

# K&H Group Sustainability Report 2022



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# opening thoughts by the CEO

In this year, we were all again confronted with the disastrous effects climate change can have on our daily lives as we lived through the worst drought in living memory. We are therefore convinced that the fight against climate change is one in which all need to contribute and in which the financial sector can play a key role. Accordingly, sustainability and, in particular, climate objectives form an integral part of our strategy. In 2019 K&H, as a member of KBC Group, made a major commitment to climate action by being one of the first to join the United Nations' Collective Commitment to Climate Action (CCCA) initiative. In line with the Paris Agreement, we agreed to adapt our lending portfolios to promote and finance low-carbon, climate-change resilient economic activities. This is necessary to keep global warming below 2°C, aiming at 1.5°C.

To this end, our lending policy prioritises renewable-energy production, where we are one of the market leaders. Our goal is that by 2030 the proportion of K&H Group's energy-financing portfolio dedicated to renewables should reach 75%. We are also determined to see the greenhouse-gas emissions of the sectors we finance significantly reduced.

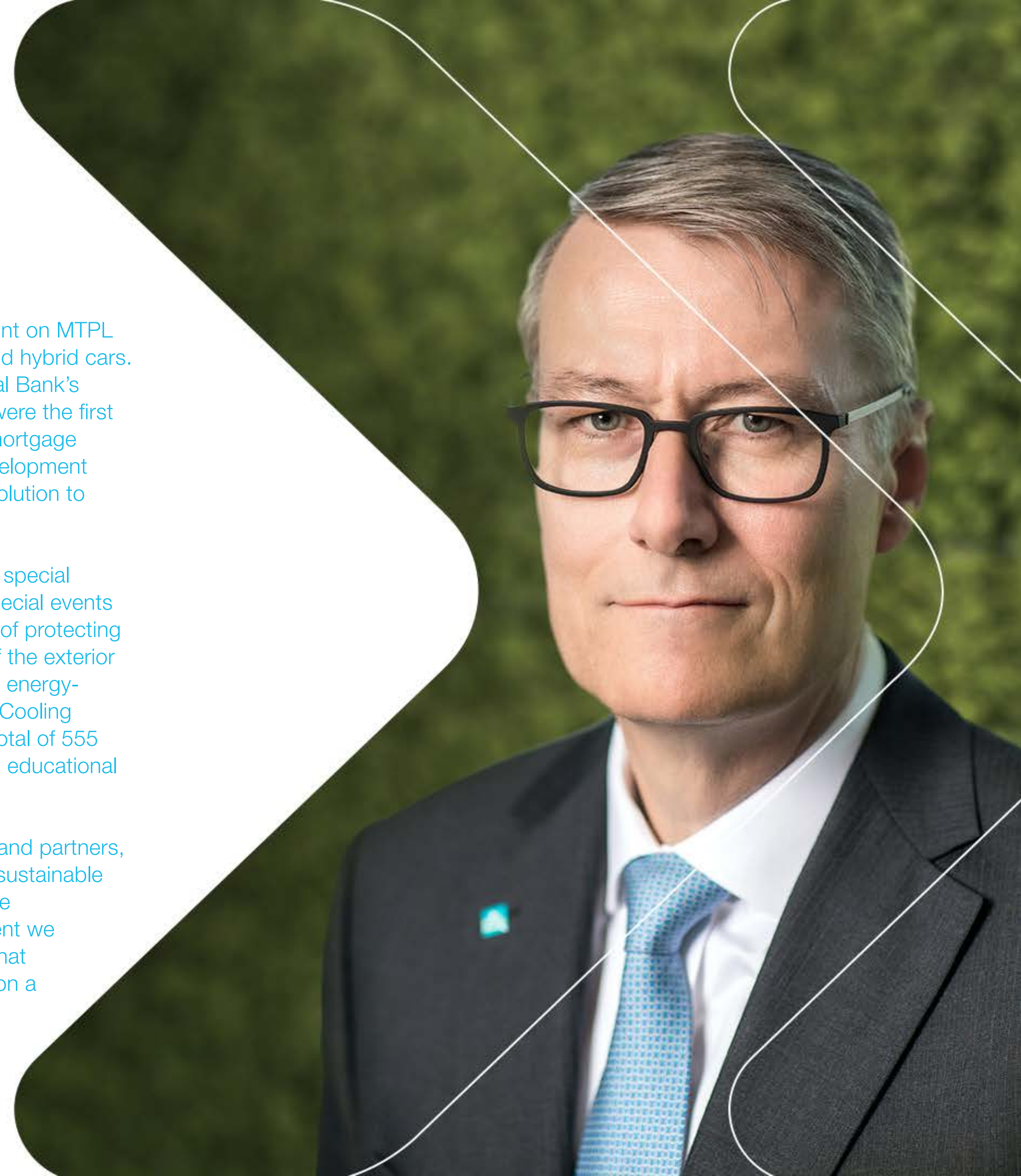
In our own operations we have also made significant progress by reducing our carbon footprint, and have developed innovative financial products allowing our customers to advance the achievement of climate objectives. We have launched K&H's green car

leasing for electric cars and offer a discount on MTPL insurance to customers driving electric and hybrid cars. In accordance with the Hungarian National Bank's Green Capital Requirement scheme, we were the first in the market to introduce a green retail mortgage product, which promotes sustainable development and simultaneously provides a potential solution to skyrocketing utility bills.

In 2022, for the first time, we dedicated a special month to sustainability, with a series of special events to raise awareness about the importance of protecting our planet. In September, we switched off the exterior lighting on 200 K&H buildings, introduced energy-saving measures and launched our K&H 'Cooling Groves' programme aimed at planting a total of 555 trees and 1,110 shrubs nationwide in 100 educational institutions by May 2023.

Together with our customers, colleagues and partners, we will continue to work towards a more sustainable economic environment, as we all share the responsibility for protecting the environment we live in. This is our only chance to ensure that future generations can continue to thrive on a planet fit for life!

*Guy Libot*  
K&H Group CEO



# I. our approach



As a leading financial service provider in Hungary, we meet our clients' needs by offering them both banking and insurance solutions, enabling them to make smart decisions and select the products most appropriate for them.

Our innovative services and initiatives reflect our commitment to constantly improving the standard of our services to clients and helping them achieve their dreams and protect their values.

