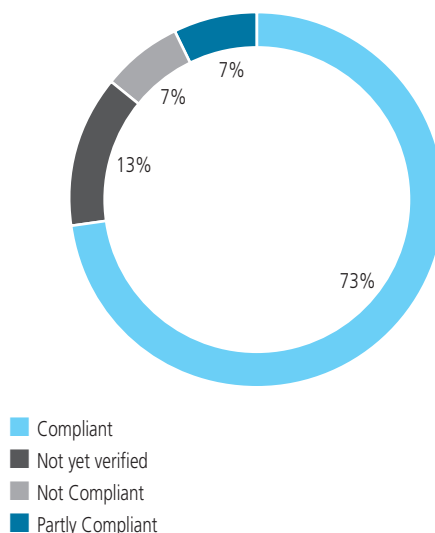
#### 4.3 Anti-Money Laundering

The Anti-money laundering certification at KBC Bank is based on the AML Certification provided by the Wolfsberg Group. Other members of the group abide either by the same certification or a local equivalent. Group Compliance is working in order to align all certifications within the group by drafting a group-wide Compliance Rule and requiring every entity to use the Wolfsberg Group certification as a basis for action and publish it on their national websites.

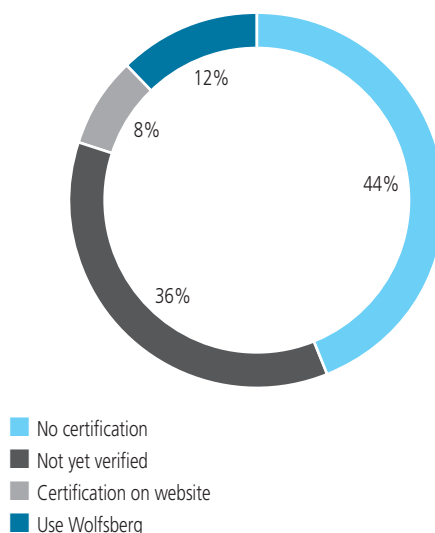
### Group Code of Conduct Compliance level 2008



### Whistleblower policy Compliance level 2008



### Anti-money laundering certification status



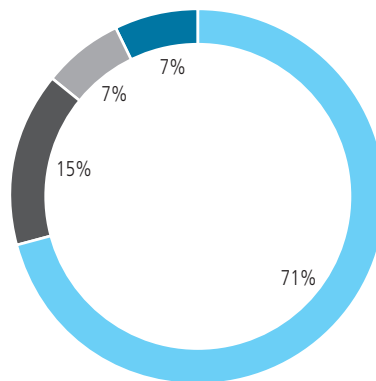
**4.4 Anti-Corruption policy statement**

In 2007 KBC issued a general policy regarding the acceptance of gifts by its employees. The policy forbids acceptance of gifts except for those of a low-value commonly given under the circumstances, which are to be considered as purely business gifts and be permitted. The policy was notified to all entities of the group, requesting them to implement it locally. The status of implementation is shown below.

**4.5 Training Courses**

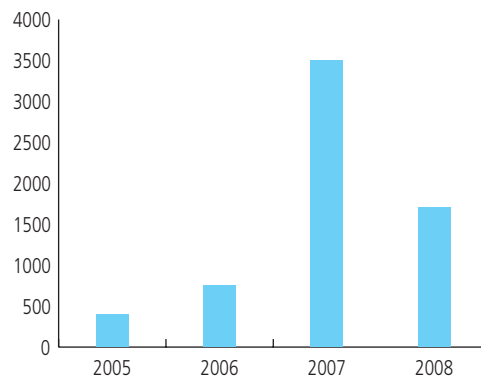
During 2009, the Compliance departments will make sure that all the policies that have to do with ethics are properly and harmoniously implemented and co-ordinated; to this end, more training courses will be rolled out in 2009, as they are one of the best ways to make sure that there is compliance: in other words, preventive action through raised awareness. Here is a snapshot of the courses completed in the past 4 years. The last two years have seen a hefty 250% average increase on the 2006 level due mainly to the sharp increase in training courses for advisers on savings and investments (ASB) and the general increase in ad-hoc courses on combating money-laundering. Apart from the need to update employees periodically, as a regulatory requirement, ad hoc sessions were also organised to update colleagues on changes in the approach of Belgian<sup>14</sup> and international regulation. As a goal for 2009, Group Compliance will also start working towards the development of a more structured approach to the customer-data-protection system and, in time, create a single entity to cover all operations.

**Gift Acceptance policy Compliance level 2008**



- Compliant
- Not yet verified
- Not Compliant
- Partly Compliant

**Number of completed compliance training courses**



**Courses by topic**

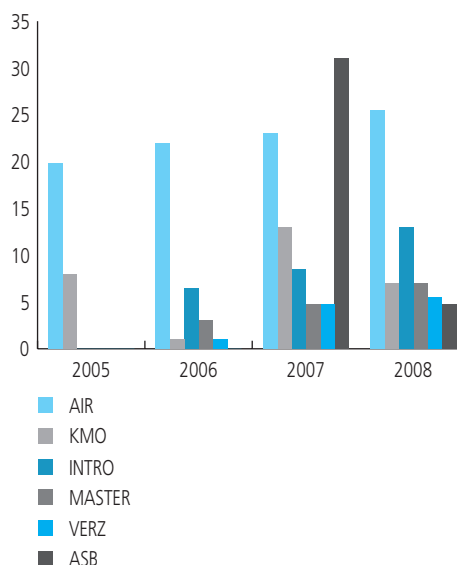


Table 4 1: AIR: training for Advisers in Retail, INTRO: training for new recruits, KMO: special training for people as advisers for small and medium-sized enterprises, the MASTER programme: training for all new recruits with a master's degree, VERZ: training specifically for insurance, ASB: training for savings & investment advisers.

<sup>14</sup> The change in Belgian law refers to a change in the Penal Code (Art.5050) and the anti-money laundering law of 11th of January 1993.



# Sustainability & Stakeholders

**KBC principles for Socially Responsible Business** In this section of the report we look at the impact KBC has on the economic, social and environmental conditions of its stakeholders at local, national and global level. KBC aims through its activities to contribute to the economic, social and ecological advancement of the communities it serves. KBC is keen to interact with all of its stakeholders while setting out its principles of responsible corporate citizenship and answering to the needs of the global community in which it operates. KBC's strategies are based on a set of principles, which are embodied in our Code of Conduct and which model our responsible behaviour:

- Fairness
- Reasonableness
- Openness
- Transparency
- Discretion
- Privacy assurances

KBC draws its inspiration from these principles to deal with its **stakeholders**, in this report macroscopically divided in **clients, environment, global community and personnel**.

**Customers:** → KBC's view of responsibility vision provides a clear framework within which to devise a group strategy to meet its customers' borrowing requirements at reasonable, market rates that compensate it for the credit risk it takes and other lending-related expenses. Before granting any credit, KBC will conduct a preliminary analysis that is focused not solely on the purely financial and economic aspects of the credit, but also on relevant social and ecological aspects. In order to ensure the broadest range of investment preferences, KBC develops investment products with diverse risk profiles and features including those that reflect sustainable and ethical investment principles. As part of this strategy, KBC Asset Management has set up its own research team to screen, according to sustainability standards, the companies present in its portfolio and it is also assisted by an External Advisory Board that provides support for the screening dynamics. KBC looks to provide insurance products for its clients that offer personal and professional assistance to accident victims, guiding them in their search for the best way to return to mental and/or physical health.

**Personnel:** → KBC's workforce can rely on a working environment characterised by equal opportunities and zero tolerance of discrimination. KBC believes in forging a long lasting working relationship, achieved through the provision of the right balance between the individual's professional commitment, which contributes to the company's capabilities, and his or her personal development in the broadest sense of the word. This is achieved at group level: through a competitive pay package, a caring touch when problems arise, the provision of flexible working arrangements, employees mobility and social schemes. A good social dialogue is one of the basic building blocks of KBC's corporate culture and organisation and there is a careful flow of information through the intranet.

**The Environment:** → KBC applies a rational use of resource principle in all of its actions and covering all of the relevant aspects. KBC endorses sustainable building principles and is particularly careful to the organisation of the work stations of its employees, in order to combine emission savings and motivation boosting for its workforce. Such balanced synergies are applied to the relevant expectations from our suppliers of services and products. Envi-

ronmental risks are also taken into account in the credit and insurance policies development as it adopted the Equator Principles since 2004.

**Global Communities:** → KBC's true nature as a responsible citizen is increasingly to be perceived in its direct actions vis-à-vis the local and global community in which it operates. As such, KBC supports and sponsors associations and organisations that are intertwined in the local texture, in order to make sure that it can act as reference point to the community. "Speaking the same language" is the motto behind the community involvement strategy at KBC. The success of KBC's approach is due to the ability to rightly assess the needs and to match them with the right partners and resources needed to find sustainable opportunities for all. KBC reminds its employees how much it values its role as a sustainable employer, within society, because it pays careful attention to the different activities its employees are involved in, in order to form new alliances and cement new partnerships while backing up projects already chosen by its workforce. Through its commitment to microfinance, stemming from its long-lasting co-operation with BRS, KBC also goes beyond the calls of the local community to look at the needs of far-away communities in various LDCs.



**Relevant policies:** Anti-money-laundering Policy, Group Customer Policy , Policy regarding Responsibility towards Suppliers, Human Rights Policy, Environmental Policy, Equator Principle

Community Activities	Group lending policy
Supporting our employees	Project Finance
Microfinance	Socially responsible investments
Argus	KBC and human rights
Suppliers	Shareholders

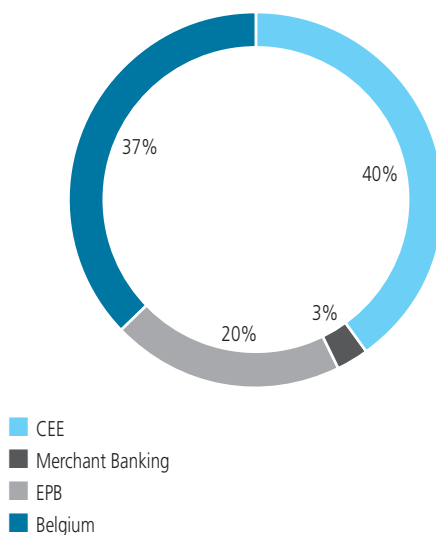
# Community Activities

At KBC, being a player in the global community simply means acting upon those basic principles of support and care on which we base our every day. The local community becomes global when we provide our inspiration and support to our employees by motivating them in activities which, at the same time, touch the lives of communities close to us in our local neighbourhoods or on the other side of Planet Earth. Our areas of focus are greatly diversified and range from sponsoring campaigns to promoting finance education, from advancing the environment to empowering local associations in need.

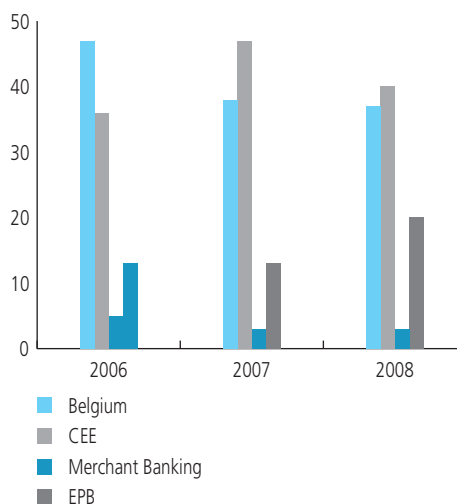
One of the characteristic features of the acquisitions made in Eastern Europe, was the diversity of the strategies relating to community investment, as the local context and the national culture are very important factors that concur in influencing the country specific view of needs and impacts. KBC understands and respects the need for every entity to pursue national missions that, over the years have contributed to help some specific sections of society. Such differences of view and their clear impact on the initiatives taken contribute to creating a variegated and open culture across all the KBC entities. In 2008, we contributed over €9 million to community programmes around the world, a net increase of 23% since 2007<sup>1</sup>. The increase was due mainly to a net change in the strategy of certain European Private Banking entities, which have decided to boost the budget devoted to community pledges. Below is a clear statement of the specific budgets that each relevant Business Unit devolved to Community Investment purposes at global level.

Although each entity is encouraged to take initiatives at local level to meet the needs of its local community as closely as possible, a common frame of mind is always present. On this basis, initiatives revolve around shared and common themes at group level. One of the most important key denominator is the ability to support our employees while, at the same time, helping our most vulnerable neighbours both in our local or global community.

**2008 Breakdown per KBC Business Unit**



**Budget trend per KBC Business Unit**



<sup>1</sup> See tables on breakdown and budget trends on p. 19

# Supporting our employees

Voluntary work is highly encouraged in every entity and many initiatives are undertaken on this basis. In Poland, for example, employees are encouraged to participate in voluntary service to help communities. This project is developed as a continuation of a programme to subsidise social projects proposed by employees at local level. This specific project, created as part of the harmonisation strategy between entities, was called "I Want to Help"; first launched back in 2007, will continue to run in the coming years. In Belgium voluntary work is highly supported and employees are able to interact with underprivileged members of the surrounding community, through culinary events. Additionally, through the "Aanloop naar pensioen" (preparing for retirement) project and in co-operation with the volunteer support centre, the KBC group aims to attract future KBC retirees to continue to be active, through opportunities for voluntary work. KBC also encourages voluntary work through a specific solidarity fund "Looking Out For Others" and subsidizes employees that spend their free time working with social organizations on ad hoc projects (e.g., with disabled people, migrants, communities in less-developed countries). KBC strives to help out the local community through motivating and supporting its employees to share experiences together. Recent examples that marked 2008 include a KBC employee family-hosting-project for disadvantaged youth and the meetings between women from ethnic minorities in the local communities and KBC women employees. In Antwerp, KBC is also supporting development projects for the most deprived parts of the city, by supporting the Rataplan theatre project and the restoration of the Art Deco hall in the heart of the Borgerhout district. The aim is to restore the social fabric of the community while bringing all the active parties together in active co-operation.

## Microfinance

KBC is also one of the main sponsors of the Belgian Raiffeisen Foundation (BRS) and, as part of its support is, in Belgium, actively involved, through an informal group of staff in various international microfinance and micro insurance international projects; it is looking to intensify its operations in this respect in the future. During 2008, the group decided to release two full-time employees to concentrate during the working hours on acquiring expertise for KBC in microfinance projects. In 2008, about 400 KBC employees were active members of the "KBC steunt BRS" support group, which aims at "informally recruiting" employees who wish to devote their time and efforts to microfinance projects. Furthermore, the ICT Division at KBC is a protagonist of ICT4BRS, an initiative involving ICT volunteers who offer IT-related assistance to BRS Projects. The ICT Division has also helped BRS in the development of valuable MIS-tools, in the form of spreadsheets, which are used by Microfinance institutions and micro-insurance providers free of charge. This constitutes an invaluable resource for many of the institutions involved in microfinance, which sometimes cannot afford the technology required. In 2008, in order to keep on involving employees and raising awareness at every level, in 2008 KBC started up the "Employee Involvement Programme KBC-BRS", to run alongside information sessions on microfinance and meetings on cooperation, during which BRS has provided cooperation by providing presentations on programmes already in existence in Latin America. Last November, KBC Asset Management and BRS have donated EUR 50 000 to DECSI, a microfinance organizations in the Tigray region of Ethiopia, to provide drought-stricken famers with loans to invest in wells, as well as agricultural training and guidance. During 2008, "KBC steunt BRS" and Asset Management managed to raise €412 000 worth of funds, an outstanding result

"September was rainy and misty but KBC Bank's welcome in Leuven for our guests from Honduras was warm-hearted. Margarita, René and Gerson are managing the microfinance institution Pilarh in Western Honduras. Starting savings services has been the most important challenge for them since they received the official recognition from the Central Bank. What began with presentations on market approach and product development ended in lively discussions and enthusiastic plans as well as invitations for a return visit. This will certainly happen as KBC signed an undertaking for a three-year partnership with its overseas colleagues. Both parties appreciated the two way traffic and in the near future, clients might experience a Honduran flavour in the financial products of KBC"



which KBC is determined to better. The KBC Group plans to continue to support Microfinance activities through BRS and Cera by organising activities and hosting events in order to increase momentum and highlight the need to take joint action with various partners.

