



KBC GROUP ETHICS & FRAUD POLICY

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1. THE GROUP

KBC Group is an integrated banking and insurance group, catering mainly for retail, SME and midcap customers. It concentrates on serving its home markets: Belgium, Czechia, Slovakia, Hungary and Bulgaria. Elsewhere around the globe, the group has established a presence in selected countries and regions. KBC Group is regulated by both the National Bank of Belgium (NBB) and the Belgian Financial Services and Markets Authority (FSMA); it also falls under the supervision of the European Central Bank (ECB).

2. INTRODUCTION

The cornerstones of the KBC Group strategy are based around building trust, promoting and embedding responsible behaviour in every aspect of its operations. In today's digital world, financial organisations like KBC Group are prime targets for fraudulent attacks due to the significant assets and sensitive data they manage. Recognising this, we place the integrity of our operations and the protection and interests of our stakeholders and our customers, at the forefront of our fraud risk assessments and policy implementations. The KBC Group Ethics & Fraud Policy has been designed and implemented to provide comprehensive protection for the group's assets, as well as those of its employees, customers, suppliers and stakeholders. That is vital in a rapidly changing environment where digitalisation has created new attack vectors and an increase in threats targeting both the organisation and its customers.

3. OBJECTIVES

As part of the overall KBC Group Ethics & Fraud Risk Management, this Policy aims to ensure that KBC takes all necessary steps 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 employee alertness and vigilance regarding 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 misconduct, including the provision of effective reporting mechanisms.
- Setting up and maintaining a fraud information management system for the recording, assessment and analysis of identified cases of fraud and misconduct, providing for adjustment of business processes and prevention of repeat offences and losses, and which can be used for information, awareness and training purposes

4. DEFINITIONS

Fraud is **any intentional dishonest** act such as theft or misappropriation of funds, as well as attempts to commit such acts, committed with fraudulent intent to obtain an advantage, to evade an obligation or to cause harm to another party, whether that be the group or the perpetrator's own entity, customers, colleagues or other individuals and organisations. Depending on who commits it, fraud can be regarded as internal (committed by an employee within the organisation) or external, i.e. fraud committed by a party outside the company

5. GOVERNANCE

KBC Group follows a 'three lines of defence' model in its risk management approach, with each line of defence having clear responsibilities. The fraud risk is monitored and discussed in committees made up of senior management, including the Chief Compliance Officer, Chief Risk Officer and top executives of the Business Units responsible for managing the operational processes, including fraud risks.

6. MINIMUM STANDARDS

The following standards are to be considered as minimum requirements for all credit and financial institutions forming part of the group. The policy builds on Group-wide Compliance Rules regarding 'Know Your Customer' (KYC) and 'Know Your Transactions' (KYT), as well as on the Code of Conduct, Gift Policy and Bribery and Corruption Policy.

7. FRAUD RISK MANAGEMENT PROCESS

The KBC unified Fraud Risk Management Process has been established to **support standardisation, information-sharing between entities** and as a basis for installing **strong anti-fraud controls** at organisational, procedural and technical level. The **Fraud Risk Management Process** consists of the following interdependent and mutually reinforcing steps:

- Establishing an anti-fraud culture.
- Performing fraud risk assessments.
- Implementing preventive measures.
- Implementing detection controls.
- Establishing a clear fraud response protocol.
- Establishing monitoring & reporting practices.

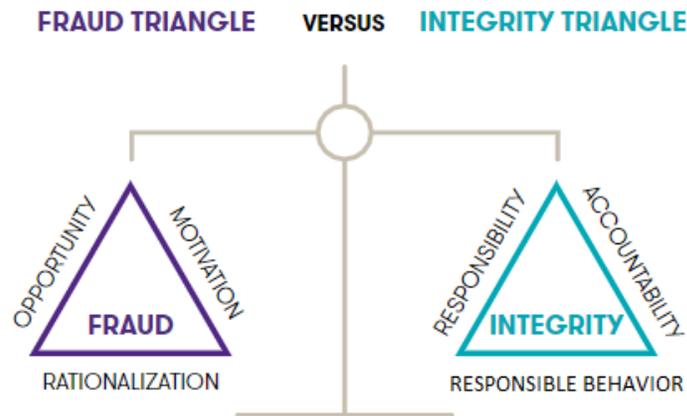
7.1. Establishing an anti-fraud culture

A fraud-aware culture is a key component of every anti-fraud programme, and serves as a **basic pillar** for combating fraud. All KBC entities must develop a culture that is conducive both to integrity efforts and to furthering anti-fraud measures. The following elements must be in place:

- Fraud-aware governance structure starting from the 'tone at the top'.
- Ethical culture as a basis.