**1.6 million**

retail, SME  
and corporate  
clients

**3,752**

employees

# financial results

- » K&H Bank's after-tax profits: HUF 67.6 billion
- » K&H Bank's total assets: HUF 5,585 billion
- » K&H Insurance's after-tax profits: HUF 6 billion
- » K&H Insurance's total assets: HUF 185.6 billion

## loans to public institutions in 2022:

- » schools: HUF 760 million
- » hospitals: HUF 1.3 billion

(Data: 31. 12. 2022.)



# differently: the next level

The four pillars of our strategy are just as solid as before: we are and will remain a bankinsurance group, we will continue to put our clients first, we will maintain our commitment to sustainable and profitable growth, and we will also uphold our corporate social responsibility. These will remain the robust pillars of our strategy in the future as well.



The consistency created by PEARL culture and attitude has enabled KBC to set an example. PEARL will therefore remain a cornerstone of our operations. We have enhanced that strong corporate culture and will uphold the extra dimension determining the unity of PEARL+.

#### the main pillars of PEARL+:

**P**erformance: we deliver outstanding performance above and beyond the expectations of our stakeholder groups

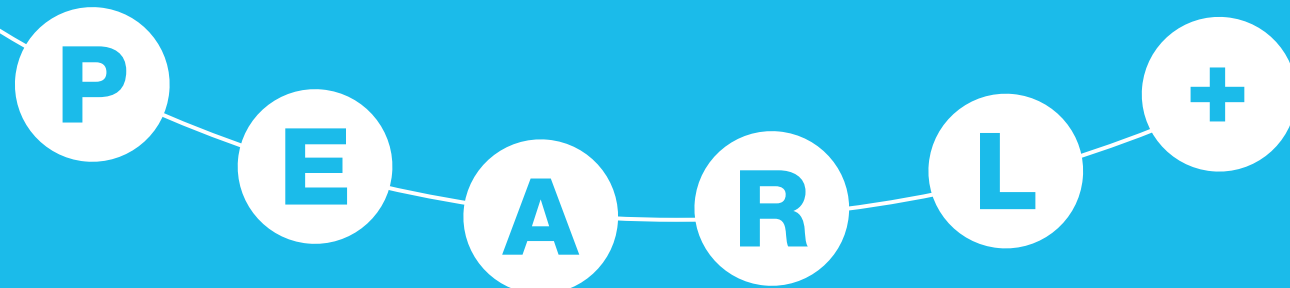
**E**mpowerment: we empower our employees to fulfil their creative and personal potential

**A**ccountability: we are personally accountable to all our stakeholder groups

**R**esponsiveness: we are open, helpful and supportive in dealing with the needs, ideas, proposals and efforts of our colleagues, superiors and clients

**L**ocal embeddedness: we are aware that both we and our clients are highly diverse across our different markets and we act accordingly

**+** and we add an extra dimension: collaboration will be ever more in our focus, alongside the joint development of solutions and ideas within the Group



A background image of a young man with dark hair, wearing large headphones and a denim jacket, smiling while working on a laptop. The image is overlaid with a semi-transparent blue filter. The text 'II. sustainability in business' is written in white, bold, sans-serif font across the middle of the image.

## II. sustainability in business

# sustainable development goals in our strategy

- » The UN Sustainable Development Goals (SDGs) set global targets for governments, businesses and civil society to identify the challenges of sustainable development.
- » KBC and K&H Group aim to support the transition to a more sustainable and climate resilient society in cooperation with its clients and partners. Sustainability is therefore an integral part of our corporate strategy and is embedded in our day-to-day business activities and in our products and services.
- » In addition to its own carbon footprint, as a financial institution, the K&H Group can also make a positive contribution to preventing climate change, primarily through the emissions of its loan portfolio, i.e. by reducing the carbon emissions financed.



On pages 12-13 of the [KBC Sustainability Report](#) for 2022, you can read more about how the Sustainable Development Goals relate to KBC's sustainability strategy.

# our commitment to climate protection

In 2019, we joined the [Collective Commitment to Climate Action \(CCCA\)](#), where we committed as a signatory to the [Principles for Responsible Banking](#) to transform our business strategy and portfolios in line with the [Paris Agreement](#) climate goals.

In conjunction, K&H, as part of the KBC Group, has developed, quantified and published its climate protection targets for its portfolio in its [Climate Report for 2022](#).

In September 2022, KBC published the quantified CO<sub>2</sub> emission targets for the portfolios of the most climate-relevant sectors in its [first Climate Report](#), reinforcing our climate protection ambitions.

The report sets out the baseline and the first round of targets that have been set for the most significant CO<sub>2</sub> intensive sectors.

To define and monitor the targets, experts and analysts from the sectors concerned produce a comprehensive strategy document by country and industry, which is updated annually. These are known as white papers.

The white papers are strategic documents for the sustainability transition for the 8 selected industries, i.e. for energy, real estate, agriculture, food production, construction, chemicals, transport and the metal industry.