International solidarity is a theme that is becoming increasingly closer to KBC's heart. At our Luxemburg-based organizations, for instance, international support is given through the "Sunflower" project which aims at financing fifty projects in the field of sustainable development in the Southern hemisphere, in 2008, already, various programmes were developed in Africa (64%) Latin America (20%) Asia (5%). The "Sunflower" project contributes to the strengthening of the economic structures in LDCs<sup>2</sup> and which supports food independence in troubled economies. In Luxemburg, we also found a way to support children and benefit the environment at the same time. The idea stemmed from the participation in the humanitarian 4L Trophy Rally. The car taking part in the rally carried over 60 kg of school equipment destined for 10 000 children in Morocco. It was also equipped with low-emission technologies, in order to achieve a perfect mix for a solidarity mission.

<sup>2</sup> LDC, Less developed country

# Argus

The KBC group environmental strategy was developed with the help and support of **ARGUS**, an independent Belgian not-for-profit organization created in 1970 with the support of KBC and later (in 2006) also endorsed by CERA. ARGUS aims to inform and motivate the community to apply environmentally friendly solutions to their lives and work. In order to do this, ARGUS takes many different initiatives, often also in collaboration with many local partners. Although the cooperation with ARGUS continues, there is a clear strategy in place, with regard to KBC's environmental policy; every year, we get a step closer to reducing our carbon footprint and we are working towards achieving our carbon neutrality goal set for 2010 at national level.

Always in the spirit of taking joint initiatives, we are trying both in Poland and in Belgium to coordinate and stimulate action and open dialogue in CSR platforms in order to increase the momentum for CSR both at national level and within our respective communities. In Poland we organised the Responsible Business Forum Conference that took place in October last year, the aim being to sharpen company competitiveness and at the same time encourage responsible practices amongst CSR business players. In Belgium, for the third time in 2008, we have organised stakeholder consultation in line with our strategy to keep CSR a shared and evolving concept. The yearly stakeholder meetings that we hold are for interested parties, both internal and external and include:

- employees
- non-governmental organizations (NGOs)
- business forums
- community groups
- academia

The main objective of these consultations is to provide feedback on what we are doing at KBC and how we are doing it, with a view to enhancing transparency and achieving consensus about our practices. One of the objectives for the future consultations is to attract different stakeholder groups and get even closer to our clients.



## "Argus sustainability through involvement"

In November 2008, ARGUS launched an initiative to motivate all the staff and also retired employees of KBC Group to purchase solar panels at favourable conditions. By the end of 2008 already 233 staff members had sent a request for tender.

As part of this initiative ARGUS organised 2 training sessions on Solar panels within the framework of "Open Learning", followed by 250 participants. Within the same framework, 360 colleagues attended the training sessions "Sustainable building and renovation".

*Helga Van Der Veken Director of Argus*



Already back in 2007 KBC Autloease, the fleet management subsidiary, introduced the GREEnlease label in Belgium for fleet operators. As part of the label, fleet managers may purchase 'CO2 certificates' to compensate for the CO2 emissions generated by the cars in their fleet. In collaboration with ARGUS, the monies raised from the certificates are used by ARGUS Climate Fund towards reforestation projects managed by third parties. A course on Eco-driving is included for the user of the lease in order to offset the remaining emissions. The offsetting occurs through VER's<sup>1</sup> investment in climate projects in third world countries. KBC chose VERs because they represent a much more sustainable solution than ETS<sup>2</sup>, as all the financing is directed towards the developing community originally selected, instead of being redirected to brokers, traders, consultants and certification authorities. Furthermore, VER represent a less unpredictable and less risky source of carbon credits as the price is fixed and the seller and buyer determined. Transparency on procedures in the voluntary carbon market improved dramatically in the last three years in line with UNFCCC procedures, international standards. The agreement on VER has been settled in December 2008, details on the performance will follow in the next reporting.



KBC Autloease Fleet Experience Day VI (Ghent 18/10/08)

<sup>1</sup> Verified Emission Reductions are voluntary options for emission reduction, which are not compliant with the Kyoto protocol and are available for sale to corporations and individuals who want to offset their emissions for non-regulatory authority for use as a compliance instrument

<sup>2</sup> Emission Trading Scheme

**Goals for the future:** At group level KBC looks to fine-tune a strategy that brings together all the entities that share a single idea encompassing so many cultures. This was already a goal for 2008 and several round-table conferences have been held with the various players. The challenge is to reach a sustainable level of cohesion while not hindering the national cultural heritage of the different entities within the KBC family. In the meantime, we will continue putting important stress on those activities that allow us to exercise our best qualities: voluntary work and support for Microfinance.

**Poland:** The development of an underlying strategy for the future, maintaining a clear distinction between Community involvement activities and sponsorship initiatives in line with the Foundation and Kredyt Bank work.

**Czech Republic:** The further development of opportunities for employees to engage in voluntary work and the continuation of work on a fund specially for employees and NGOs.

**Belgium:** We will be proactive in organising events that will bring together parties interested and specialised in microfinance, in order to further cement our engagement with BRS and strengthen our position as the leading proponent of microfinance activities in Belgium.

In Mechelen and Leuven, we will be supporting art exhibitions of high cultural and historical value, in which will be especially community-oriented to attract as many visitors as possible from the immediate locality.

## Community Involvement: coming together reaching out to others

In Poland.....

- Education and finance: tenth edition of the competition for the best MA and PhD thesis in insurance, banking and bank-assurance (in co-operation with the Polish Economists Association): seminar on finance for high school teachers (in co-operation with the Polish Economists Association), Wide Road Foundation road safety campaign.
- Art: Warta and Kredyt Bank Foundation have sponsored exhibitions (of contemporary Belgian art) at the International Cultural Centre in Krakow and at the Łazienki in Warsaw. The Foundation has also sponsored the publication of an illustrated book "Pałac Mniszchów" (Mniszchów Palace) on the renovation of the Belgian Embassy, an historical building in Warsaw.

In the Czech Republic.....

- Education and finance: CSOB is gathering the fruits of its decennia-long co-operation with the Education Fund of the Committee of Good Will. It also cooperates with the Association of Citizens Advice Centres in a debt advisory project aimed at fostering financial literacy in debt-trap matters.

In Hungary....

- Art: The K&H Art Advisory Board has designed a creative scholarship programme to benefit young artists; it provides assistance to deserving and capable artists through a competition and permits the K&H collection to be enriched with examples of those artists' work, once the scholarship programme has been successfully completed.

In Belgium.....

- Art: The Rockoxhuis, the museum, privately owned by KBC, has joined the PAC, Private Art Collections in 2008 and, as a target for the future, intends to continue its role within the community by hosting exhibitions aimed at attracting young people. At present the collection includes works by Patinir, van Dyck, Jordaens, Teniers de Jonge, Rubens, de Momper, Snijders en Pieter Brueghel de Jonge.

In Luxemburg.....

- Art: KBC has given its support to the a new centre in the heart of Europe, dedicated to contemporary art, the MUDAM. This space was created by the famous Sino-American architect Leoh Ming Pei and the collection displays an impressive variety of international artists. The vision is to build up a collection of works of art by young artists mainly from Eastern Europe. This will create possibilities to offer travel scholarships to young curators/professionals in order to build up the collection.

# Our Suppliers

During the past years, KBC has kept a very close watch on the effects of synergy on its supply chain and has managed to achieve a great number of targets in the development of a structured strategy that rewards trust and professionalism. At group level in 2007, it was decided to adopt a specific policy of Corporate Social Responsibility towards suppliers and contractors and make it a clear declaration of intent with clear requirements and standard references, the key pillar of which being the ten principles of the UN Global Compact. The scope of this policy extends to all companies supplying the KBC group<sup>3</sup>, and all the KBC group's direct and indirect subsidiaries. Our ICT system<sup>4</sup> has a supplier network of 510 counterparts and the products supplied range across hardware, software and related services. The procurement network comprises 30 people in Belgium and 20 in Central and Eastern Europe (Hungary, the Czech Republic, Slovakia and Poland). All the people assigned to procurement work on a cross-border basis on specific procurement issues.

**Our suppliers' contracts** Our requirements in this respect, now embodied in a group policy<sup>5</sup>, demand that, when entering into a procurement contract<sup>6</sup>, all of KBC's business units and departments take factors into account that relate to the environment, health, ethics and safety and employment criteria. More specifically, KBC's requirements relate to the following areas:

- human rights
- labour policy
- combating corruption
- environment

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 them informed about any changes in their policies regarding the key above mentioned key areas and at the same time, to take a proactive stand as responsible businesses.

## Other requirements

- Providing proposals and advice on environmentally friendly alternatives
- Pursuing an environmentally aware policy based on an environmental policy statement
- Knowing the environmental impact
- Measuring the environmental impact
- Reducing the environmental impact
- Raising awareness
- Striving for continuous improvement
- Setting up an environmental management system

## Absolute minimum requirements

- Compliance with environmental laws and regulations
- Use of Best available techniques (BAT)
- Specific environmental requirements for specific high risk sectors

**Monitoring of suppliers** One of the short-and long terms concerns of the policy regarding suppliers was to ensure that KBC would succeed in monitoring its supply chain and raising awareness, thereby a wider range of sustainable practices. As part of its suppliers policy, KBC has instituted regular checks and evaluations of the different aspects of its relationship with suppliers covering all the relevant sustainability issues and compliance with the international standards that represent requirements in KBC's eyes. Whenever, a supplier is suspected of not meeting the requirements of the policy, KBC, after careful consideration of the circumstances, will first request the supplier to redress the situation; where no action is forthcoming on this, KBC will re-examine the business relationship.

During the last year, KBC successfully extended its commitment to reduce paper consumption, to its supply-chain. Since the inception of the FSC project in April 2007<sup>7</sup>, indeed KBC has succeeded in increasing the number of FSC<sup>8</sup> paper users by 2,7% and in raising awareness about reducing the use of paper. Not only has it done this within its own supply-chain but it has also been a leading force in panel discussions on ethical practices in the supply chain. During seminars held, as part of a series of group discussions at Business & Society<sup>9</sup> on sustainable supply chain, different practitioners from companies operating in the same business lines and initiators of best practices, exchanged methodologies and looked at what constitutes best practices today. KBC has taken a clear stand at these meetings, trying to raise the bar for every player in the industry and to propose practical and sustainable solutions for implementing green purchasing policies.

<sup>3</sup> KBC Group NV, established at 2 Havenlaan, 1080 Brussels and the following companies: KBC Bank NV, KBC Insurance NV, KBC Global Services NV and Centea NV.

<sup>4</sup> For more information on ICT systems, see the KBC 2008 Annual Report

<sup>5</sup> "KBC Group Corporate Social Responsibility policy towards suppliers", published on [www.kbc.com](http://www.kbc.com) on December 2008.

<sup>6</sup> The policy applies to suppliers invoicing KBC Group for more than EUR 12,500 per year, who are those asked to enter the contractual suppliers agreement, endorsing the ten universal principles of the Global Compact of the United Nations. KBC expects its direct suppliers to impose the same requirements on their sub-contractors and sub-suppliers.

<sup>7</sup> See CSR report 2007 page 67

<sup>8</sup> FSC is an independent, non-governmental, not for profit organization established to promote the responsible management of the world's forests.

<sup>9</sup> Business & Society, the Belgian network for corporate social responsibility

# Group Lending Policy

KBC's lending business is governed by strict policies and guidelines, as outlined in its Credit Policy manual and in that regard, KBC has adopted stringent rules relating to the environmental and social impact of its lending activities. In particular, KBC is very reluctant to finance arms-related activities. Its weapon policy is among the most stringent policies in the sector. Currently, the lending business is exploring different ways to focus on different aspects relating to climate change. We will be able to report further on this issue in the next report.

In 2008, KBC has incorporated a sustainability screening prerequisite into its standard credit appraisal process for corporate loan applications. This prerequisite includes the assignment of a CSR-classification to the borrower, as well as a requirement for any relevant information with regard to borrower-related CSR aspects. KBC continuously monitors the implementation of its credit policy standards, the respect for the Equator Principles and the implementation of the Sustainability Prerequisite.

KBC is a member of the banking group that initially signed the Equator Principles<sup>10</sup> in July 2004 and the revision of these Principles in June 2006. Today, the Equator Principles have been ratified by over 70 international financial institutions that have chosen to integrate EP as their core lending standard. The EP approach is integrated directly into KBC General Credit Policy and it applies throughout KBC worldwide, within the project finance business, which is handled by some 50 professionals out of seven centres<sup>11</sup>, the project finance units of the main non-Belgian banking units<sup>12</sup> and the Belgian corporate units. In line with the requirements of the Equator Principles, KBC develops lending activities only where the borrower is willing to comply with the environmental and social processes and policies of the Equator Principles. To this end, KBC has appointed, an Equator Principles Co-ordinator within each entity, to act in concert with the central credit department, where ultimate responsibility for the application of the Equator Principles, lies.

KBC is an active player and supporter of the Equator Principles and as such, it teamed up with other Equator Principles banks, in the last quarter of 2008, in order to investigate the extension of these Principles besides purely project financing towards other types of lending, including but not limited to Corporate finance and Bridge financing. While all parties involved agree on the extension of the Equator Principles, discussions are still ongoing on the practical implementation of this extension. Working parties are focusing on whether Equator Principles should be introduced for these types of lending or whether additional types of lending should indeed be included.

## Methodology of the Implementation procedures of the Equator Principles within KBC

With regards to project finance, KBC's main focus concerns transactions in the energy (power, renewable energy, oil & gas), infrastructure and telecommunications sectors and also a few other specific ones (including mining & metals) sectors. In these transactions KBC is usually involved either as an arranging bank or as a member of a bank syndicate and. Irrespective of the position of banks in the syndicate not subscribing to the Equator Principles banks, KBC insists on strict compliance with those Principles.

Projects are initially categorised by the loan officers as either "A", "B" or "C", in accordance with the International Finance Corporation (IFC) guidelines and are then reviewed by the Credit Division. The ultimate decision on the project category is taken by the relevant Credit Committee. In accordance with the parameters of the Equator Principles, KBC always requires a Social and Environmental Impact Assessment (SEIA) to be drawn up for projects classified as "A"<sup>13</sup> (high impact) or "B"<sup>14</sup> (intermediate impact). Where KBC collaborates with an independent technical adviser, as part of the project, it devotes its attention to making sure that the scope of the advisor's tasks includes the requirement to provide expert assessment on environmental and/or social considerations regarding the project. This includes feedback with respect to the potential environmental or social impacts, an Environmental Management Plan (EMP) and overall compliance of the project with the Equator Principles. As part of the monitoring process, KBC also requests adherence to the Equator Principles to be included in any term sheet that is submitted to the project sponsor and or borrower. Special attention is also given to the loan documentation process in order to make sure that the appropriate environmental and social clauses are incorporated.