In addition to encouraging senior management to set ethical examples by their actions, all KBC entities must ensure that **senior management is committed** to controlling the risks of fraud. This is reflected among other things in the setting of a **clear target and 'tone at the top'** (e.g. in the form of a qualitative and quantitative fraud risk appetite), setting **expectations and practical guidance for the entity** when developing their fraud risk programme as well as their preventive, detection and response measures.

Each entity must implement a **Code of Conduct** for employees which defines principles and values that reflect high ethical standards and a zero-tolerance attitude to fraud and corruption. The Code emphasises the values that encourage people to do what is right for the organisation, no matter where they are placed within the organisation.



The three elements of the Integrity Triangle are **Responsible Behaviour, Accountability, and Go Beyond Compliance** [Responsibility]. When a person understands and appreciates that responsible behaviour forms the basis, the 'social licence to operate' for our company, and that they share accountability for the company's mission, and that they must regard compliance with laws and regulations as a minimum rather than a maximum requirement, this is more likely to create a lasting culture of intolerance to improper or inappropriate conduct, such as fraud.

As part of this responsibility, all colleagues are expected to speak up and signal weaknesses in the control environment or any suspicions of fraud.

Internal policies must moreover underline the **zero appetite** with respect to internal fraud.

7.2. Fraud risk assessments

The fraud risk assessment process is an interactive process aimed at identifying inherent **fraud risks in business processes and products**, assessing their impact and likelihood, prioritising actions to control and reduce risks, estimating the remaining residual risk and evaluating the effectiveness of the control environment.

Each entity is required to **perform fraud risk assessments to identify their exposure to fraud risk, considering the opportunities** for fraud, historical information, known fraud schemes, expert knowledge, forward-looking fraud indicators such as threat trends; trends related to the business process/product in question should be considered in order to identify all possible fraud risks that are relevant for the process/domain in question.

7.3. Fraud prevention

Fraud prevention includes setting up control mechanisms at different levels to ensure the identified fraud risk is managed properly and in line with the risk appetite set by senior management. It includes:

- Establishing a fraud-aware organisation with the necessary quality and quantity of resources to address the risks, whilst respecting the segregation of duties.
- Ensuring that the right process controls are implemented, and that they are effective.
- Communication and sharing of the efforts via fraud awareness campaigns and training, as well as cross-domain fraud platforms.

7.4. Fraud detection

Detection techniques are established to **uncover fraud events when preventive measures fail**, or when unmitigated risks are identified. Detection focuses on actions and techniques that promptly recognise whether fraud has occurred or is occurring. Detection controls are one of the strongest deterrents to fraudulent behaviour and enhance the fraud management programme's effectiveness.

The detection phase adheres to the following key principles:

- Installing channels to report detected and/or suspected fraud; and
- Making use of complementary data-driven proactive and reactive fraud detection procedures and tools.
- A **consistent process** for conducting investigations helps KBC Group to mitigate losses and manage risks associated with the investigation.

7.5. Monitoring and Reporting

The effectiveness of preventive actions, including fraud risk assessments and defined controls, the anti-fraud strategy and programme, as well as fraud detection controls and response efforts, must be monitored and re-evaluated regularly.

8. ORGANISATION OF INTERNAL CONTROL ENVIRONMENT

8.1. Reporting to law enforcement and regulatory authorities

All cases of fraud will be reported to law enforcement and regulatory authorities following a risk-based analysis and in compliance with the applicable rules and regulations.

8.2. Procedures

All group entities have incorporated the fraud management principles and rules into their operational procedures, taking into account their type of activities, their volume and their size together with the local legal and regulatory requirements.

8.3. Compliance Monitoring Programme

In order to guarantee the effectiveness of instructions, procedures and processes, recurrent quality controls are performed in the AML/CTF domain based on a Compliance Monitoring Programme. Reviews and quality controls can be performed by the group on its own initiative.

8.4. Corporate Audit

Compliance with the policy, the minimum KYC standards and the procedures encompassing local rules falls within the scope of Corporate Audit, which verifies whether they are being correctly implemented and followed.