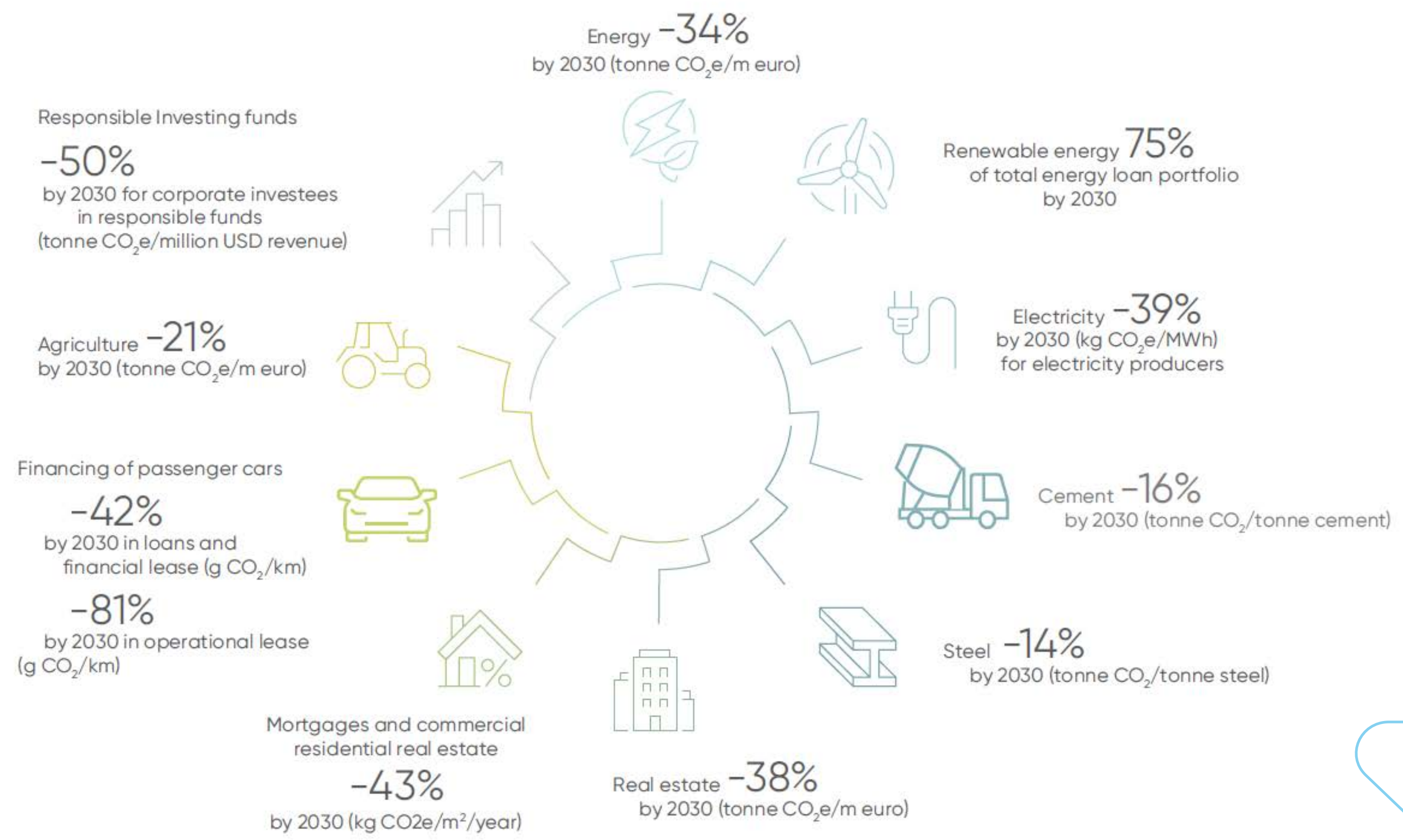
We analyse the challenges and technological developments in each sector, the relevant European and local regulations and action plans, and what that means for our bank's portfolios in terms of climate-related risks and opportunities.

They review possible risk mitigation measures, business policy adjustments and also give an idea of how we will be able to manage individual portfolios to be in line with the Paris Agreement.

Read more about the CCCA Convention and the Climate Report on pages 56-57 and the White Paper methodology on page 63 of the [KBC Sustainability Report](#).



# KBC Group's lending and investment targets for 2030



For the sectors and product families shown in the figure, we have identified the parts of our portfolios for which we have set climate targets and the requirements and expectations that follow from our commitment under the CCCA Convention. We regularly monitor and disclose the achievement of our set targets.

For more information on the setting of sector-level climate targets, the metrics applied and our execution status, please, see pages 69-90 of the [KBC Sustainability Report](#).



# exclusions based on strict sustainability principles

In our business activities we apply strict sustainability principles with respect to human rights, environmental protection, climate, biodiversity, business ethics and sensitive/controversial social issues.

**Our key exclusion policies include but are not limited to the following:**

K&H Group

- » In the coal sector should refrain from financing any activities related to thermal coal and unconverted petroleum coke. The financing of new partners with coal-based electricity and/or heat generation capacity is restricted, except for the direct financing of renewable energy projects.
- » Should refrain from the financing of oil-based electricity generation and the exploration, development and production of new oil and/or gas fields.
- » Should not finance the cultivation, production, processing or distribution/wholesale trading of addictive and intoxicating plants/products (e.g. tobacco) or any essential parts thereof.
- » Should not finance any activities related to the clearing or harvesting of ancient or tropical forests or activities related to illegal logging due to concerns about the environmental impact of forest exploitation.
- » Should not finance partners engaged in activities related to arms or gambling.

For more information on the exclusion principles applied by KBC, please refer to pages 42 to 47 of [KBC's Sustainability Report](#) and/or the relevant [KBC webpage](#).

# selecting the most relevant sustainability topics

We use a recognised external consultancy firm, Sustainalize, to carry out our materiality assessment every 2 years.

The survey helps us understand topics, most important to our business, partners and customers, so we can determine which sustainability topics to focus on in the first place.

The second such report was completed in 2022 - this time, local data were collected in all KBC member countries, including Hungary.

Respondents were asked to rank 15 important sustainability topics so we could compile a priority list based on their answers.