<sup>10</sup> The Equator Principles serve as reference and support for processing social and environmental impacts into the project finance process. They allow for risk assessment for what concerns environmental and social impacts of projects worth more than USD 10 million.

<sup>11</sup> (i) (Dublin, London, Brussels, Paris, Hong Kong, Sydney, and Singapore)

<sup>12</sup> (ii) (K&H, CSOB CR, CSOB SR, and Kredyt Bank, KBC Bank Ireland)

<sup>13</sup> "A" corresponds to a project characterised by social or environmental, irreversible or unprecedented effects.

<sup>14</sup> "B" corresponds to a projects characterised by rather limited negative social or environmental impacts which can be easily resolved.



# Project finance assessment in 2008

The table below provides the number and share of the transactions which were approved and concluded by KBC in 2008. In line with the June 2006 modifications of the Equator Principles, KBC applies the Equator Principles to all projects with capital costs above USD 10 mn.

	Loans by category	Total number of transactions No.	As % of FY project finance	
			lending volume New transactions	of which: refinancing No.
2008	Category A	4	7	1
	Category B	19	35	0
	Category C	22	58	5
2007	Category A	4	11	0
	Category B	27	40	2
	Category C	33	48	3
2006	Category A	2	4	0
	Category B	11	26	0
	Category C	20	70	6

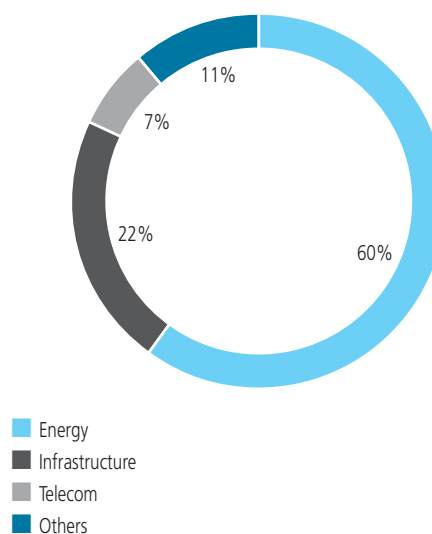
In the above table, with regards to 2008 loans, the Category "A" projects represent one hydro power generation, one mining, one refinery plant and one power and desalination plant.

In 2008, KBC also concluded six refinancing transaction, of which four, including two wind farms portfolios, in the energy sector and two in the infrastructure sector.

Compared to the figure for 2007, the total number of transactions signed and closed in 2008 declined by 30 %. Although the number of Category "A" projects remained unchanged, the number of Category "B" and "C" projects decreased, respectively, by some 30 % and 33 %. In terms of project finance lending volume, 2008 witnessed a decline, being 20 % lower compared to 2007. This rather substantial reduction is due largely to the current economic crisis which grew harsher from the second half of 2008 on. Although, these data do not take small projects<sup>15</sup> into account, we do register that during 2008 there has been a strong increase in the number of smaller projects financed both in Belgium and in Central Europe.

<sup>15</sup> with total project costs being below the USD 10 mn threshold.

## Equator Principles assessed by sector



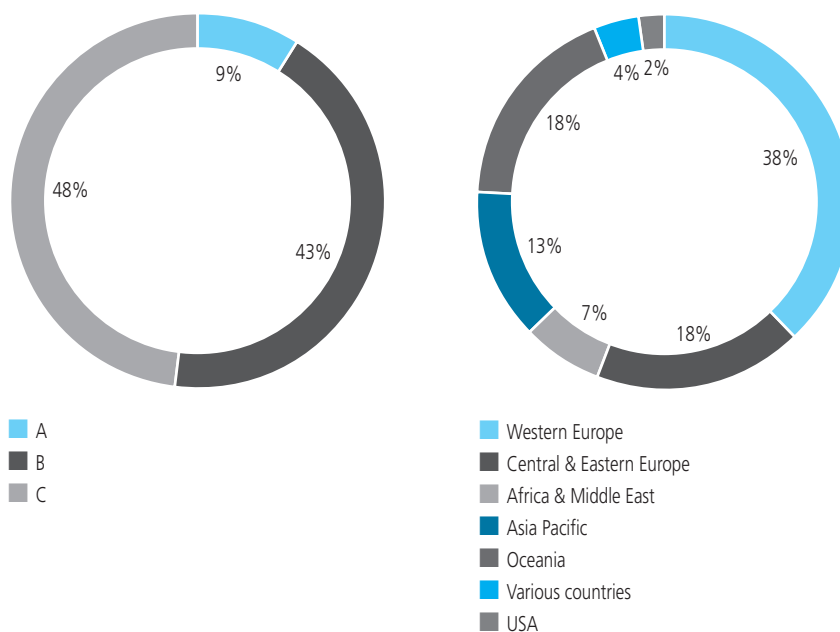
**Equator Principles assessed by sector** The Category "B" projects concern projects in the energy (oil and gas projects and power plants) and infrastructure sectors. Whereas the Category "C" projects, whose impact on the natural and social environment are considered rather limited or minimal, concern the financing of renewable energy projects (wind farms, solar energy and biomass), as well as to financing in the telecom sector and the refinancing of existing projects in both the energy and the infrastructure sectors. Remarkable and certainly positive is that in 2008 the share of renewable energy in the total number of financing increased to 15.6%, up from 12.5% in 2007.

**Equator Principles assessed by Project category and region** Although a number of project finance transactions were rejected in 2008, none of them primarily on account of environmental and/or social con-

cerns. However, it is worth mentioning that, in 2008, one corporate transaction that was concluded in 2007 was reconsidered because of issues of compliance with the Equator Principles, which was a Condition Precedent to drawing. Given that our lending executives apply the Equator Principles strictly at an early stage of the process, any transaction that is not or cannot be made compliant with the Principles is turned down at this early stage and will not be submitted to the credit committee anymore.

We also apply the 'spirit' of the Equator Principles to other lending transactions should the transaction related investments have significant environmental and/or social consequences. The pie chart on page 25 includes five corporate transactions (three in the telecommunications sector, one in the infrastructure sector and one in the chemical industry) to which the Equator Principles were applied and as a result were assigned a specific category.

**Equator Principles assessed by Project category and region**



## Increasing focus on financing projects in Renewable Energy

A renewable energy source is any energy source, naturally generated over a short timescale and derived directly or indirectly from the sun, wind, rain or geothermal heat and capable of being applied in three different forms: electricity generation, heating and bio-fuel.

One of the main conclusions of a recent, internal KBC sector study on renewable energy in Europe is based on the consideration of the significant changes that are already taking place or are still expected to occur in the energy sector, as governments and policy makers worldwide encourage the development of renewable energy<sup>16</sup>. This development is partly due to a growing use of lower greenhouse-gas (GHG) emissions, in order to help address the impact of 'climate change' on the natural and social environment. Although fossil fuels currently dominate EU energy mix today, the EU is aiming at a 20% reduction in greenhouse gas emissions by 2020 as compared to its 1990 levels. KBC wants to make the most of this green trend and in view of its carbon neutrality goal for 2010, the projects it has implemented in 2007 have given it the scope to decrease by 4.3% and by 20.6% its electricity and its gas use, respectively, in Belgium. Since March 2008, KBC Belgium has been purchasing 100% green electricity and acquiring certified permits for certified projects. Consequently, it decided to further increase its share of renewable energy in its financing, in terms of investment credit, bridging loans and leasing. Among KBC's green products there are the KBC Green Energy Loan, the GREENlease<sup>17</sup>, and Carbon Trading. Although KBC has been co-financing wind, solar and biomass projects (C-Power, Tuin zone, 4Energy Thenergo and Electrawinds), the following clarifications are to be made:

- The financing of large hydro-power plants are to be carefully assessed, given their possible detrimental impact on the natural environment and the ensuing reputational risk for KBC. Refurbishment of existing plants as well as small scale hydro plants can be considered but only on a case by case basis.
- The financing of biomass and bio-fuel projects is to be carefully assessed in few of the ongoing 'food – fuel' debate, as well as the, although unclear, yet positively perceived impact on emissions. (See box on Electrawinds<sup>18</sup>)

KBC has joined another Equator Principles partner from the financial world to act as Mandated Lead Arranger towards the financing of the Electrawinds Biostoom plant in Ostend, Belgium. The project entails an investment of 90 millions Euros and is Electrawinds' largest green energy project to date.

The project concerns a power plant that is due to become operational in the summer of 2009 and due to generate renewable energy from biomass waste. The heat released during combustion will convert water into steam, driving the turbine in order to produce electricity. The power plant will generate 18 MW of nominal electric power and 70 MW of thermal power and it will process 130,000 tons of biomass waste a year and is scheduled to provide 42,850 households with electricity.

The Construction of the bio-steam power plant began in March 2008 in the Plassendale II industrial park in Ostend. Over time, the plant is expected to employ the equivalent of up to 30 full-time staff and indirectly create 120 new jobs.



Financing Electrawinds' Biostoom power plant in Ostend is fully consistent with KBC's policy on sustainability, as financing 'sustainable' projects is part of the group's core business. KBC, together with its technical advisors, assessed the project on its environmental impact and categorized it as an Equator Principles B project.

<sup>16</sup> "Renewables Make The Difference" Directorate General for Energy and Transport European Commission, Luxembourg: Office for Official Publications of the European Communities, 2007, © European Communities, 2007

<sup>17</sup> (Developed in co-operation with Argus)

<sup>18</sup> A young company headquartered in Ostend, Electrawinds has become the largest private player on the Belgian market for renewable energy after just 10 years in business. It has a broad experience in developing, building and running wind farms in Belgium and abroad.

# Responsible investments at KBC

As a pioneer in Socially Responsible Investment<sup>19</sup>, KBC Asset Management was the first financial institution in Belgium to start carrying out its own sustainability analysis, applying high standards of independent research and transparent communication ensured through a continuous interchange and open dialogue with various stakeholders. KBC Asset Management follows a clear series of important steps that have helped shape what today is a clear and successful strategy. All the investments<sup>20</sup> made at KBC are based on our general investment policy which is entirely based on the UN Principles for Responsible Investment, which KBC has joined in 2007 ([www.unpri.org](http://www.unpri.org)) and which applies to all business units and entities within KBC Group.

KBC Asset Management has adopted a two-pronged approach to SRI. Following our Best in class approach, we focus on shares and/or bonds issued by the most socially responsible companies and governments on the broader market. In this respect, KBC Asset Management seeks out companies that respect the triple bottom line accounting and have adopted a more responsible approach to doing business. Companies and countries are therefore screened with regards to six domains of action respectively (see table below). The Multi-criteria model shown here is coupled with an assessment procedure in which we look for the existence of a policy, monitoring mechanisms and results attained. Our criterion of independence is a result of our screening methodology which is based on in-house research, coupled with support from EIRIS<sup>21</sup>, for company screening, and its ad-hoc External Advisory Board<sup>22</sup>, which determines the screening methodology and represents the deciding vote in defining the investment universe. On top of the veto right on the part of the External Advisory Board, KBC AM also bases its selection also on exclusion criteria applied to selected industries and breaches<sup>23</sup> of international agreements. At KBC, SRI funds will no longer invest in oil, gas or mining companies that operate in certain controversial countries such as North Korea, Somalia, Uzbekistan, Turkmenistan, Sudan and Burma. By taking this stand, KBC sends a signal to the companies in question to cease activities in the countries in question. KBC AM has also organised Focus Funds, which have a specific theme focus on: water, alternative energy, climate change and agriculture. In 2008, KBC AM introduced the first SRI fund with a focus on the issue of the growing demand for agricultural production (KBC AM Institutional Fund Eco Agri Fund). This fund invests in the shares of companies that offer sustainable solutions to the scarcity of agricultural products.

In 2008, 41 new SRI funds were introduced on the Belgian and Central European markets, 33 of which are capital-protected closed-end funds approved by the BEAMA. In 2008, SRI represented 30% of the new placements in KBC mutual fund business on the Belgian market. As at the end of the third quarter of 2008, capital in KBC's officially approved SRI funds totalled 4.3 billion euros, unchanged from the level a year earlier. At the end of that same quarter, KBC's share of SRI fund business was approximately 62%, as opposed to 57% at the start of 2008. Worldwide, KBC manages 5.3 bn euros' worth of socially responsible investment, which represents about 5.4% of the total assets under management at KBC AM.

In 2008, KBC AM began an active proxy voting and engagement policy. By exercising the rights of shares held by the investment funds, KBC Asset Management NV aims to defend the interests of clients and investors. Where necessary and relevant, KBC AM will exercise its influence by entering into a dialogue with the companies and/or exercising the voting rights of the shares held in portfolio by means of proxy voting and participation in class action suits.

To this end, KBC AM pursues an active voting policy towards business-economic, corporate governance and corporate social responsibility elements, and towards developments that – in the medium and long term – determine the value of a company and that (may) have a significant impact on value creation or on the return for clients/investors. Through its investment policy, KBC AM also aims to encourage companies to pursue greater sustainability and be more socially responsible. Where appropriate, KBC AM will enter into a dialogue with the management of the companies concerned, before it exercises votes. Results of the Proxy Voting Engagement Committee for 2008 include the following: 16 companies (Belgian and international) were selected and assessed, 6 of which received a recommendation and approval.

Naturally, KBC Asset Management has developed a clear list of what it considers as socially questionable practices and technologies. Companies active in the industries concerned are included in the investment portfolio, but the scoring model penalises such companies in relation to their degree of involvement<sup>24</sup>. In 2008, the weapons policy was updated (the exclusion of 19 companies was confirmed, 5 new entries were considered and 1 company earmarked for blacklisting was still under scrutiny). Our review process is constantly being updated to make sure the strictest and most relevant strategies are implemented. The aim for 2009 is to develop a brand new screening model, based on more demanding requirements.

