



KBC Group Compliance
Group Ethics & Fraud Unit

KBC Group Ethics & Fraud Policy

If you have any questions, please contact compliance.group@kbc.be

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Set-up and purpose of the KBC Group Ethics & Fraud Policy

This document presents the KBC Group Ethics & Fraud Policy as a part of overall KBC group Ethics & Fraud Risk Management.

The objective of this policy is to emphasise the basic principles of the Ethics & Fraud Risk Management of KBC group in order to protect the good name, reputation and assets of KBC and those of its employees, customers, suppliers and other stakeholders.

A further objective is to ensure that the business and independent investigative units work together to ensure that investigations of ethical breaches and fraud are conducted in a timely, effective and objective manner.

This policy shall be rolled out group-wide and will be published on KBC's public website as part of the overall communication regarding Corporate Social Responsibility.

General

As part of the overall *KBC Group Ethics & Fraud Risk Management*, this *KBC Group Ethics & Fraud Policy* aims to ensure that KBC will take all the steps necessary to protect the good name, reputation and assets of KBC group entities and those of its employees, customers, suppliers and other stakeholders.

This includes:

- developing processes and procedures to prevent fraud and misconduct;
- developing employees' negative attitude towards fraud and misconduct as a necessary condition for the secure operation of the KBC group;
- developing a set of measures aimed at detecting fraud and gross malpractice, including the provision of effective reporting mechanisms;
- setting up and maintaining fraud information management for the registration, assessment and analysis of identified cases of fraud and misconduct, provide for adjustment of business processes and prevention of repeating offences and losses, and to be used for information, awareness and training purposes.

Definitions – Internal fraud

Internal fraud requires the intervention of a person employed by the entity or of a person placed at the disposal of or acting for the entity through an outsourcing or other agreement. This means the person acts on behalf of and under the control and supervision (in practice) of the entity.

This term is used to describe any intentional dishonest act such as theft, misappropriation of funds, counterfeiting documents, corruption, bribery, embezzlement, prohibited use of confidential data, falsification of documents, conspiracy, collusion, misrepresentation, swindling, abusive appropriation of rights or property, abuse of systems, payroll fraud, procurement fraud, fraudulent financial reporting, as well as attempts to commit such acts, committed with fraudulent intent to obtain an advantage, to evade an obligation or to occasion damage to another, whether this be the group or the own entity, clients, colleagues or other individuals and organisations.

Definitions – External fraud

External fraud has the same characteristics as internal fraud, but is committed by a person who is not an employee of the entity or who is not performing tasks on its premises as per an outsourcing or other agreement.

Definitions – Mixed fraud

Mixed fraud encompasses elements of both internal and external fraud. Such a fraud is usually committed through the complicity (including collusion) between an employee of the entity – or a person to whom a task was outsourced and who has access to the entity's premises – and a person outside the entity.

Scope

This policy applies to all types of fraud and gross malpractice relating to gross violations or gross infringements of internal rules (such as the work rules, the *KBC Code of Conduct*, the *Code of Conduct governing the use of means of communication*, the *KBC Anti-Corruption and Bribery Policy* and in-house instructions), as well as external rules (legislation, accounting rules, government regulations, or rules on market abuse, insider dealing, breaches of bank secrecy or discretion with regard to insurance matters, money laundering, etc.) and covers internal as well as external and mixed fraud.

The scope of this policy extends to all gross malpractice, whether general, operational or financial in nature, including possible gross improprieties in financial reporting and other matters.

Compliance with this policy is compulsory worldwide and applies with immediate effect to all employees, all companies and all entities of the KBC group.

Zero tolerance policy

Given the possible consequences and in particular the impact on its reputation, KBC applies a **zero tolerance** policy towards fraud and gross malpractice and will fight it with all possible means.

All KBC group employees are expected to be conversant and to comply with all applicable laws, regulations, internal policies and good business practices applicable to their business and work.

(Senior) management is responsible for ensuring that all activities are conducted in a manner

- compliant with *KBC Group Ethics & Fraud Risk Management*;
- compliant with operational risk requirements and control environment;
- that conforms to all applicable legal, tax, accounting, and regulatory provisions of the countries in which KBC conducts activities, as well as to KBC's internal policies and procedural limits and guidelines;
- that allows a proper review to be carried out by local and other appropriate legal, tax, accounting and regulatory authorities. Transactions or procedures which local management believes may be challenged by local authorities shall be reviewed and approved by the appropriate competent departments (e.g., Compliance or other independent investigative units, the Legal Department and/or tax or accounting experts of recognised standing) prior to their implementation.

Reporting of malpractice

KBC expects its employees when performing their work to observe established rules and to defend the group's interests, as well as to be watchful for signs of crime, serious infringement of rules or regulations or other malpractice on the part of staff and customers. Every employee has a primary moral obligation to report any suspicion they have of such conduct. The KBC group encourages every employee to use the usual reporting lines and to discuss any specific concerns with line management first. If this is not possible, or when discussions with line management do not produce a satisfactory solution, employees can fall back on the reporting possibilities foreseen in the *Policy for the Protection of Whistleblowers (via the mailbox reporting@kbc.be)*.

In accordance with this policy, KBC guarantees to protect the identity of whistleblowers and to protect them against any negative consequences of reporting a suspicion in good faith in the manner set out in the internal regulations. In conformity with these principles, KBC also protects and respects the rights of the person about whom concerns are reported.

Actions

KBC is determined to take – and to facilitate the taking of – all possible measures, including criminal, civil or administrative proceedings aimed at recovering material resources or indemnifying loss, and imposing sanctions on persons for fraudulent activity.

Co-ordination at group level

The KBC Group Executive Committee has assigned responsibility for the development, maintenance, co-ordination, communication and monitoring of KBC Group Ethics & Fraud Risk Management at group level to the KBC Group Ethics & Fraud Unit, which is part of KBC Group Compliance (external e-mail: compliance.group@kbc.be).

The principles regarding ethics and fraud risk management are integrated into dedicated training courses.

Employees are required to regularly attend such courses, taking into consideration their specific line of work.

Monitoring and investigation

Within the group, local independent investigative units are appointed and authorised to investigate malpractice and fraud and to ensure that these investigations are conducted in a timely, effective, confidential, professional and objective manner.

Management and these units monitor compliance with the principles of this *Ethics & Fraud Policy* and regularly evaluate the conduct of staff and compare this with the principles mentioned herein.

Failure to comply with the *KBC Group Ethics & Fraud Policy* can lead to the imposition of

sanctions set out in the applicable rules, which regulate the local working relationship and which will be applied after impartial, sensitive and fair examination.

Reporting to law enforcement and regulatory authorities

In principle, all cases of fraud will be reported to law enforcement and regulatory authorities following a judgment on a case-by-case basis, in compliance with the applicable rules and regulations.

Related documents

This policy is related to a number of documents, including the:

- KBC Code of Conduct
- KBC Code of Conduct governing the use of means of communication
- KBC Group Anti-Corruption and Bribery Policy
- KBC Group Policy on Gifts, Entertainment, Donations and Sponsoring
- Policy for the protection of whistleblowers