



Clarification

Brussels, 29 April 2020

KBC points to misleading titles and outdated information in RTBf publications and clarifies sustainable investment policy

On its website and in its '#investigation' programme, RTBf examined investment funds that invested in companies which, in their opinion, failed to live up to their description of being 'sustainable'. The broadcaster looked at the composition of a number of funds at different banks in Belgium and singled out certain companies they deemed as not complying with sustainable, ethical or deontological principles. They then confronted the banks with their findings.

RTBf also specifically targeted KBC's involvement with a US company operating in the detention centre sector. KBC wishes to make it clear that the company in question (CoreCivic) is no longer included in the KBC Equity US Small Caps fund and that it has also been completely excluded from the list of companies in which KBC Asset Management funds invest.

RTBf has also accused KBC of including oil companies in two of its SRI funds. None of KBC's SRI funds has been exposed in any way to the oil sector since 5 September 2019, which is in line with KBC's policy in this area. The information published is, therefore, completely out of date.

KBC regularly tightens its sustainability policy, which logically means that the composition of a fund does not always remain the same over time. Positions held in companies and sectors are reduced, sold or excluded on the basis of new and updated criteria. The composition of a fund in the past should therefore not be used as a yardstick in judging the SRI quality of the fund today. KBC's policies have been strengthened even further over time and funds duly comply with these new policies.

A sustainable business policy covers more than just avoiding controversies or excluding companies or sectors. By definition, sustainability requires a long-term strategy and a well-founded, forward-looking policy that moves in line with society and that is also continuously adjusted.

Given that society's expectations about sustainability and social responsibility change continuously over time, KBC works constantly on fine-tuning and updating its objectives and policies. This is done with the help of extensive scientific research, internationally renowned sustainability institutions and a network of academics and sustainability specialists from various domains. Working on that basis – in tandem with its own analysis and specific signals received from its stakeholders – KBC endeavours to increase its positive impact on and contribution to a better society.

Misleading headlines and outdated information on the RTBf website

KBC has always answered all questions put by RTBf, but has chosen not to respond on camera. KBC regrets that the tone and choice of words relating to specific situations in the article are out of proportion and that the headlines on the website are misleading, which consequently detracts from KBC's intensive and transparent approach to sustainability.

The RTBf website article entitled, *'KBC investit dans des centres de détention pour migrants aux États-Unis'* [KBC invests in migrant detention centres in the United States], conveys the totally unjustified impression that

KBC actively pursues a policy of investing in controversial companies. According to RTBf, the conventional KBC Equity US Small Caps fund invests in CoreCivic, which owns refugee camps in the US in which – again according to the broadcaster – children are locked up without their parents.

Prompted by, among other things, a question from the RTBf at the start of this year, KBC closely examined and evaluated the position of CoreCivic. However, CoreCivic is not excluded in any of the reliable, objective and reputable international sources for sustainability analysis used by KBC. At the time, just 0.1% (a negligible position) of KBC Equity US Small Caps was invested in the company. Nevertheless, KBC Asset Management acted on its own initiative and fundamentally changed its policy towards that company at the end of January 2020.

As a result, CoreCivic is no longer included in KBC Equity US Small Caps and it has also been completely excluded from the list of companies in which KBC Asset Management funds invest.

The article '*Quand les géants du pétrole s'invitent in les fonds "durables" des banques*' [When oil giants sneak into the "SRI" funds of banks'] claims that two of KBC's SRI funds invest in oil companies (namely Neste Oil, S-Oil-Corp and Thai Oil Public Co Ltd). That information is completely out of date. In line with KBC's investment policy in this regard, none of KBC's SRI funds has been exposed to the fossil fuel industry since 5 September 2019. The positions which RTBf refers to were sold off in that period.

Transparent and stringent investment policy

KBC regularly evaluates its investment policy on the basis of objective, reliable and reputable international sources, which are also used by NGOs. Based on a combination of these sources, KBC draws up its own blacklist of larger producers of controversial weapons, large exchange-listed companies that violate the principles of the United Nations Global Compact, government bonds issued by controversial countries and investments linked to agricultural crops and livestock. These blacklisted companies are excluded from all of KBC's investment funds as standard, regardless of whether they are SRI (socially responsible investment) or conventional funds.

The criteria used for conventional funds are less stringent than those for SRI funds. For instance, the composition of a conventional investment fund may reflect a sector as a whole or an official stock market index whose composition is beyond the control of KBC. In the end, it is the customer who decides whether to invest in an SRI fund or a conventional one. Interest in sustainable investments is growing rapidly, with the portfolio of SRI funds rising from 2.5 billion euros in 2015 to 12 billion euros in 2019.

KBC's SRI funds have to meet a wide range of strict sustainability criteria, which are openly communicated on its website. What's more, all of its SRI funds have – without exception – been certified with the 'Towards Sustainability' label, an initiative undertaken by Febelfin. That label is regarded as one of the most stringent and most comprehensive sustainability labels in Europe. Funds that have been awarded this label have a clear sustainability strategy in place, exclude very harmful companies or activities, and pursue a transparent policy in relation to socially questionable practices (such as nuclear energy, tax evasion or the death penalty).

For many sectors, KBC also uses criteria that are stricter than those required by this new Febelfin standard. For instance, KBC implemented a fossil fuel divestment policy for its SRI funds, and it is even more selective in its policy towards the weapons industry. Furthermore, KBC has adopted its own set of policy guidelines for sectors such as the gambling, tobacco, adult entertainment, and fur and leather goods industries.

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