## Company screening criteria

1. Economic policy and role in society
2. Corporate governance and business ethics
3. The environment
4. Internal social relations
5. Human rights
6. Involvement in socially questionable practices

## Country screening criteria

1. Economic performance, structure and policy
2. Welfare and safety of the population
3. Equality and freedom
4. The environment
5. International Relations

<sup>19</sup> Henceforth referred to as SRI

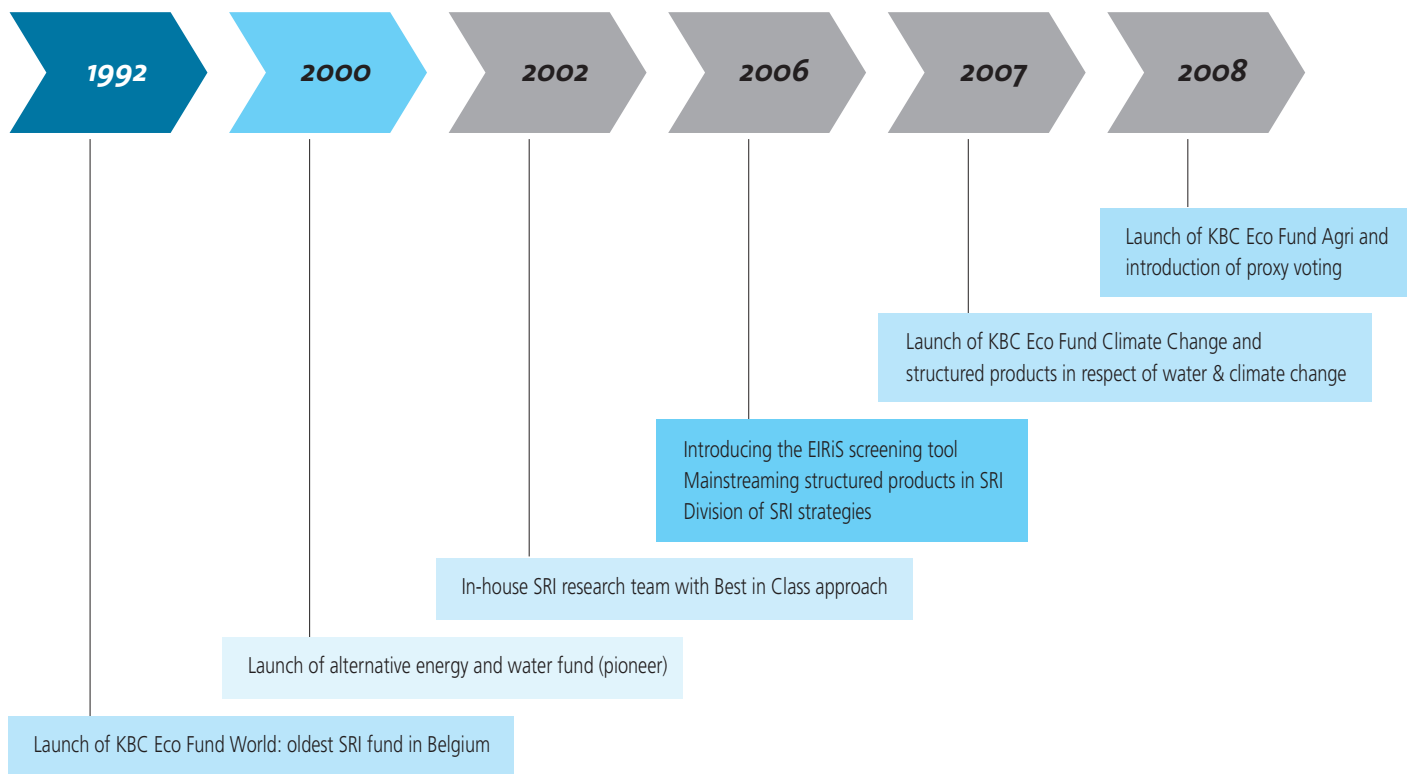
<sup>20</sup> The general investment policy covers all investments carried out by KBC: proprietary investments, investments conducted on behalf of its customers and for the investment funds that it manages

<sup>21</sup> EIRIS is an England-based global provider of independent research into the social, environmental and ethical performance of companies

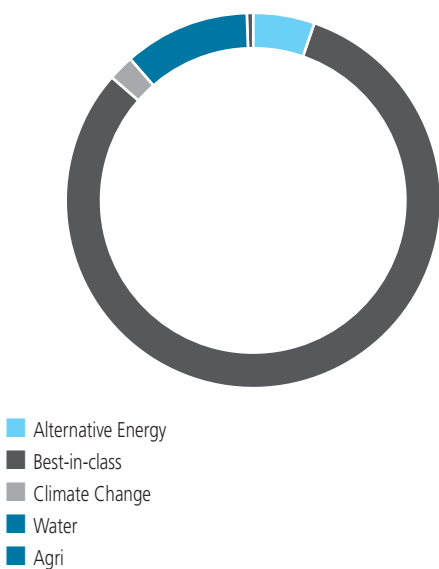
<sup>22</sup> KBC AM relies on an External Advisory Board for Sustainability Analysis and an Environmental Advisory Committee (download the pdf here)

<sup>23</sup> See: International Human Rights violations, ILO conventions. Furthermore, in 2008 we added a new exclusion criterion with regards to non-compliance with the policy towards controversial countries.

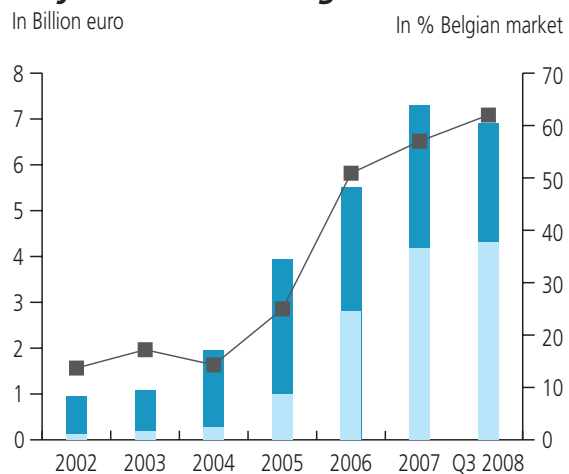
<sup>24</sup> Please refer to the document containing a detailed description of socially responsible practices and technologies (pdf), on: <https://www.kbcam.be/IPA/D9e011-EI-KBCAMI~BZKXCTT1-BZL3T9B/BZL1W9X/BZL1WKJ/BZL4QB51--BZL7P9X#weapons>.



### KBC AM SRI Portfolio composition



### SRI funds trends in Belgium



# KBC and Human Rights

Since 2002, KBC AM has issued a bimonthly publication "Monitor Sustainable Investment", in which it tackles all the issues relevant to SRI, highlighting its position and calling for participation from strategic stakeholders. In line with its plan of actions, KBC takes respect for Human Rights very seriously; and as a responsible fund manager, its role is to make sure that those companies who are making their profits by facilitating and supporting human rights violations are publicly shamed and excluded from its portfolio, certainly in the hope of encouraging similar positive action by other financial institutions with similar clout. In collaboration with the External Advisory Board for Sustainability Analysis, KBC AM, as fund manager for KBC Bank & Insurance, has drawn up a policy for investing in companies that operate in countries where human rights abuse is "business as usual". At KBC AM we are fully aware of the economic and political role companies play in society and of their consequent influence on human rights. For this reason we are looking for "socially irresponsible" investments that support regimes which are not overly concerned about human rights. To this end, the External Advisory Board for Sustainability Analysis examined primarily the "Energy" and "Mining" sectors, since oil and mining companies frequently work very closely with state-owned firms and their financial input is often the biggest single source of income for an authoritarian regime. To further enhance the seriousness of its commitment, KBC AM has drawn up an investment policy for companies that are active in "controversial countries" a policy that is based on a decision-making matrix to judge which companies with operations in controversial countries may qualify for inclusion in the Sustainable selection and which sets the controversial character of a regime against relevant commercial activities.

Together with 203 companies worldwide, the KBC Group was recently praised for "Realising Rights and Business & Human Rights Resource centre" an independent non-governmental organisation engaged in promoting awareness of business and human rights. The recognition came from Mary Robinson, former UN High Commissioner for Human Rights<sup>25</sup> and currently President of Realising Rights: the Ethical Globalisation Initiative<sup>26</sup>.



## KBC Eco Fund World

"World, a sub-fund of the Belgian open-ended investment company, KBC Eco Fund. This sub-fund invests in an internationally diversified portfolio of shares in companies pursuing sustainable policies. They are the best-in-class in respect of human rights, economic policy, corporate governance, internal social relations, involvement in socially questionable practices and especially the environment. KBC AM's Sustainability Desk screens these companies, ably assisted by the External Advisory Board for Sustainability Analysis, which guarantees the objectivity of the research".

<sup>25</sup> From 1997 to 2002

<sup>26</sup> More information on: <http://www.blihr.org>

# Our Shareholders and Investors

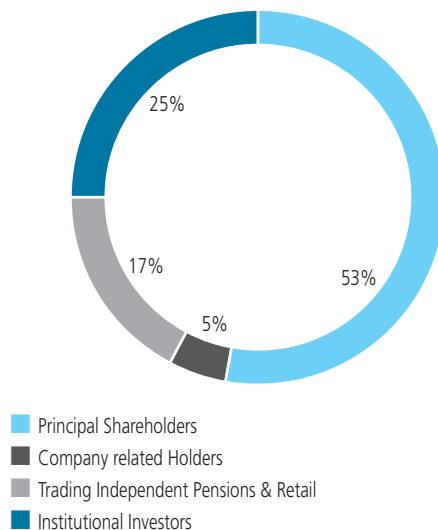
KBC pursues its commitment to provide the investing public with timely, transparent, consistent and credible information on corporate strategies, on trends and on financial data and aims always to avoid selective disclosure at all times. KBC has issued an ad-hoc investor relations policy as a further supplement to the relevant laws and regulations and to the insider-trading code for its employees, senior management and Board members. In concrete implementation of this policy, KBC has assigned strategic responsibility to appropriately safeguard the principles which exemplify the Group's strategy to a dedicated Investor Relations function. It is the responsibility of Investor Relations to adequately brief or train senior managers in respect of analyst and investor contacts. The Investor Relation function is also in charge of forming recommendations on disclosure policies and content, providing market intelligence and monitoring the evolution for the shareholder base. Through periodical road shows and sector conferences organised by stock brokers and investment banks, KBC actively uses the opportunity to meet up with professional investors and shareholders. Employee access to material inside information is subject to strict internal guidelines and all material information is published on the company website.

## Some of the positioning of KBC Investor Relations in 2008

- Best IR professional in the European banking sector- buy-side view- (Institutional Investor Magazine Leading European Companies & Executives for IR): first place
- Best IR of a Belgian company second place (IR Magazine Continental Europe Awards)
- Best IR in the European Financial Sector (Rematch International IR Survey): first place
- Award for Best Financial Communications (Belgian Financial Analysts Association Award for the Best Financial communication): fifth place
- Ranking for IR professionals for European banks –sell side view-: eight place out of 268 (Thomston Extel Pan-European Survey)

Every year the Investor Relations team sets itself a number of targets as part of its strategic action plan. In 2008 IR issued additional reports on risk management<sup>27</sup>, in line with increasing demands on enhanced transparency regarding credit, market and liquidity, as well as technical and operational risk (Risk reports). We continue to build data models that better monitor share price valuations and developments within the shareholder base. We have developed a sophisticated tool for determining the sell-side ranking, investor targeting and the quarterly earning consensus. During 2008, we also succeeded in making analysts reports available internally throughout the KBC Group. This was done through intranet registration and via mail alerts. KBC IR strives to be the fastest and most efficient voice for its investors and shareholders.

**Shareholder composition, KBC Group NV December 2008**



<sup>27</sup> As requested by Basel II regulations, in order to provide an overview of how KBC approaches values and risk management at Group level.



Relevant policies:

Group environment policy, Environmental policy at KBC Belgium

Where we stand: KBC's footprint	Encouraging eco-friendly catering
Towards a Paperless environment	Waste and Water
Environmentally friendly transport: how we help our employees make a difference	Supporting best practice strategies Plato



<b>CSOBP</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
1) Total internal energy consumption in GJ	14 350	13 320	12 738
2) Total business travel in km	2 933	3 037	2 874
3) Paper (tons)	27.00	31.00	32.00
4) Total water consumption in m <sup>3</sup>	13 000	13 125	12 302

<b>CSOB</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
1) Total internal energy consumption in GJ	189 423	189 546	241 078
2) Total business travel in km	20 701	23 899	24 521
3) Paper (tons)	1 370	1 248	1 389
4) Total water consumption in m <sup>3</sup>	129 244	122 786	173 680

<b>KH Bank</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
1) Total internal energy consumption in GJ	144 238	110 160	168 081
2) Total business travel in km	-	-	-
3) Paper (tons)	936.12	1 212.40	990
4) Total water consumption in m <sup>3</sup>	40 224	37 791	50 918

<b>Serbia</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
1) Total internal energy consumption in GJ	23 471	12 503	-
2) Total business travel in km	805	617	-
3) Paper (tons)	35.12	19.20	-
4) Total water consumption in m <sup>3</sup>	-	-	-

<b>K&amp;H Insurance</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
1) Total internal energy consumption in GJ	4 623	4 922	5 363
2) Total business travel in km	-	-	-
3) Paper (tons)	69.00	55.40	47.28
4) Total water consumption in m <sup>3</sup>	2 880	5 688	4 458

<b>CSOB Slovakia</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
1) Total internal energy consumption in GJ	41 692	41	-
2) Total business travel in km	5 600 000	5 337 725	-
3) Paper (tons)	267.00	214.42	-
4) Total water consumption in m <sup>3</sup>	20	19 258	-

## KBC's environmental footprint<sup>1</sup>

KBC has always been a conscientious and environmentally aware social player, keen to take initiatives aimed at limiting its environmental footprint at group level and to raise awareness on relevant issues. In this respect, KBC issued a specific group environmental policy in 2007 after careful SWOT analysis that took into account all the relevant entities, evaluated their status and assessed their results and potentials for the future. The main aspects examined to help us identify relevant issues where results can be achieved were: paper and energy consumption, business travel, water consumption and waste<sup>2</sup>. During 2008, the Belgium Business Unit has also developed a comprehensive environmental policy in which all the targets and the results are formulated within a relevant strategy that includes all the important aspects bearing strategic relevance at national level. As already mentioned in the last report, 2007 was also the year in which it was decided at Board level to aim for carbon neutrality in Belgium by 2010. Upon this decision, taken at the beginning of 2008, the Belgian Business Unit decided to comply with this target and give priority to carbon emission reduction. Consequently, already in June 4 projects had already been launched and priority had been given to energy reduction. There has been quite a significant difference in the GHG emissions for BBU in the last three years, as we have managed to have a 34% reduction<sup>3</sup>.

Belgium	2008	2007	2006
Direct and indirect emissions in tons (tonnes)	50 406	59 061	78 802
GHG emissions of direct energy use	21 355	44 247	48 961
GHG emissions of indirect energy use	29 051	14 814	N/A*
Direct and indirect emissions in tons per FTE	3	3	5

The table above shows an evolution of our GHG emissions in the last three years

The projects aim at reducing energy consumption in existing buildings as well as in new buildings. In existing buildings, energy consumption is to be reduced by carrying out multiple action plans, based on 55 ad hoc recommendations. As regards new buildings, KBC has developed dedicated "Green Building Guidelines", based on common known good practice and recommendations of the Local Government<sup>4</sup>. The action plans for the existing buildings are to be realised before the end of 2011. The Green Building Guidelines are already in use in two building projects and, in line with these projects, KBC employees in Leuven moved in September 2008 to a new building in Tiensestraat, because of its ideal location offering easy accessibility to public transport and the special rain water installation for sanitary purposes. It was also decided to move the new Czech Republic head office to the suburbs of Prague, in accordance with Czech and EU ecological building standards. The new building has been nominated for a LEED certificate<sup>5</sup>. Although in Belgium we had decided to buy green electricity already since a few years, the decision was confined to the Retail Division only. On 1 March 2008, however, and as announced in the CSR 2007 report we succeeded in switching to green electricity for all Belgian divisions.

<sup>1</sup> As mentioned on page 49 of this report, we have decided to break down the results for every entity in Central and Eastern Europe, in order to offer the reader a clearer picture of what our environmental footprint is today at group level

<sup>2</sup> Group Environmental Policy issued in January 2007

<sup>3</sup> Of both direct and indirect GHG emissions

<sup>4</sup> KBC acts as pioneer in relation to Green Building Guidelines, as there are no national guidelines as yet ready. A Flemish Council that is due to take up this and other relevant matters is due to be created.