**The full list is based on the results of the 2022 survey, in order of materiality:**

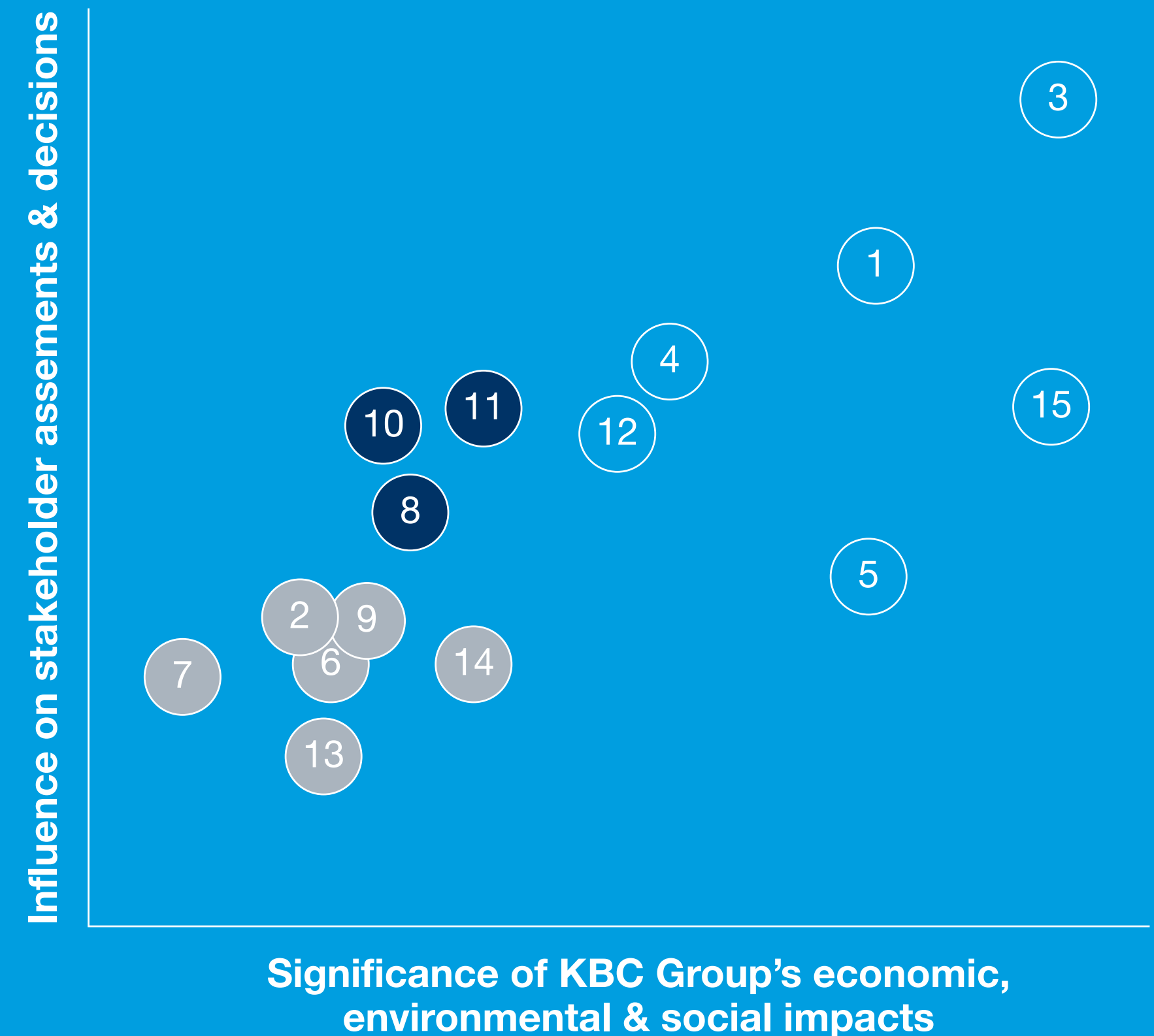
- » 3. Sustainable and responsible service and product offer
- » 15. Ethical business conduct and responsible behaviour
- » 1. Long-term resilience of our business model
- » 5. Partnering in the transformation towards a more sustainable future

- » 12. Data protection and cybersecurity
- » 11. Fair, understandable and transparent information for customers
- » 10. Disseminating financial literacy
- » 8. Providing services that stimulate the local economy
- » 14. Employees' development and well-being
- » 9. Accessibility and usability of products and services
- » 2. Direct environmental impact of our activities
- » 6. Community involvement
- » 13. A diverse and inclusive business culture
- » 7. Inclusive service offer

The materiality assessment will further guide the development of our strategy and its alignment with the SDGs. We are fully aware that each of the topics listed is important to our customers and partners.

Read more about KBC Group's materiality assessment on pages 104-112 of the [KBC Sustainability Report](#).

## Materiality matrix Hungary 2022



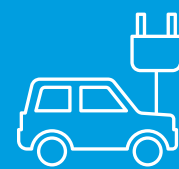
# K&H's sustainable products and services

The results of our materiality assessment show that addressing climate change offers opportunities beyond the management of risks, and therefore in 2022 we started building our sustainability product portfolio. K&H wants to be a part of the solution, in partnership with customers, and has set the agenda to develop products and services that directly support the transition to a low-carbon economy for a sustainable future for all.



## **K&H Green Home Loan:**

In August 2022, we were the first on the market to launch a green retail mortgage loan product in line with the Hungarian National Bank's green preferential capital requirements program, which aims to finance the building of energy-efficient homes, as well as home renovation and the energy upgrading of residential properties. By supporting the energy upgrading of residential properties, we not only help reduce the carbon footprint of homes in Hungary, but also help ensure that improvements can pay for themselves even at current energy prices. In 2022, we accepted green retail credit applications worth approximately EUR 3 billion.



## **K&H Green Car Leasing:**

In June 2022, we launched K&H green car leasing. Under this initiative, businesses can lease a used or new, purely electric car under a scheme offering favourable, fixed HUF interest rates. Since November 2022, this has been the first and most favourable non-subsidised form of lease financing on the Hungarian market.



## **K&H Green Business Loans:**

K&H, of course, offers green credit solutions for businesses as well. Our first green transaction was concluded in 2022 in line with the EU taxonomy requirements. K&H Insurance also focuses on sustainability solutions. K&H home insurance offers a 10% premium discount for properties with an energy efficiency certificate of „BB” or better. In addition, it offers extra insurance cover to compensate for the additional costs of home improvements aimed at achieving better energy efficiency. Since January 2022, K&H's MTPL insurance has been provided with a 20% discount for electric cars and 10% for hybrid cars.



## **K&H Responsible Funds:**

K&H now offers 18 different types of responsible investment funds, allowing customers to contribute to our common sustainability goals by choosing these funds. The methodological screening and exclusion rules applied ensure that responsible investment funds only include instruments of companies with low-risk activities from a sustainability perspective. The products and services they produce must also be sustainable in terms of their environmental impact. In Hungary, K&H's Öko Fund was the first investment fund to be awarded the highest sustainability rating pursuant to Article 9 of the EU Regulation.



## **Client Engagement Programme:**

During the programme launched in 2022, we are focusing on the importance of the sustainability topic, as well as any related know-how and the opportunities it offers. This year, we have personally met more than 60 of our corporate clients.