\*figures for GHG indirect energy emissions are not available due to the non-existence of a comprehensive information gathering system at the beginning of the monitoring phase

<sup>5</sup> LEED certification provides independent, third-party verification that a building project meets the highest green building and performance measures. All certified projects receive a LEED plaque, which is the nationally recognized symbol demonstrating that a building is environmentally responsible, profitable and a healthy place to live and work. For more information visit: <http://www.gbci.org/>

Energy use Belgium	2008	2007	2006
Total internal consumption of energy	662 609	669 440	733 506
Total internal consumption per FTE	38 48	35 23	42 485
% electricity from green energy (in GJ)	75%	39%	35%
Fossil fuels consumed in GJ	241 072	254 010	303 473
Fossil fuels consumed in GJ/FTE	14.00	13.37	17.58
natural gas	90%	90%	87%
heating oil	10%	10%	13%

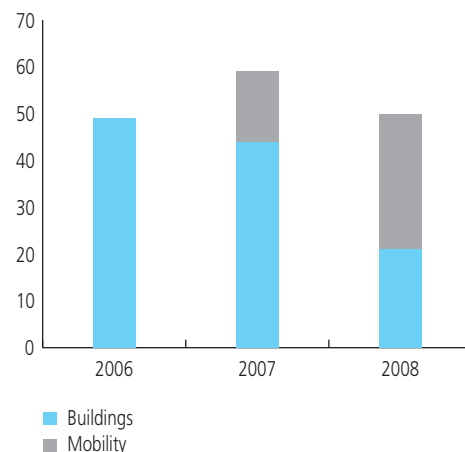
The table and the graph above indicate the amount of energy used by KBC employees in Belgium during 2008. Over a three-year period, we managed to lower our Fossil fuel consumption in absolute terms by over 20%. Furthermore our fossil fuel consumption per FTE has decreased by 18% and our electricity deriving from green sources has gone up from 35% in 2006 to 75% last year.

In September 2008, the Executive Committee passed a resolution to build a "state of the art" data centre for all the Central European entities. This initiative is part of the "Roadmap Technology Infrastructure" Programme. In December, Hungary was chosen as the base for this data centre. Work was scheduled to begin in April 2009 and the data centre should be in use by 2012. This resolution indicates complete compliance with relevant EU regulation, which has not yet become mandatory, and which aims at reducing data centres electricity consumption. KBC has hired specialised architects in order to check that the data centre meets all necessary requirements of the regulation. From a field of 400 companies for eighteen different countries, KBC was selected in Hungary to receive the price for the European Energy Trophy 2007-2008. K&H took second place for its substantial achievements in energy-saving at its central office buildings. Over a period of a single year, KBC has managed to reduce its energy consumption by almost 19%.

Conscious of the fact that an environmental management system is an essential element in an active stakeholders management system and an essential element in maintaining a listing in sustainable and socially responsible (SRI) indices, KBC is working on an environmental management system in Belgium (based on ISO14001), which is due to be implemented at the end of 2009. Achieving ISO14001 certification and working towards achieving carbon neutrality are going to be the main areas of focus for Belgium for the coming year.

### Evolution of Green House Gas emissions in Business Unit Belgium

In tons GHG (CO<sub>2</sub>)



# Towards a Paperless environment

As already announced last year, KBC decided in February 2007, to apply the principles of responsible paper consumption, signing the FSC covenant that commits us to reducing paper consumption by 5% a year. In this respect, we have taken initiatives that include maximising the use of environmentally friendly paper and of recycled paper and FSC-certified paper. At KBC we believe that raising awareness among employees on initiatives taken at group level is absolutely necessary for us to achieve our goals! It is for this reason that we are keen to raise awareness and enhance communication among KBC staff on all relevant issues.

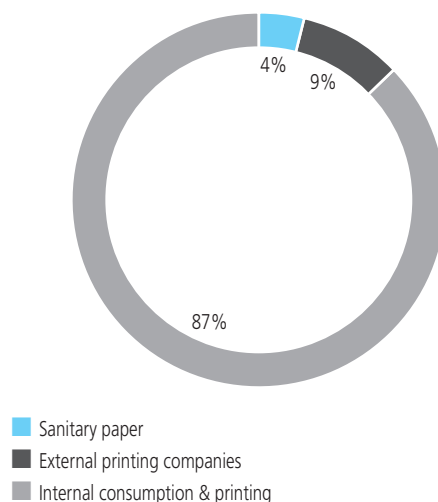
**The strategy: the switch to recycled and FSC-certified paper** 2007 saw the "Paper-Plan" following in the wake of the internal and external directive. Its purpose was to reduce the amount of internal stationery (note books, account statements, headed paper, etc.) and to switch the subscription typology of a number of magazine publications. In 2008, the internal switch in respect of stationery accounted for some 1 000 tonnes' worth of A4 printing, copy paper and envelopes. The external switch in subscription typology continued and in 2008 there was up to 100% substitution of old types of sanitary by recycled paper. We will never tire of reiterating our strong belief that no goal is achieved unless the ambition is shared by all employees, and therefore several internal campaigns were launched to raise visibility and to motivate all the employees towards sustainable printing paper related practices (double sided printing, introduction of new printers from August 2008, the shortening of e-mail signatures, together with disclaimers). Research has also been conducted on the switch from 80 gram to 75 gram paper. Staff were notified about developments through press releases, internal news items, and our sustainability page on the intranet, all the while with new environmental tips. As a consequence, the employee suggestion box, an opportunity for employees to make environmentally friendly proposals, boasted 300 suggestions in 2008.

In 2007, the Belgium Business Unit signed the FSC covenant in partnership with Fair Timber committing to a future use of paper exclusively originating from sustainable forests. KBC couples to this also the commitment to save 5% of its paper consumption from now until 2010. Clear directions and suggestions are given to employees on various



strategies for them to save paper and related resources. In this respect, KBC launched a formalised campaign called "Paperless" which got under way in September 2008. Campaign results for 2008 are not yet available but they will be reported on in the next report. Upon the signing of the FSC covenant specialised departments that monitor environmental data at KBC had made particular projections of consumption levels that would realistically bring us to our target in 2010, i.e. 86% use of FSC-certified paper and 4% of which originating from recycled sources. Below is a table showing the "ideal" case scenario that was prepared on the occasion, highlighted in yellow and the data showing the "current" situation at KBC, in green. KBC's use of FSC-certified paper has dramatically exceeded expectations in 2007 and in 2008 by 180%. This means that KBC has already reached the target figure of 2 782.4 tonnes of FSC-certified paper it had set for 2010, a clear success.

**Paper consumption at KBC 2008**



	2006	2006	2007	2007	2008	2008
post-consumer recycled (in tons)	87	0.3	87.0	8.4	101	1
new fibres ECF+TCF (in tons)	81.4	2 937	81.4	2 735	165.3	474
consumption of FSC-labelled paper (in tons)	0	0	0	269	927.5	2 647
Total paper consumption (in tons)	3 417	2 937	3 417	3 013	3 360	2 832

Belgium	2008	2007	2006
<b>Business Travel</b>			
rail travel (in km)	3 160 808	2 670 000	1 826 854
road travel (in km)	70 961 033	60 731 286	62 162 662
short-haul air travel (< or = 500 kms) (in km)	1 821 798	817 552	0
long-haul air travel (> or = 500 kms) (in km)	64 261 580	29 210 124	12 010 487
<b>Commuter Travel</b>			
rail travel (in km)	64 721 994	81 393 717	77 786 410
road travel + carpool (in km)	85 461 110	79 661 936	76 131 380
bus (in km)	9 245 999	8 658 906	8 275 150
bicycle, on foot (in km)	3 698 400	3 463 562	3 310 060
Total travel (in km)	303 332 722	266 607 082	241 503 003

The tables above show the commuting and business travel by KBC employees in 2008. It can be seen that, over the last two years, rail commuting travel has decreased by over 20%, whereas business travel by air (both short-haul and long-haul flights) has increased by over 120%. This last is due to the enlargement of the European market which has called for an increase in the number of flights to be made, as well as to the increase in the number of employees travelling on business. Different initiatives are being taken to tackle these problems. For instance, as we can see in the table, road travel is increasing along with carpooling initiatives in which all the employees are involved and which can be accessed every day through our intranet, where employees can benefit from a carpooling initiative KBC took in agreement with the Federal Public Service of Mobility and Transport ([www.carpoolplaza.be](http://www.carpoolplaza.be)) and also find different alternatives to their daily commute by car. Another initiative also aimed at decreasing time spent flying, is video conferencing which is more and more used, wherever possible, to reduce travel and maximise efficiency as much as possible. Below, we look at some relevant initiatives more in detail.

### Environmentally friendly transport: how we help our employees!

Our support programmes to help our employees reduce their environmental footprint contain several initiatives.

- Encouraging the use of bicycles: Encouraging the use of bicycles has long been an important aim for KBC, which, in cooperation with the Fietsersbond (Cyclists League) has participated in raising awareness campaigns, particularly the "By Bicycle" campaign and "Kyoto", in support of the Flemish cycling campaign. Since 2001 KBC also offers an allowance to its employees and provides facilities (changing rooms, lockers and drying area) and also bicycle insurance for business travel.
- Encouraging the use of public transport: Employees are given full repayment of season tickets for public transport<sup>6</sup> and the intranet offers a permanent direct link to public transport companies' websites, in order to have a rapid access to timetables, connections and online ticket sales. KBC also provides a shuttle bus service in Brussels and Leuven which connects the railway stations to the respective head office buildings- a successful initiative that, in Brussels, has registered 1 400 users since February.

<sup>6</sup> (including for part-time employees)

Fairtrade is present in all of our meetings and receptions:

- meetings service: fair-trade coffee (Max Havelaar)
- receptions and senior management offices: ingredients purchased exclusively from Fair-trade label



- In 2008: New contracts for vending machines were concluded (coffee, soft drinks and snacks) as part of the process of replacing existing machines that got under way on 1 of June 2008

- 20 tonnes of fresh brew Fair-trade coffee were purchased
- together with biodegradable cups

On the 8th of May 2008 KBC was first among of the winners of the fairtrade@work campaign

### Encouraging eco-friendly catering

At KBC we recognise the important impact of everything that has to do with catering facilities and material. For this reason we try to promote where possible

- ♦ reusable material:
  - glasses, porcelain plates, metal cutlery;
  - the choice of ready made desserts in glass containers.
 And at the same time we try to limit as much as possible
- ♦ packaging in respect of products delivered:
  - soft drinks arrive already in syrup form and are then mixed with cold water;
  - other drinks are available only in recyclable bottles;
  - food is purchased in the biggest quantities possible (=> minimum packaging).

### Waste and Water We save resources in everything we do:

- ♦ we save waste water from the kitchens:
  - water passes through a fat separator before entering the drains;
  - biodegradable products in the fat separator<sup>7</sup> are collected and disposed of externally

Belgium	2008	2007	2006
Total waste in tons	3 962	4 254	3 768
Total waste in tons per FTE (tonnes/FTE)	0.23	0.22	0.22
valuable materials separated and recycled	3 628	4 140	3 704
waste incinerated	268	73	41
waste disposed of in landfills	65	41	24

<sup>7</sup> The fat separated is collected and disposed of by a company to which we outsource this service, as part of a legal obligation in Flanders.

Results of waste material have been rather stable in the past three years, in terms both of total waste<sup>8</sup> and the amount of it that has been recycled.

Belgium	2008	2007	2006
Total water consumption in m3	199 723	224 638	239 616
rain water	N/A	N/A	N/A
natural water	N/A	N/A	N/A
drinking water	199 723	224 638	239 616

KBC has already rain water collection facilities in place in all the buildings constructed after 2004. There are already 100 such buildings and KBC uses the rain water collected in the branches to provide the water used for the flushing systems of the apartment flats above the offices. Of note, our total water consumption has decreased by 20% in the last three years.

Our efforts in the area of catering are also quite remarkable, as we have decided to replace the cups for the coffee vending machines with a biodegradable alternative. Our Finnish supplier Huhtamaki, has needed a few months extra in order to be able to meet our order for around 4 000 000 BioWare<sup>9</sup> cups, which largely exceeded its capacity.

Furthermore, on the occasion of our award for the Fair-trade campaign, it was publicly recognised that thanks to KBC's switch to Fair-trade coffee for its vending machines, every year USD 100,000 is directly given to local producers around the world.

### Supporting Best Practice strategies

As already pointed out, KBC is keen on sharing ideas on strategies and cooperating in best-practice developments in all its fields of action and we have already mentioned the many initiatives taken at group level to raise awareness internally and externally (see courses initiated by ARGUS on page 34). In 2008, KBC takes part in **SEPIA** (Sustainable Energy Policy Integrated Assessment), a research programme running from January 2008 until December 2010 and developed between the European Commission and Flemish universities. The scope of this project is to investigate, at national level, decision support methodologies, procedures, structure and tools for a sustainable energy policy with a specific focus on stakeholder involvement, in order to promote discussion on the feasibility of important aspects of sustainability assessments within the context of Belgian energy policy, and to identify consensus and dissent within the context of Belgian energy governance and provide more adapted sustainability assessments. SEPIA chose KBC as a member of its discussion panel because our environmental experts are active players in the academic arena, a best-practice aspect that KBC likes to encourage. The research methodology is interdisciplinary as its aim is to bring forward different insights on energy-system dynamics that belong to different areas of know-how from engineering, economics, policy sciences, sociology and ethics; while at the same time being attentive to the context-dependent nature of such areas of know-how (by trying to incorporate stakeholder insights).



<sup>8</sup> The waste figures refer to paper and cardboard, domestic-type waste, special and hazardous and electronic scrap. Waste from restaurant and from construction and building remodelling is not included.

<sup>9</sup> BioWare product's raw material, manufacturing as well as disposal have been developed to have a lower impact on the environment, as different compostable raw materials, (mainly bio-coated paper board and biopolymers) are used. All BioWare products are certified in accordance with EN13432, the European norm for compostability of packaging. For more information, visit: [www.huhtamaki.com](http://www.huhtamaki.com)

Always with a view to combining the most efficient use of resources with keeping our workforce motivated, KBC started a few years ago to develop an idea that could offer a solution to problems set to become more and more important. In Belgium, in the past, KBC has already developed a number of pilot projects concerning enhanced mobility projects in order to increasingly match environmental targets, to be an ever more attractive employer and to realise important cost savings. Recently KBC returned to these issues mainly to tackle problems such as: the war for talent and the search for sustainable mobility, through a project called PLATO.

The need for flexible working conditions stems from the problems of matching continuous growth to shrinking teams, interconnected with the reality of lack of space in the administrative buildings (cf. growing teams) and, the difficulty of filling office space efficiently. Additionally, we are confronted daily with the need for a long-term vision concerning corporate real estate. During the first phase of PLATO, KBC carried out: stakeholder interviews, high level internal benchmarking, data gathering and high level analysis and definition of a clear scope. The data gathered pointed to the following facts: between July 2007 and 2008, after 150 exit reports, mobility issues were mentioned 42 times, 28% of the people interviewed referred to mobility problems and 4.27% of known KBC exit factors indicated "mobility" as a decisive one.