## **III. sustainability in corporate governance**

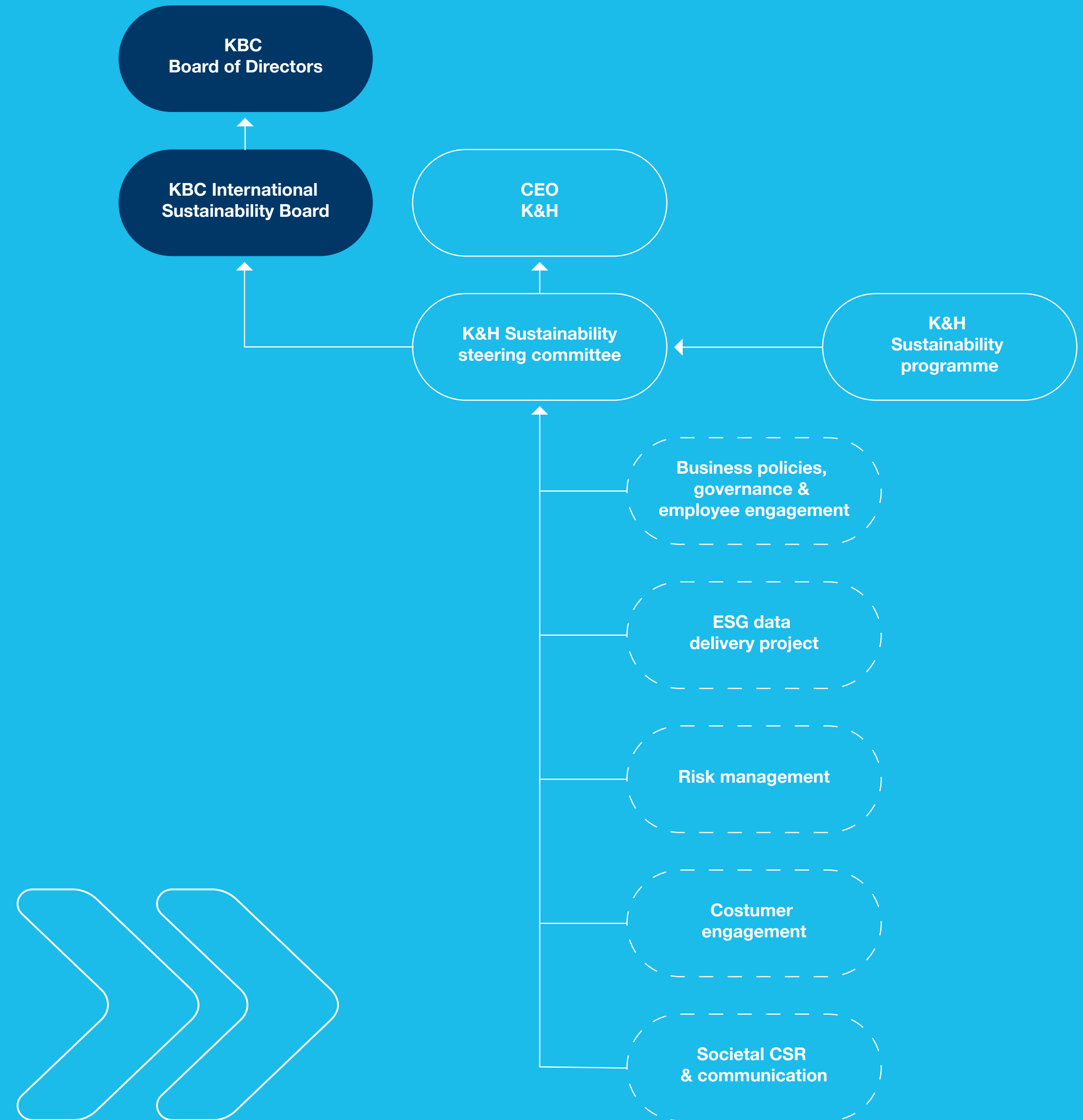
# K&H Sustainability programme

- » In September 2021, K&H Bank established the K&H Sustainability programme, which manages and coordinates the sustainability operations of the K&H Group in close cooperation with the KBC Sustainable Finances Programme.
- » The K&H Sustainability programme has set the following tasks and objectives:
  - » coordination of the implementation of the K&H climate and business objectives
  - » management of the gradual transformation of banking operations towards sustainability
  - » climate change risk management
  - » sustainability-related data reporting,
  - » coordination of disclosures
  - » contribution to the fulfilment of KBC's social and environmental sustainability commitments, including at the K&H Group level
- » The K&H Sustainability programme is managed by the Programme Manager and decisions are made by the K&H Sustainability Steering Committee, involving the senior executive committee members of the relevant areas. The Committee is chaired by the CEO of K&H, ensuring that the programme is implemented under close management supervision. Progress of the K&H Sustainability programme is reported to the KBC Internal Sustainability Council.

Read more about the Sustainable Finances programme and [KBC's sustainability governance](#) on pages 15–16 of the KBC Sustainability Report.



- » K&H's Sustainability Programme is made up of 5 interlinked building blocks:
  - » Business Policy, Governance and Employee Engagement: local governance of the programme, development and implementation of appropriate business policies supporting sustainability objectives, as well as employee engagement, awareness raising and sensitisation
  - » Sustainability Data and Reporting, co-ordination of data collection and reporting: managing systems development related to data and data reports
  - » Risk Management: mapping and integration of sustainability and climate change risks into risk management processes
  - » Corporate Customer Engagement: development and implementation of a corporate customer engagement strategy
  - » Corporate Social Responsibility and Communication: socially focused initiatives
- » Responsible, ethical behaviour is a key component in K&H Group's strategy, laying the foundation for the Group's long-term sustainability. We believe that only by behaving responsibly and ethically can we grow and, at the same time, maintain the trust of stakeholders involved in our operations.
- » The criteria of responsible behaviour and the sustainability goals have been incorporated into the targets of managers at K&H to further emphasise their importance.





## **IV. sustainability in our own operations**

# the environmental footprint of our own operations

**From 2021, K&H's own operations will be net climate neutral**

- » We have reduced CO<sub>2</sub> emissions by 74% relative to 2015
- » In 2022, in total, we emitted greenhouse gases equivalent to 4701 tonnes of CO<sub>2</sub>
- » Our water consumption has been reduced by 66% compared to 2015
- » Our total energy usage is 24% lower than in 2015
- » Compared to 2021, our waste going to landfill and waste incinerators is 9% less
- » In 2022, we generated 125,996 kWh of electricity from solar panels, representing a 19% increase year-on-year
- » In 2022, selective waste collection was introduced at 7 additional customer points
- » In 2022, we continued to upgrade the energy efficiency of our customer points
- » In 2022, we had more than 280 hybrid cars in our car fleet

See page 59 of [KBC's 2022 Sustainability Report](#) for more details on the reduction of CO<sub>2</sub> emissions resulting from own operations at group level.



# redeeming the remaining carbon emission in 2022



» Already in 2001, KBC group, including K&H, achieved climate neutrality in terms of emissions from its own operations. It will redeem its remaining carbon emission compensation by financing off-setting projects certified to the highest quality and most stringent standards (projects with Gold Standard or Verified Carbon Standard combined climate, community and biodiversity standards).

» Our goal is to identify projects that address climate change while providing additional benefits to local communities and biodiversity conservation, and are also linked to KBC's sustainability strategy.

## prevented deforestation: the protection of 200 000 hectares in Envira, Brazil

Tropical rainforests are home to many species and store large amounts of carbon. The Envira Amazonia project preserves a rich biodiversity and a wide range of ecosystem services. It also provides direct benefits to local communities and will reduce carbon emissions by around 12.6 million tons of carbon dioxide in the first 10 years of the project.

## efficient use of resources: improved cooking stoves in Malawi

In many countries, charcoal is an important energy source for cooking. Charcoal use encourages local deforestation and also leads to air pollution. The project aims to improve access to more efficient stoves in Malawi. The primary objective is therefore to reduce greenhouse gas emissions from burning non-renewable biomass. At the same time, the project will contribute to wide-based sustainable household development.

## afforestation and reforestation: mangrove restoration in Pakistan

Mangrove forests provide many valuable ecosystem services that contribute to human well-being. Aside from storing carbon dioxide, they protect the coastline from storms and provide sustenance for many fish species. This project will afforest and reforest 226,000 hectares of degraded tidal wetlands in the Indus Delta (Sindh Province, Pakistan), contributing to climate change mitigation and adaptation thereto. It will also contribute to conserving and maintaining biodiversity and protecting coastal areas, while improving the livelihoods of local communities.

## prevented deforestation: protecting 497 000 hectares of tropical forest in Cambodia

The uncontrolled conversion of forests to agricultural land is making the southern cardamom region one of the most threatened forested landscapes in Southeast Asia. Rural communities depend on small-scale agricultural production for their livelihoods. There are insufficient job opportunities for the region's growing rural population. This, coupled with a lack of knowledge about improved agricultural techniques, is driving local people to clear forests for commercial crop production. In addition to forest conservation, this project focuses on improving agricultural production and community-based ecotourism. These will help to create greater financial security for the local population. The project will also reduce the need for unsustainable resource extraction from the project area.

**Gold Standard**<sup>®</sup>



A young man with dark skin and curly hair is smiling while wearing large over-ear headphones. He is sitting at a desk, looking at a laptop screen. The entire image has a blue color overlay. The text 'V. our employees' is written in white on the left side of the image.

**V. our employees**

# responsibility to employees

K&H Group considers its employees as its most important resource and is convinced that it will be successful only if its staff are healthy, satisfied, sufficiently motivated and highly professional and knowledgeable. To this end, all areas of our human resource management are aimed at creating an environment that supports the aligning of the expectations of employees and the needs of the company, providing opportunities for professional growth for our colleagues and creating the conditions for a healthy work/life balance.

- » there are always opportunities for improvement in this respect
- » our colleagues are given the opportunity to try and improve their skills at different departments we offer opportunities for staff to thrive,
- » to do what they are really interested in and are really good at, so that they can progress in their careers and be successful and satisfied in life





# training

At K&H Group, we run professional training courses to encourage our employees' progress and nurture their careers within the company. We offer and finance a variety of training courses, in both conventional and electronic (e-learning, video) formats.

HUF

**402** million | training expenditures

**906** | classroom and online training

**152** | e-learning

**369** | training videos

**~9** | training days per employee

**46** | financing for employees' individual higher education studies or professional certifications

- » professional and skill development courses supported with online tools
- » knowledge sharing forums
- » teamwork development programs
- » training tailored to target groups

- » support to individuals writing their thesis/dissertation
- » leadership development
- » computer courses
- » customised support opportunities
- » job-based training packages

# equal opportunities, women

Ensuring gender equality and making appointment decisions based on merit alone have always been part of our core values and organisational culture. This is proven by the fact that at the end of 2022, the ratio of female managers in K&H Group stood at an average of 45%. However, we must continue to work towards gender balance at senior management level. To ensure that we offer development opportunities as widely

as possible, we aim to provide special support to our talented female colleagues with leadership potential and ambition. Established in 2020, our K&H meNŐk Career School provides further training for our female managers. In 2022 we announced our 2nd K&H meNŐk (Cool Ladies) management mentoring scheme for women, and we supported our volunteer community #togetherfordiversity in organizing our first kitüNŐK event, not only for female leaders.

- » In 2022, 64% of our promoted colleagues were women.
- » From 1 January 2023, we promoted a female manager to the K&H Group Country Team.

## #equality of women

- » The „Start it @K&H” incubator programme is primarily for early-stage start-up companies with significant growth potential, regardless of the sector in which they operate.

In 2022, Start it @K&H will focus on the S in ESG, specifically on gender equality. 55 start-ups applied, and 7 of the 16 start-ups finally selected for mentoring have female founders.



# career planning and development

119 thousand visits to careers page 2,426 video interviews  
11,541 candidates 728 new employees

boomer	pre-1960	9
Gen X	1961–1980	197
Gen Y	1981–1994	263
Gen Z	from 1995	259

work experience:  
» 62 students on work experience



### **KBC top talent programme**

Its aim is to ensure succession in KBC's top300 management positions and develop participating managers in this direction.

» 28 participants

### **'Future leaders' programme**

A one-year programme to prepare people with no previous management experience, who are due to be appointed within one year or have been newly appointed, for their leadership role and responsibilities.

» 32 participants

### **'Leader of future leaders' Programme**

A one-year programme designed to prepare those who are due to be appointed within one year but have no previous experience as 'leaders of leaders', for the specific aspects of leading leaders; or to support those who have already been appointed to this role.

» 10 participants





# benefits

As a leading financial institution in Hungary, K&H makes every effort to develop and operate a remuneration regime competitive on the domestic market. To this end, we collect market information at all times and regularly compare our remuneration structure with those of our competitors.