**The qualitative objectives were:**

- to Set up flexible working conditions in order to become and remain an attractive employer;
- to give people a chance to perform their work in a flexible and efficient manner;
- to increase employee satisfaction.

**The quantitative objectives were:**

- to increase productivity and efficiency
- to reduce costs (e.g. commuter travel remuneration, occupancy, internal moving cost)

During the data gathering process, we identified the most relevant issues within the spheres of framework and organisation, of risk mitigation and HR change and communication. By the end of 2008 various case scenarios had been drawn up and different business case assumptions designed. The process is still on-going and we will be able to give you a more complete picture of results in the next report.

**Personnel**

- Further development of approach concerning grouping of functions & activities
- Data analysis of and simulations on commuter traffic
- Simulations on potential personnel movements (in decentralised scenarios)
- Overview of personnel fluctuations (internal and external)
- Description of legal implications of Tele work
- Fiscal implications
- Voice of the Customer

**General Benchmarking**

- Benchmarking
- Information within scope KBC
- External benchmarking
- Voice of the Customer
- "White" area, grey area, new frontiers
- Line management & personnel
- Make necessary arrangements for interfaces cooperation and prepare framework

**Facilities**

- Data analysis of FAC costs
- How much space is currently in use
- occupancy rate
- usage of meeting rooms
- Where is this space located
- Which office lay out is used

**ICT**

- Data analysis of ICT costs
- Internal moving
- Desktop & laptop
- Specifications
- Current frequency of upgrades
- PEL (personal software layer)
- Data analysis of Decentralised Working Places & testing workplace
- Current status of policy
- Supporting organisation



Relevant Policies: Employee, Human Rights policy statement, Code of Conduct

Keeping our employees motivated  
Young potentials at KBC  
A 360° appraisal system  
Social dialogue and Equal Opportunities  
Health & Safety





KBC is keen on maintaining its identity and respecting diversity, while providing constant sources of motivation to its employees. In doing so, it takes equal opportunities, flexible working conditions, training and development as its main pillars. In line with its Group Employee policy, and all the while striving to instil a sustainable corporate culture very much oriented towards meritocracy, with a view to boosting employee motivation, KBC has continued structuring its human resources management based on progressive and innovative training programmes, employee commitment and the provision of a remuneration system based on equality at every category level.

KBC regularly follows up its employee satisfaction at various group entities, in order to make sure employees' future goals are in line with needs and expectations and to guarantee employees a constant and caring presence. After the survey that was carried out last year in the Belgian, Czech, Slovakian, Hungarian, Polish and Luxemburg markets<sup>1</sup> the local HR entities have spent 2008 taking the necessary action on the points that were highlighted by the employees and preparing programs that aim at filling the potential "gaps" identified by employees.

According to the results of the 2007 satisfaction survey, the Belgian Business Unit has perceived an opportunity for the next edition of the survey, which will be starting in January 2009 and which will have an extra section focusing on "Mobility" for Head Office employees. This comes as an answer employees' need and, at the same time, offers them the possibility to express their preferences and attitudes towards a more flexible workplace, always in line with the long-term aim of KBC to facilitate mobility among employees. In fact, as part of the initiatives to increase employee satisfaction, the HR department at the Belgian Business Unit has decided to launch a research into mobility requirements, in order to offer employees further alternatives, such as working near to home, from home and advancing the concept of flexible work-stations. The research on mobility will be structured around a questionnaire that aims at evaluating the degree of the impact increased mobility would have on employees based on their mobility situation, i.e. whether they work from home, they work from a decentralised location or are commuters.

The results of the findings will be presented in next year's CSR report and will be used in properly structuring different mobility options for employees in the future.

KBC is committed to the principle of equal pay, including bonuses and fringe benefits, for work of the same content specification and grade, and understands that equal pay between men and women is a legal right under European law. Furthermore, pursuant to the non-discrimination law the EC forbids remuneration systems based on age, which was common practice until 2008, at KBC and at other peer institutions for administrative staff. For this reason, after discussions with trade unions in June, from 2009 on, a new system of annual salary increases, determined using evaluation scores and position percentages will be introduced at KBC. This change will bring the retribution system for administrative employees in line with the other employees' pay scale at KBC.

<sup>1</sup> For results of the biannual satisfaction surveys carried out in the above mentioned countries during the previous reporting year, see CSR report 2007 pages 41,42

## Keep employees motivated at every step

Training initiatives are continuously updated and adjusted according to “talent surveys” and initiatives that revolve around the programmes for “high potentials” and initiatives aimed at helping “mature” employees find a career path that provides an adequate stimulus and meets timely expectations.

In 2008, KBC developed and introduced the “age-conscious HRM policy”. This policy revolves around the concepts of stimulating personnel, by letting them know that KBC relies on their high level of motivation and capacity for innovation just as much as it depends on their commitment. To underline this, KBC inaugurated a “mental fitness meter”, a new communication tool available to every employee to indicate whether they feel “right on track” with their current responsibilities or if they think that action should be taken to change things. The idea behind this meter is the desire of KBC to encourage personnel to keep themselves mentally fit and to do so by taking up mental challenges, such as applying for a new position within the group, diversifying job content, attending training courses, sharing knowledge with colleagues and participating in projects. As part of this project KBC runs the “Horizon” education programme, intended to help everyone work on their mental fitness. The programme, rolled out for higher and lower executives, helps employees identify their own strengths and weaknesses, while at the same time, increase the understanding of KBC and its communication channels. Career interviews for employees at 50 and 55 years of age are designed to ensure the optimal deployment of staff in this age range by clearly identifying what they would like to achieve in the last part of their career; the interviews demand actions from both manager and employer. The programme started in 2007 and in 2008 training was organised for a total of fifty-nine employees whose job would no longer exist in 2013, as well as for those looking to re-evaluate their career-long employability. The rollout for junior executives also begun in 2008 with three sessions for twenty-seven participants and it will continue in 2009 with 4 sessions a year and an average of 10 participants per group.

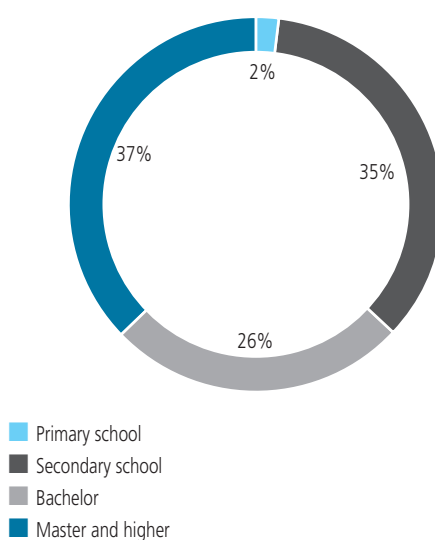
	2006	2007	2008
Number of FTE covered	41 046	39 055	43 635
Training cost as a % of total HR budget	2.22%	2.47%	2.91%

KBC puts a high value on its employees running very selective and ad-hoc selection processes. More than that, as a responsible employer it is determined to maximize employees’ opportunities to develop their talents. In 2008, 43 635 KBC employees received training, registering an increase by 10% since last year, together with an increase of the training cost as a percentage of total training of the HR budget. KBC is particularly proud of the net increase in the number of participants in training courses, which in the last three years has increased by 28%. In the Czech Republic, programmes are prepared by three HR Departments, which come together to combine synergies: Recruitment, Career Development and Knowledge management and prepare ad-hoc programs for graduates and current employees, at different levels.

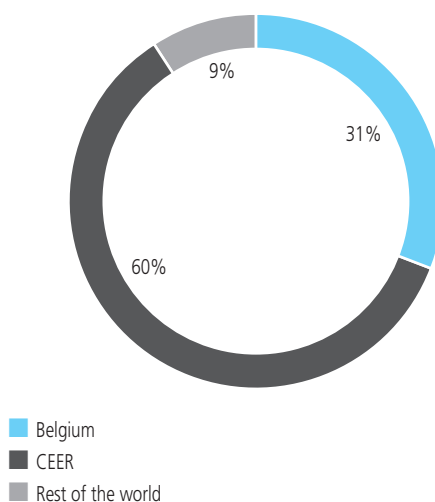
“Every individual has a different potential which must be tapped individually. If you are a quail, a fox, an eagle or an hawk, you are ready to offer different talents which will be enhanced and turned into a skill at KBC”



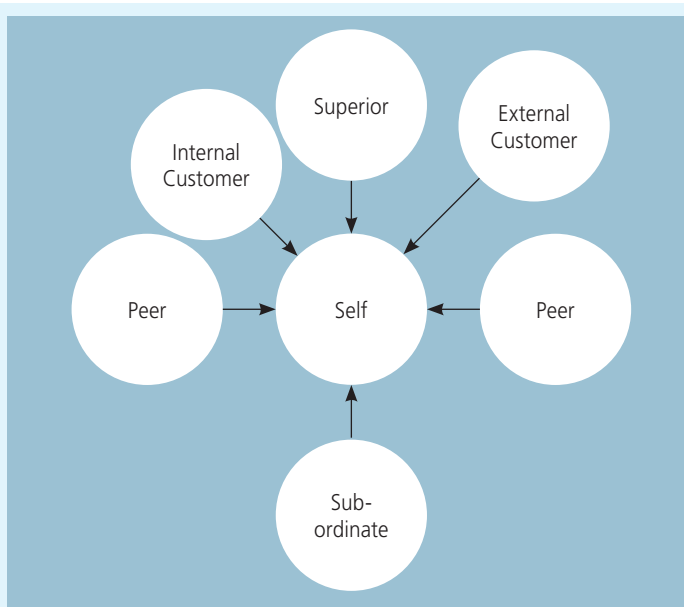
### Educational level of our staff Group-wide



### International Deployment of staff



	2005	2006	2007	2008
Number of course participants days (total)	277 956	282 316	290 656	401 747
In-house courses	187 045	207 709	193 844	289 084
External courses	90 911	74 607	96 812	111 752
Average number of training days per FTE	7.44	6.88	7.44	6.52



KBC Group goes beyond traditional appraisal systems in order to evaluate its employees within the context in which they are active. Already existing in Belgium since many years, KBC introduced the 360° appraisal<sup>2</sup> in Poland for the first time in 2008. This is a concept that seeks to support the creation of high quality management and favour open communication, as the feedback on the evaluation process is shared with subordinates and peers and with a view to boost corporate culture. This appraisal style is rather innovative and KBC has since several years taken particular care in implementing it successfully, ensuring employees acceptance of the system, by carefully briefing beforehand all the participants involved: this is done by preparatory meetings. The aim of this programme is to create competitive development opportunities for young, high and top "potentials".

The appraisal program was designed for staff in high managerial functions and covered 73 of them. The assessors were: the assessed employee, the supervisors, peers and subordinates.

Six competencies are being assessed: client orientation, decision making, achieving goals, entrepreneurship, teamwork, encouragements and motivation. With a participation ratio of 82%, participants gave a very positive feedback on the initiative, the actual tool and the entire process. As indicated in the bar chart below, all the competencies were assessed at a very high level (the maximum score was 6). The results of the evaluation were used to classify segmenting evaluated employees on the basis of their potential and performance and provide appropriate follow-up to correctly manage this group. Both results were used during the following step: the calibration meeting.

As part of the International Traineeship programme offered in Poland to candidates from the "young potential" group, KBC aims to provide future managers with the international experience necessary to the "KBC World" challenge, according to which KBC focuses on maximizing mobility and developing a global-local community. At the same time, through this program KBC can identify candidates for "Mustangs<sup>3</sup>" and the International Talent Management program, in order to enlarge KBC pool of talents.

**KBC World** KBC is constantly on the look-out for a wide range of new, talented employees, a task which has become ever more challenging. In line with this goal, KBC continuously organizes job fairs together with the active support of its employees, who by providing their help in the process of hiring new recruits, can enter different competitions.

<sup>2</sup> Table source: 360-Degree Assessment: an overview: United States Office of Personnel Management  
<sup>3</sup> Mustangs: Local Talent Management Program, see box below

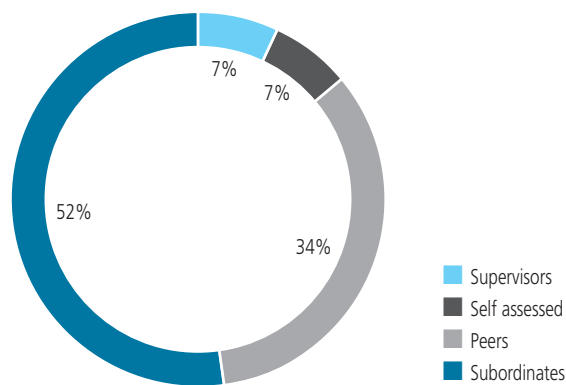
### Young KBC potentials in CEE

The program consists of a 2-year traineeship abroad whereby candidates have the opportunity to take up new and challenging positions that will give them the opportunity to deploy various latent skills. Currently, there are two Talent Management programmes with over 60 participants in each program. The International Talent Management program is managed by Group HR and aims at providing candidates at senior management level at KBC group level. The Local Talent management programme is managed at local level and it is a resource for middle management. The Talent Review is an annual exercise and it is part of the talent management process.

Potentials in Poland: The International Talent Management programme has been in place for almost two years and the specific training in line with the Program was first offered in 2008. The objective for 2009 is to extend the scope of the programme implementation to Warta PTE, KBC TFI and Zagiel (so far it has been implemented in Kredyt Bank, TUir Warta and Warta TUnZ).

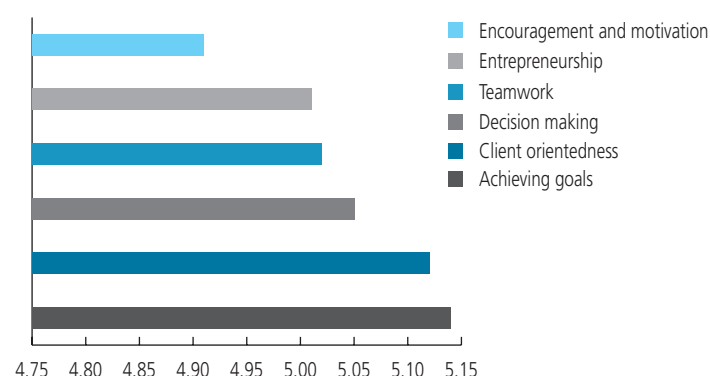
International Talent Management Program (Top-, High-, Young Potentials)	Local Talent Management Program (Mustangs)
<ul style="list-style-type: none"> <li>managed on international level by Group HR</li> <li>aimed at ensuring candidates for Senior Management positions in the whole KBC Group</li> </ul>	<ul style="list-style-type: none"> <li>managed by local HR</li> <li>aimed at ensuring candidates for middle management positions in Kredyt Bank and Warta</li> </ul>

### Composition of assessed participants



### Assessed Competencies

In 2008



# Social Dialogue and Equal opportunities

"KBC considers that a properly working, constructive social dialogue is a basic building block in its corporate culture" (KBC Group Human Rights Statement) As we state in our Group Human Rights Statement, we uphold the rights of our employees to equal opportunity and non-discrimination, including by way of guarantee the right to freedom of association and collective bargaining in every country in which we are active<sup>4</sup>. Discrimination against and harassment of employees on the basis of race, ethnic origin, religion, sexual orientation, disability, marital status or political affiliation is prohibited. KBC has an ad-hoc process to deal with the grievances of those who have been victims of harassment or mobbing. There are different procedures in place and, depending on the gravity of the situation; the employee is encouraged to follow an informal procedure as well as a formal one which includes a formalised grievance procedure. The system contains a preventive policy, which comes into play according to a specific hierarchical structure and is a clear call for all employees to co-operate positively and constructively, in order to make sure employees are protected against violence, annoyances and undesirable sexual behaviour in their work places and to watch that colleagues at work get the respect they deserve. At the Belgian Business Unit, trade union relations are well established and every employee may become a member of one of the employee unions or apply for a mandate in an official consultative body. Trade union representatives are also asked to make presentations of their unions during induction training days for non-Belgian employees, in order to explain to non-nationals how the trade union representation system works in Belgium. We encourage the same atmosphere of open and active dialogue among all our international units also through our Group level European Works Councils<sup>5</sup>, where we actively ensure the presence of our CEE<sup>6</sup> representatives as well. Due to privacy concerns, trade unions are not willing to disclose the number of members, therefore it is not possible to neither present nor monitor this indicator. Based on a decision taken in 2005 the European Works Councils of KBC in Belgium and in Luxemburg will merge in 2009. Furthermore, in 2009, in line with the Executive Committee decision taken back in 2007 KBC will have 1 Observer per country for each subsidiary, a National committee per country. The number of mandates within European Works Councils has shrunk during 2008 from 23 to 18. The scope of formal social dialogue, at present, does not include Bulgaria, Russia and Serbia. In order to minimise the negative impacts of job losses, in the Czech Republic, we have outplacement programs in place and we assist our employees in the search for a new job, on top of offering financial compensation and a practical guide material. These initiatives are all part of our "mobility office" programmes for employees who become redundant in one office, and whom we offer the possibility of applying for a vacancy in another department.

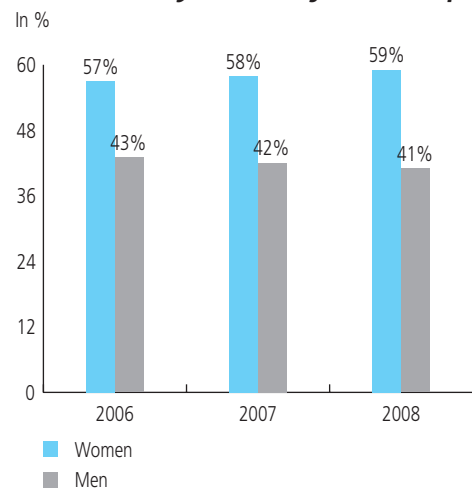
KBC has continued a rather active hiring policy, as indicated in the table above, whose data on employee departures show rather unmodified trends over the last year. Due to the dire economic conditions in which the year

<sup>4</sup> Supporting our employees right to collective bargaining is also part of our commitment to the UN Global Compact: Principle 3: Business should uphold the freedom of association and the effective recognition of the right of collective bargaining.

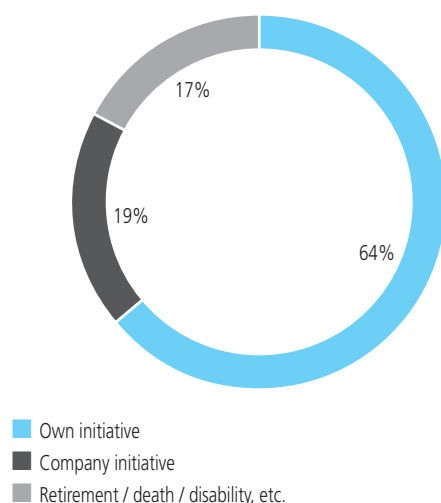
<sup>5</sup> EWC established in Belgium since 1996

<sup>6</sup> Active operations on trade unions dialogue in: Belgium, Czech Republic, Germany, Hungary, Ireland, Luxemburg, the Netherlands, Poland, Slovakia and the United Kingdom.

## Breakdown by Gender of KBC Group 2008



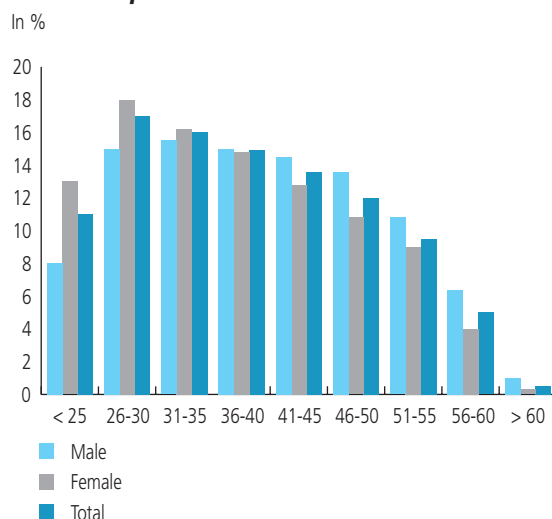
## Reasons for employee departures



	2007		2008	
	No of employees	% of total	No of employees	% of total
New recruits	7 589	12.6	10 165	16
Employee departures	6 751	11.2	7 001	11

ended, we froze the hiring process in December and plan on optimising our abilities to retain existing employees until the situation becomes more stable. At group level we have witnessed also a stabilisation in the staff level in Belgium and the rest of the world<sup>7</sup>. There has been a steadily raising trend in the number of women employees which has increased in proportion to the decline in the number of male employees. The table below shows the gender difference in staff composition, with the proportion of men having fallen significantly in the 41-60 years age group. Furthermore, the proportion of women in junior and middle management positions has confirmed a rising trend, while the percentage of women in senior management position has been a stable 21% for the past three years. KBC wants its employees to be able to achieve a good life-work balance and promotes this also by providing a positive work-life balance in the work environment, guaranteed by flexible solutions such as part-time work and the availability of childcare facilities during summer holidays.

**Breakdown by age and gender at KBC Group 2008**



<sup>7</sup> Rest of the world: our non-Belgian entities within our merchant and private banking (KBL European Private Banking) arms.

Breakdown per pay category	2006	of total	2007	of total	2008	of total
Senior management	1 732	3%	1 658	3%	1 944	3%
of which women	356	21%	342	21%	406	21%
Junior and middle management	16 641	2%	19 796	72%	20 659	33%
of which women	63	38%	8 445	43%	8 962	43%
White- and blue collar staff	33 925	35%	38 295	64%	39 268	66%
of which woman	22 939	68%	26 231	69%	27 295	70%

## Health & Safety

As a responsible employer KBC pursues the integration of health, safety and welfare into overall company policy managers and department heads are responsible for practical implementation aided and supported by the health and safety advisers. In Belgium, KBC has set up a medical centre complete with doctors and nurses in charge of conducting medical examination and make recommendations within the group. Representatives of the employer and employees are members of the Occupational Health and Safety Committees (OHSC), at whose meetings all relevant workplace health and safety issues are discussed. Health and safety advisers and company doctors have an advisory role at these meetings. Employees are constantly reminded that it is their duty to report unsafe situations to their managers. A Health, Safety and Security Department<sup>8</sup> has been set up within the KBC group for each Belgian company in charge of carrying out statutory tasks and duties assigned to services of this nature. The responsibilities of the workplace Health and Safety Committee are fairly precisely defined. It is primarily an advisory body. However the employer is required to indicate to the committee the action to be taken in response to its advice. The fact that the employer cannot simply ignore this advice lends it significance. Nonetheless, with the exception of certain matters which are subject to its prior approval, the committee has no decision-making powers. Every new employee receives a detailed brochure on health, safety and welfare. Information is provided on the organisational departments, on how to improve ergonomics, on ensuring psycho-social welfare, on medical supervision and on other safety and security matters. The same practical information is published on the intranet and regularly updated. Different initiatives are taken in order to promote a healthier life-style among those employees who wish for support. In Central and Eastern Europe, there are ad-hoc agreements in line with national laws. On top of that, there are external providers in Hungary, although the department there is in-house as in Belgium, Poland, the Czech Republic and Slovakia. In Luxemburg, special attention is paid to stress management and counselling is available through an independent professional social worker.

<sup>8</sup> Divided into two sections: Welfare Risk Management and Medical Supervision

Employee absenteeism, KBC Group	2005	2006	2007	2008
due to				
Sickness	3.78	3.41	3.24	3.78
Maternity leave	2.1	2.01	1.9	2.35
Accidents	0.11	0.11	0.04	0.08
Total (group)	5.99	5.53	5.18	6.21
In Belgium	3.87	3.83	3.45	5.66
In CEER	8.1	6.97	6.67	6.81
In ROW	3.46	3.54	3.15	3.93



Relevant policies: Code of Conduct for KBC employees, Group customer policy

Satisfaction level with KBC  
Special Products for special customers  
Complaint handling

KBC attaches particular importance to providing its customers with excellent customer experiences, characterized by a trustworthy and warm approach. In order to make sure that we are constantly delivering to the limit of our capacities, KBC runs large scale annual satisfaction surveys among its customers. In 2008, the satisfaction level regarding branches<sup>1</sup>, reached 70%<sup>2</sup>. The annual satisfaction survey was conducted in the June-July 2008 period and about 63.000 questionnaires were completed by customers, adding up to a response rate of 12%. Given the very difficult circumstances of the financial crisis the result was very positive. The stable results that we have registered throughout the years and which in 2008 underlined a constant trend, demonstrate that the image and the level of confidence in KBC has remained relatively intact. Training in our branches is of the utmost importance and was intensified in 2008.

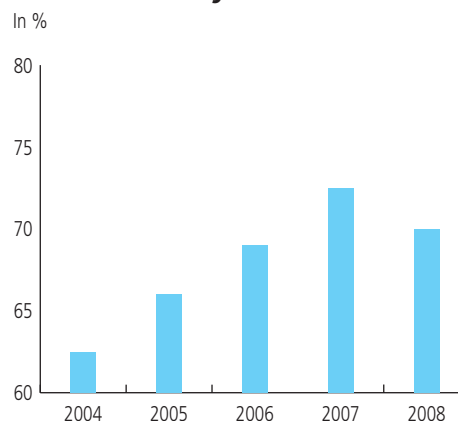
KBC puts the “talking works” slogan into real practice, underlying the importance attached to understanding what our customers want and expect in terms of services and products and to further improve the relation of customers with their personnel at the branch. In 2008, following test-runs during 2007, we developed support systems for those branches that scored lower on customer satisfaction.

From 2009 on, a new methodology will be applied and customer satisfaction will be measured in relation to experience. This means that only customers that actually visit the local branch for specific transactions or for a meeting with the branch staff will be questioned about their satisfaction level and their perception of the local branch. Other channels will also be used, such as for instance an on-line resource and an ad-hoc contact centre.

Our “Customer Focus” Department created in 2006 helps KBC identify the most relevant indicator when it comes to accurately tackling the needs of our customers. In line with our Customer policy<sup>3</sup>, we treat customer data with the utmost confidentiality and we strive to provide a tailor made approach commensurate with the real needs of our clientele, a service made all the more potent by a high level of transparency. Complaints are handled quickly and swiftly. Application of the policy and further progress in its implementation is monitored through key performance indicators. Particular attention is given to complaints handling, and there is close monitoring of the trend of customer satisfaction. Customer data quality and accuracy is improved by means of Next Best Question, Customer Meeting guidelines, and other tools, which urge the branch staff to update customer information constantly. The quality of the relationship management is yearly evaluated by the line management. The products offered to the customer take into account their risk profile based amongst other on MiFid propensity scores.

**Special products for special Customers** All banking and insurance products and services are tailored to the requirements of the various customer segments. For example, “basic banking services” that everyone has the right to access<sup>4</sup>, are offered to low income customers. We also offer special products for young people (between 18 and 25 years of age) with no risk investments being allowed. KBC also offers products for senior citizens like, life time guarantee in car insurance, no charge for cash withdrawals, transfers etc, and new mortgage formulas are developed to fill in the need created by increased longevity (new demographic trend of a more active and longer life).

### **KBC client's satisfaction rate**



<sup>1</sup> Compared to 72% in 2007

<sup>2</sup> To rank as “very satisfied” the customer has to enter a score of above 8 points, the maximum being 10. The results reflect an overall view of the Belgium entities.

<sup>3</sup> The Customer policy was formally approved in June 2007 and is reflected in the mission statement for Retail and Private Banking in Belgium

<sup>4</sup> Provided they meet the legal conditions i.e. legal identification



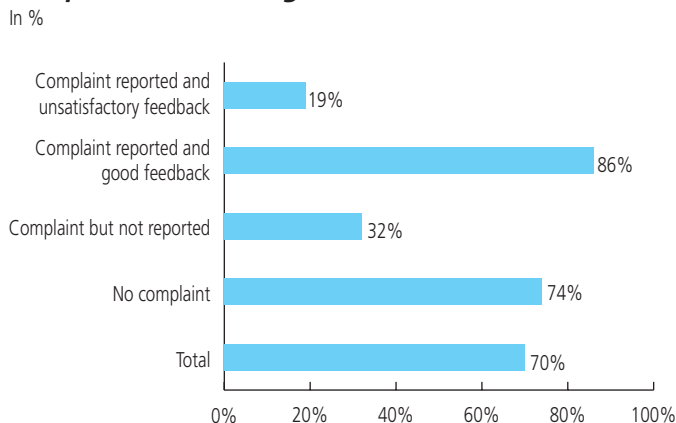
**OBJECTIVES:** Further initiatives will be taken in 2009 to improve the proactive approach vis-à-vis customer. Furthermore, the implementation of New Commercial Opportunities will be adjusted to additional propensity scores. Different initiatives will be developed with regard to a one-to-one approach to customers on a one to one basis and customer satisfaction scoring measurements will be adapted to monitor customer experience more closely.

**Complaint handling** Being part of a large multinational does not hinder our ability to be close to our customers. KBC bases its relationship with its customers on transparency and an excellent service coupled with innovative and safe solutions. Our surveys are our opportunity to understand what customers want and need and how we can better fine-tune our services in order to improve the relationship with them. Each entity uses a different methodology in running satisfaction surveys, in accordance with the different segments that they are analyzing; this differentiation allows us to acquire a complete perspective of the markets in which we operate. A customer-complaint management system is in place in all the home markets and throughout all branches, in accordance with the group standard on complaints handling; that standard has been communicated to the staff at large through the intranet channel. KBC attaches great importance to good complaints handling, which is evaluated through regular consultation of a sample of customers who have lodged a complaint, and through continuous follow-up and careful treatment of data.

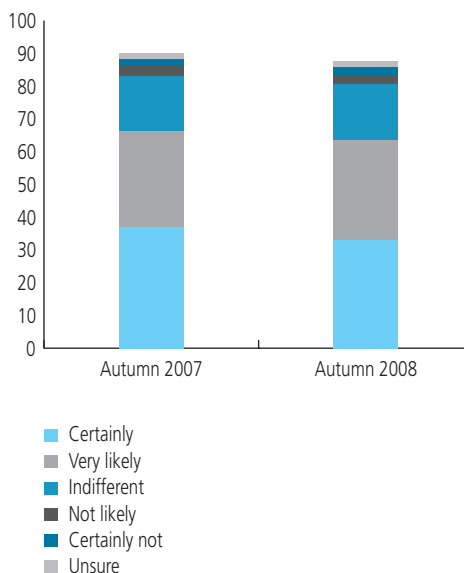
11% of customers in Belgium have had a complaint or reported a problem in the past 12 months. 81% of KBC customers who have had a complaint or a problem in the past 12 months have also notified their branch of the problem. We have also made a comparison between the level of satisfaction with the branch and the quality of complaints handling<sup>5</sup>.