- » In 2022, a total average differentiated salary increase by 10.5% was carried out:
  - » April 2022: 6%
  - » October 2022: 3% (5% general salary increase for those earning under HUF 400,000)
  - » In 2022, 1.5% general wage increase throughout the year.
- » HUF 54 million in welfare support
- » we helped a large number of our employees purchase computers for online education

K&H has provided its employees with discounts and subsidies and, in 2022, extraordinary benefits to help our colleagues live a full life. Our employees can also seek legal advice regarding their personal issues free of charge from our legal counsels; we also allow staff to use their company cars for free at the weekend, supporting them yet further in a variety of life situations. The Group offers welfare assistance to current and retired employees in need. In addition, we paid extra cash benefits to our employees for their extraordinary performance during the pandemic.

## a programme for new mothers

We believe it is important that new mothers who are away from the workplace can keep up to date with the latest news from K&H Group; this is also intended as a means to help as many of them as possible to return to their workplace after child-care leave.

- » K&H welcome back – 87,5% returned – 10% part-time.
- » childbirth grant for 6 persons, HUF 300,000
- » IVF support 2 people, HUF 450,000

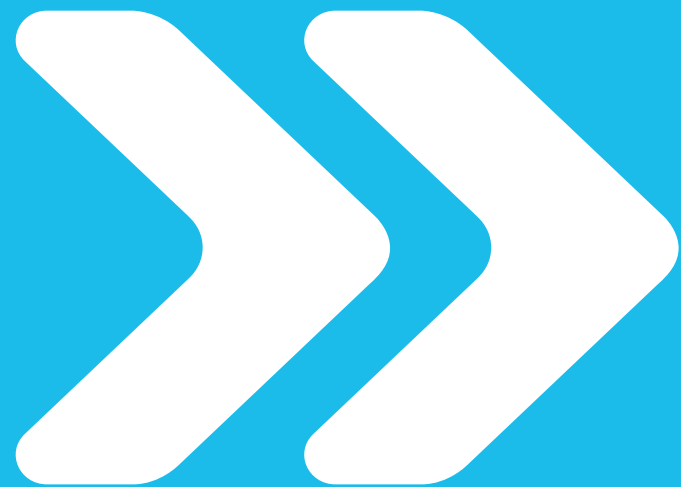
# excellent working conditions

Outstanding work and continual professional development are possible only under the right conditions.

- » bicycle storage
- » break room: gives colleagues the opportunity to recharge at work
- » child-friendly workroom: for employees with children, they can play in the same room where their parents work

In 2022 we took further steps to provide the technical and regulatory preconditions enabling work from home wherever this was permitted by the nature of the job. All employees were given smartphones and laptops for remote access.

We have made it possible for more than 2,200 staff operating in central functions to work from home in 50% of the time, and staff in our customer points are also able to perform network duties from their home for up to 13 days per year.





# healthier employees

**2091** | occupational medicine  
examinations in Budapest

**936** | specialist medical  
examinations

**853** | examinations at our  
sites in the countryside

**579** | contribution to  
the cost of glasses

- » Specialised gynaecological, dermatological, rheumatological, ear-nose-and-throat and ophthalmological services are available from our occupational health service provider.
- » Our colleagues and their close relatives have the option of having their coronavirus tests charged to their optional allowance.

## **Mental health**

- » Since the spring of 2020, we have been providing our colleagues with free mental health consultation with an external expert. In 2022, 130 support sessions were held.

# occupational safety, bank security, IT security

We consider it essential that the staff of K&H Group should be aware of fire protection, occupational safety and bank security issues. The relevant educational material is available on our servers, electronically.

The number of workplace accidents remained negligible in 2022; only two cases were reported. Seven persons suffered accidents while on the road; most of them stumbled or slipped. Each of these cases was investigated in order to prevent their recurrence.

For safe home office work during the pandemic, our employees attended an information security e-learning course.



A blue-tinted photograph of three people (two women and one man) sitting around a table, looking at a laptop. The man is wearing glasses and has a beard. The woman on the right is holding a tablet. The background shows a building with a slatted facade.

# VI. our responsibility



# related regulations at K&H

Our activities in fields such as business ethics, social sensitivity, human rights and our environmental and ecological footprint are based on strict guidelines.

## **Business ethics:**

- » K&H Brand Group Code of Conduct
- » K&H Banking Group Ethics and Fraud Risk Management Policy and Strategy

## **Socially sensitive issues:**

- » Ensuring equal access in the customer relationship
- » Lending policy for private individuals and legal entities

## **Human rights:**

- » Collective Agreement (Articles 6A and 6B)

## **Environmental protection:**

- » Environmental policy of the K&H Brand Group and KBC Group's interests in Hungary
- » Energy policy

## **Two key objectives of the Banking Group's anti-corruption programme (Anti-Corruption Strategy)**

- » To make clear what is meant by zero tolerance in respect of all forms of corruption in the Banking Group and to define criteria and principles to help employees and persons linked to the Banking Group avoid conflicts of interest.
- » Develop a Group-wide solution In order to implement all legal requirements under the UK Bribery Act and other anti-corruption laws. In view of the comprehensiveness and extraterritorial scope of the UK Bribery Act, this Act forms the basis of the Group's anti-corruption programme.



# our achievements in digitalisation

- » There is a continuous demand for digital banking and insurance solutions, and customers are increasingly open to such solutions. In 2022, K&H had more than 640 000 digitally active customers, representing 88% of the total customer base. Close to 520 000 customers use K&H mobile banking, and over 3 million contactless payments are made every month, of which 20% are completed using a smart watch. In 2022, we launched Kate, K&H's personal digital assistant, who was used more than 154 000 times by our customers by the end of 2022.
- » **We had a number of new innovative solutions in 2022 and K&H mobile banking services were also expanded:**
  - › the majority of our customers – more than 640 000 – are digitally active
- » **the definition of digitally active customers is that they log in and perform a transaction at least once a month**
  - › over 520 000 customers use our mobile bank
  - › there were over 81 million log-ins to the mobile bank app in 2022
- » **payment solution**
  - › in total: approximately 3 million digital card transactions/month
  - › Apple Pay cardholders with a digital card: 103 000 customers
  - › Google Pay cardholders with a digital card: 90 000 customers
  - › Garmin Pay cardholders with a digital card: 2 000 customers
  - › Xiaomi cardholders with digital card: 580 customers
- » **investments and credit lines**
  - › loan product views: on average, 200 thousand views/month in mobile bank this year
  - › investment product views: on average, 220 thousand views/month in mobile bank alone this year

» **loans**

- › cash loans 100% online – 50% of applications submitted via the mobile app
- › 70% of cash loans are digital (e-bank/mobile)
- › 16 500 cash loans disbursed up until November
- › amount disbursed: HUF 19.5 billion

» **online account opening**

- › over 56 700 new bank accounts opened since the launch of online account opening in February 2021
- › 50% of new bank accounts opened online

» **Kate**

- › more than 154 000 customers have communicated with Kate
- › 95 thousand user messages sent
- › 24 thousand free-format text or voice messages
- › 30% voice messages from free-format text replies

» **insurance**

- › more than 20% increase in Customer Portal users in 2022
- › claims settlement is now available both on the Customer Portal and in K&H mobilbank
- › K&H mobilbank allows the purchasing of personal life insurance offering instant policy and insurance cover without the assessment of personal data and risk





# K&H secure banking

The rise of online banking and payment solutions has been accompanied by an increase in the number of digital fraud attempts. K&H keeps a close eye on the security of its customers and therefore, in addition to ensuring technical protection, it also pays particular attention to the promotion of security-conscious behaviour among customers.