Overall, we are satisfied with the way customers perceive our handling of their complaints and the appropriate feedback we have offered. We strive to constantly improve in the future our current performance so as to be able to gain a bigger competitive advantage with our customers. KBC is proud of being able to report similarly satisfactory results in its entities in general. Below is a graph reflecting what the latest customer satisfaction survey carried out in the Hungarian market told us about the trend in the confidence with which our clientele opt to continue to choose us. We are confident that these stable results echo a perception of trust that KBC tries to instil in all of its activities worldwide.

**Complaints Monitoring in 2008**



**How likely is it you would choose KBC again if you needed a new product?**



<sup>5</sup> In Belgium we evaluated the level of satisfaction spread among all the 730 branches.

# About this report and the GRI Index

## Reporting period and Scope

KBC publishes Corporate Social Responsibility reports since 2005 and the present one refers to the performance during the period between January and December 2008. This report covers KBC's CSR performance in our home markets of Belgium and Central and Eastern Europe and Russia, our operations in Western Europe and around the world.

## Contents, Methodology and Goals

This report was drafted according to the third-generation (G3) guidelines of the Global Reporting initiative<sup>6</sup> and the GRI Financial Service Sector Supplements on Social Performance and on Environment<sup>7</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>8</sup>. In the previous report we have presented the consolidated environmental results relating to the KBC entities in Belgium, Central and Eastern Europe and our operations in other markets, through an extrapolation. Though the consolidation of the entities acquired during 2007<sup>9</sup>, is effective from this year's reporting, we have decided to present the environmental results of the different entities separately<sup>10</sup>. This decision stems from the fact that a consolidation of results would not have taken into account the different approaches to environmental strategies of every entity tampering a uniform view of KBC environmental strategy. We keep on pursuing our target of clear reporting on all issues which reflect KBC's economic, environmental and social impacts in the context of CSR. Our goal is to bring in line all the environmental strategies and defining a clear set of KPIs for every other relevant stakeholder issue among the different entities and we will work with this objective in mind throughout the future reporting cycles. All the information provided, except where clearly stated<sup>11</sup>, follow a clear year-on-year presentation of data, in view of a guaranteed transparency level for all our stakeholder.

6 Launched in October 2006

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

8 Internal Environmental Performance Indicators for the Financial Industry\* available on [www.epifinance.com](http://www.epifinance.com)

9 Russia, Bulgaria and Romania

10 Only the entities which have reported with enough clarity on there data

11 See environmental tables p. 32

We view our CSR publication as an extension of our Annual Review and financial statements. In this report we report on how KBC deals with the inclusion of stakeholders' values into 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 the following table, we have correctly met the requirements.

Sustainability principles are followed tout court at KBC in every business line and Corporate social responsibility is clearly embedded in at Group level and dictates the business steps taken in every operation. We aim to be as transparent as possible and make sure to meet all 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 to our achievements in the past year, a description of the way in which we progressed on our long-term objectives and an account of our performance.

In line with our commitment to our paper reduction plan, we have decided to publish this report solely on-line and to make it as user friendly as possible so, as to give the reader the possibility to get a better grasp of KBC CSR performance, through [www.KBC.com](http://www.KBC.com) and this interactive pdf report.

**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). We have decided to suspend the mandate to Ernst & Young for this reporting cycle, giving priority to a GRI-Checked Application Level.



Report Application Level	C	C+	B	B+	A	A+
<b>G3 Profile Disclosures</b> 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 on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17		Same as requirement for Level B	
<b>G3 Management Approach Disclosures</b> OUTPUT	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
<b>G3 Performance Indicators &amp; Sector Supplement Performance Indicators</b> 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 Reponsibility.		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

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<b>Strategy and analyses</b>	
1.1 CEO statement	10
1.2 Key impacts, risks, and opportunities	13
<b>Organisational profile</b>	
2.1 Name of organisation	Front cover, 3-5
2.2 Products and services	3-5
2.3 Operational structure	3-4,11, www.kbc.com/csr
2.4 Location of headquarters	3,5
2.5 Countries located	3,5
2.6 Nature of ownership and legal form	3,11
2.7 Markets	2-3,5,11
2.8 Size of operations	2,50
2.9 Organisational changes	4
2.10 Awards	6,11,13, www.kbc.com/csr
<b>Reporting parameters</b>	
3.1 Reporting period	50
3.2 Previous report	50
3.3 Reporting cycle	50
3.4 Contact person(s)	Back cover page, www.kbc.com/csr
3.5 Process report content	50
3.6 Scope	50
3.7 Scope limitations	50
3.8 Basis for reporting on joint ventures, subsidiaries	4,11,23
3.9 Data measurement techniques	50
3.10 Re-statements	none
3.11 Reporting changes	50
3.12 Standard disclosures	50-53
3.13 Policy & practice on external assurance	50
<b>Governance, Commitments, and Engagement</b>	
4.1 Governance structure	Corporate Governance Charter pages 5,6
4.2 Chair of the highest governance body	Corporate Governance Charter pages 15-16,21
4.3 Independent members	Corporate Governance Charter page 18
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)
4.5 Compensation of highest governance body	Corporate Governance Charter pages 21+38
4.6 Processes to ensure conflicts of interest are avoided	Corporate Governance Charter pages 25,27,40,41
4.7 Expertise of highest governance body	Corporate Governance Charter pages 16
4.8 Internally developed statements	19-24
4.9 Procedures of the highest governance body	Corporate Governance Charter pages 23-24
4.10 Performance highest governance body	Corporate Governance Charter page 40
4.11 Precautionary approach	12
4.12 Externally developed principles	6-7,10,24,36,37,43
4.13 Memberships in associations	7, 38 www.kbc.com/csr
4.14 List of stakeholder groups	8,17,21-22,50
4.15 Identification and selection of stakeholders	8, 17-50
4.16 Approaches to stakeholder engagement	7,13-17,21-22-23,38
4.17 Key topics through stakeholder engagement	21-22

CONTENT AND DESCRIPTION <sup>1</sup>	Page
<b>Economic performance indicators (core only)</b>	
EC 1 Direct economic value	Back Cover, www.kbc.com/csr
EC 2 Financial implications due to climate change	24-27
EC 3 Coverage of defined benefit plan obligations	NR
EC 4 Financial assistance received from government	NA
EC 6 Locally-based suppliers	23
EC 7 Local hiring	NR
EC 8 Infrastructure investments & services for public benefit	20, 27
<b>Environmental performance indicators (core &amp; additional)</b>	
EN 1 Weight or volume of materials used	2,36,37
EN 2 Recycled input materials	37
EN 3 Direct energy consumption	2, 35
EN 4 Indirect energy consumption	2, 35
EN 6 (add.) Initiatives on energy-efficient or renewable energy	13,25,27
EN 8 Total water use	2,37
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, 34
EN 17 Other relevant indirect greenhouse gas emissions	NR
EN 19 Emissions of ozone-depleting substances	NR
EN 20 NO <sub>x</sub> , SO <sub>x</sub> air emissions	NR
EN 21 Total water discharge	NR
EN 22 Total weight of waste	2,37
EN 23 Total spills	NR
EN 26 Initiatives to mitigate environmental impacts	13,34,39
EN 27 Products reclaimed at the end of the products' useful life	NR
EN 28 Monetary value of significant fines	None. Following an inspection on the 05.06.2008 at the Leuven (Belgium site) KBC was fined for non compliance. The fine had no monetary value and KBC is working on resolving the issue.
<b>Social performance indicators</b>	
<b>Labour Practices and Decent Work (core &amp; additional)</b>	
LA 1 Breakdown of total workforce	2,44-45
LA 2 Employee turnover	44-45
LA 4 Employees covered by collective bargaining agreements	44
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	46
LA 8 Risk-control programmes regarding serious diseases	46
LA 10 Training per employee category	42-43
LA 11 (additional) Programs for skills management and lifelong learning	42-43
LA 13 Gender breakdown of governance bodies	44-45
LA 14 Ratio of basic salary of men to women	45
<b>Human Rights (core)</b>	
HR 1 Significant investment agreements that include human rights clauses	30
HR 2 Screening of suppliers on human rights	23

<sup>1</sup> Based on KBC estimates

CONTENT AND DESCRIPTION <sup>1</sup>	Page	CONTENT AND DESCRIPTION <sup>1</sup>	Page
HR 4 Incidents of discrimination	-procedures at group level to prevent discrimination and to support affected employees-44	F4 Monitoring aspects raised in risk assessment process(es)	24-26
HR 5 Incidents of violations of freedom of association and collective bargaining	NR	F5 Addressing risks and opportunities	24-26
HR 6 Child labour	6,10,13,23	F6 Audits of risk systems and procedures	NR
HR 7 Forced or compulsory labour	6,10,13,23	F7 Interaction with stakeholders about risks and opportunities	24-26
<b>Society (core)</b>		F8 Engagement with companies in portfolio	24-26
SO 1 Impact on communities	13,19-31	F9 Assets subjected to screening	24-26
SO 2 Number of business units analyzed for risks related to corruption	14-16	F10 Share voting policy	24-27,28-29
SO 3 Employees trained in organization's anti-corruption policies and procedures	14-16	F11 Assets under management with right to vote shares	28-29
SO 4 Actions taken in response to incidents of corruption	14-16	F12 Value of products and services	NR
SO 5 Public policy positions and participation in public policy development	NR	F13 Value of portfolio	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	28-30		
PR 3 Product information and labelling	28-30		
PR 5 (additional) Customer satisfaction	47-49		
PR 6 Marketing communications	NR		
PR 9 Monetary value of significant fines	None		
<b>Financial Sector Supplement Indicators (Social)</b>			
CSR 1 CSR policy	17		
CSR 2 CSR organisation	12		
CSR 3 CSR audits	14-16		
CSR 4 Management of sensitive issues	14-16		
CSR 5 Non-compliance with regulations	None		
CSR 6 Stakeholder dialogue	17-22-23,38		
INT 1 Internal CSR policy	17		
INT 2 Staff turnover and job creation	44-45		
INT 3 Employee satisfaction	39,41		
INT 4 Senior management remuneration	Corporate Governance Charter page 38		
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	45		
INT 7 Employee profile	42		
SOC 1 Charitable contributions	19		
SOC 2 Economic value added	Back cover		
SUP 1 Screening of major suppliers	23		
SUP 2 Supplier Satisfaction	NR		
RB 1 Retail banking policy	48		
RB 2 Lending profile	24		
RB 3 Lending with high social benefit	NR		
IB 1 Investment policy	24		
IB 2 Customer policy	48-49		
IB 3 Transactions with high social benefit	28-29		
AM 1 Asset management policy	28-29		
AM 2 Assets under management with high social benefit	28-30		
AM 3 SRI oriented shareholder activity	24		
INS 1 Underwriting policy	48		
INS 2 Customer profile	49		
INS 3 Customer complaints	49		
INS 4 Insurance with high social benefit	48		
<b>Financial Sector Supplement Indicators (Environmental)</b>			
F1 Policies applied to core business lines	14-16,18,48		
F2 Screening of environmental risks	24-26-27		
F3 Threshold(s) for risk assessment	27-29		

1 Based on KBC estimates

	Materiality	Responsibility	Objectives and performance	Policy	Training	Monitoring
Economic	Economic Performance Market Presence Indirect Economic Impacts	Group Executive Committee	AR	AR	NA	AR
Environment	Materials Energy Water Emissions, Effluents, Waste Transport	Logistics Department	58-69	59	34	60, 62, 63, 64, 65, 66
Labour practices	Employment Labour Relations Occupational Health & Safety Training and Education Diversity and Equal Opportunity	Human Resources	72-80	72	74-75,77	77
Human Rights	Investment & Procurement Non-discrimination Freedom of Association & Collective Bargaining	Asset Management/Logistics Human Resources	49-55 77	Human Rights policy pg.54 Human Rights policy	NR 77	49-55 77
Society	Community Corruption Public Policy Anti-competitive Behaviour Compliance	Sponsorship Department Compliance	29-33 19-20	29 20	NR 24	30 21-22
Product responsibility	Product & Service Labelling Marketing Communications Customer Privacy Compliance	Business Lines/Asset Management Marketing/Communications Depts. Compliance	83/49-50 85 19-20	49 83 19-20	50 82 24	50 85 21-22

Global Compact - GRI cross-reference table

Global Compact Issue Areas	Global Compact Principles	Directly Relevant GRI Indicators	Indirectly Relevant GRI Indicators
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
	Principle 7 – Businesses should support a precautionary approach to environmental challenges.	Profile Disclosure 4.11	EC2
Environment	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

**Consolidated income statement, KBC Group**  
 (in millions of EURO, IFRS)

	IFRS		Underlying results <sup>1</sup>	
	2007	2008	2007	2008
Net interest income	4 089	4 992	4 459	4 910
Gross earned premiums, insurance	3 989	4 585	3 989	4 585
Gross technical charges, insurance	-3 404	-3 883	-3 404	-3 883
Ceded reinsurance result	-64	-72	-64	-72
Dividend income	256	259	176	196
Net (un)realised gains from financial instruments at fair value through profit or loss	1 642	-3 481	1 275	933
Net realised gains from available-for-sale assets	682	95	461	343
Net fee and commission income	1 993	1 714	2 140	1 755
Other net income	619	618	450	404
<b>Total income</b>	<b>9 802</b>	<b>4 827</b>	<b>9 482</b>	<b>9 172</b>
Operating expenses	-5 219	-5 600	-5 164	-5 591
Impairment	-267	-2 234	-191	-743
on loans and receivables	-185	-822	-185	-641
on available-for-sale assets	-75	-1 333	0	-44
Share in results of associated companies	56	-1	56	13
<b>Profit before tax</b>	<b>4 373</b>	<b>-3 007</b>	<b>4 181</b>	<b>2 850</b>
Income tax expense	-970	629	-916	-470
Net post-tax income from discontinued operations	0	0	0	0
<b>Profit after tax</b>	<b>3 403</b>	<b>-2 379</b>	<b>3 265</b>	<b>2 381</b>
Profit after tax, attributable to minority interests	123	105	123	111
<b>Breakdown by business unit</b>				
Belgium Business Unit	1 402	-397	1 364	1 145
CEER Business Unit	664	188	641	687
Merchant Banking Business Unit	833	-2 164	965	418
European Private Banking Business Unit	210	-153	211	161
Group Centre	172	41	-36	-140
<b>Profit after tax, attributable to equity holders of the parent</b>	<b>3 281</b>	<b>-2 484</b>	<b>3 143</b>	<b>2 270</b>
Risk-weighted assets, banking (period-end) (Basel II)	135 146	141 370	135 146	141 370
Capital (period-end)	17 348	14 210	17 348	14 210
Return on equity (ROE)	21%	-18%	20%	16%
Cost/income ratio, banking	56%	104%	57%	64%
Combined ratio, non-life insurance	96%	95%	96%	95%
Credit cost ratio, banking	0.13%	0.70%	0.13%	0.46%

<sup>1</sup> For a complete methodology on how the figures are calculated, please refer to the Annual Report 2008, in the section "Group Results for 2008" on p. 15