On our webpage on secure banking, we provide information on the most common threats to users and explain how they can protect themselves. By clicking on various topics, users can learn about the dangers associated with phishing, digital banking and instant payment services; receive advice from security experts and get an idea of the basics they need to know in order to protect their data and assets.

The webpage is accessible at <https://www.kh.hu/digitalis-bankolas/biztonsagos-bankolas>

The section on phishing depicts the most common form of attack today, i.e. phishing, which is specifically used to obtain bank and customer data. In addition to explaining the general signs indicative of phishing, the page also offers information to customers about the typical scenarios and channels of recent phishing attacks, explaining how to protect ourselves against and report such attacks.

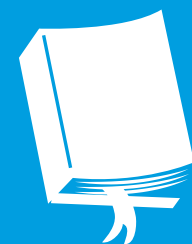
During particularly critical periods for phishing (e.g. Christmas, Easter) K&H raises awareness of the dangers with a targeted message, and in the event of large-scale attacks, customers will also be alerted through the digital channels used by K&H.

For more information on phishing, please visit <https://www.kh.hu/digitalisbankolas/>

# responsibility towards suppliers



**2,234**  
active suppliers  
(group-level)



in every new  
contract:  
  
code of  
conduct



in high-value tenders:  
  
social  
responsibility  
questionnaire



electronic invoicing  
option for contactless  
and simpler  
administration



integration of social,  
ethical and environmental  
protection criteria



procurement of products  
and services that  
minimise the burden  
on the environment



cooperation with  
suppliers who support  
K&H's progress towards  
sustainable development



cooperation with  
suppliers who accept  
the global accord of  
the United Nations  
as binding



# responsibility towards customers

- » We provided an instant grant of HUF 25 million through the K&H Foundation for a Healthy Society to five humanitarian organisations, giving HUF 5 million to each organisation, supporting the work of:
  - » the Hungarian Red Cross,
  - » the Hungarian Reformed Charity Service,
  - » the Hungarian Maltese Charity Service,
  - » the All-Church Charity Service and
  - » UNICEF
- » As of 1 March 2022, we have reimbursed the bank charges for payments initiated by retail customers from K&H bank accounts to Ukraine, and from retail and business accounts to certain aid organisations playing a key role in the provision of humanitarian aid.
- » Our employees also joined forces and donated HUF 2.5 million to help those affected by the war. Employee donations to the K&H Foundation for a Healthy Society were doubled by the Foundation, allowing us to make a further HUF 5 million in donations to the five humanitarian aid organisations mentioned above, in equal proportion.
- » K&H Insurance donated an additional HUF 1 million to support the victims of the conflict in Ukraine through the UNICEF Hungarian Committee Foundation.
- » The previously started accessibility upgrade of both our online and physical channels was completed, making 152 of our physical customer points accessible.
- » In 2022, in addition to the presentation of forms of funding and funding processes, the focus was on the explanation of changes in the KATA simplified tax scheme for those operating businesses that had to choose a new taxation scheme or even a new form of association due to changes in the law.





## the month of Sustainability

We are doing more and more for sustainability 365 days of the year, and we are making sustainability a priority in our day-to-day operations, dedicating the month of September 2022 to that theme.

### sustainability month events

#### » acting smart using less light

In September, we switched off the exterior lighting at our customer service points and corporate buildings. This helped to reduce electricity use by around 24,000 kilowatts, equivalent to the average consumption of 200 households and also reduced light pollution.

#### » temporary logo change

We temporarily changed the K&H Bank logo for the sustainability month. The circle has been replaced by a sphere representing the Earth, highlighting the bank's commitment and responsibility to environmental and social sustainability.

#### » TEDx club event with special guest

K&H's key clients and our employees were invited to the club event that could be followed online. They were able to listen to inspiring presentations by such star guests as climate scientist, Diána Ürge-Vorsatz.

#### » K&H Cooling Groves

We launched our K&H Cooling Groves programme for Hungarian public education institutions during the Sustainability Month.

A man with a beard and glasses is sitting at a desk, working on a laptop. He is looking down at the screen. On the desk, there is a white mug, a smartphone, and some papers. In the background, there are several wind turbines. The entire image has a blue tint.

# VII. our corporate social responsibility



**financial  
education**



**environmental  
protection**



**entrepreneurship**



**health**

# financial education

## » K&H trend monitor

we show what is behind the news: analyses and opinions about the current financial market, investment opportunities, and personal finances

- » 22 articles published in 2022

## » K&H Trendcast

current financial opinions in view of the global market

- » 22 podcast episodes in 2022

## » free e-learning materials from K&H

we offer freely available e-learning materials to aspiring entrepreneurs about establishing a business (an individual entrepreneurship or a company), setting up a webshop, attracting capital investors, and obtaining bank financing

- » 7 e-learning courses

## » K&H investors' club

we reveal underlying economic and money market information that may be useful to private investors in making investment decisions

- » 7 personal events
- 3 online events

## » K&H e-portfolio

up-to-date information for a 360-degree overview of personal savings and investment portfolios



# financial education

## » K&H ready, steady, money! financial educational programme

In the 2021-22 academic year, all four rounds of the competition were held online in view of the uncertain pandemic situation, which allowed us to continue to safely contribute to the financial literacy of children. In addition, we also offered on-line help with preparing for the competition, using the educational materials of the vigyázz#KáPé app, and we were also able to run the customer point mentoring programme online, allowing our colleagues at customer points to support competitors with additional knowledge.

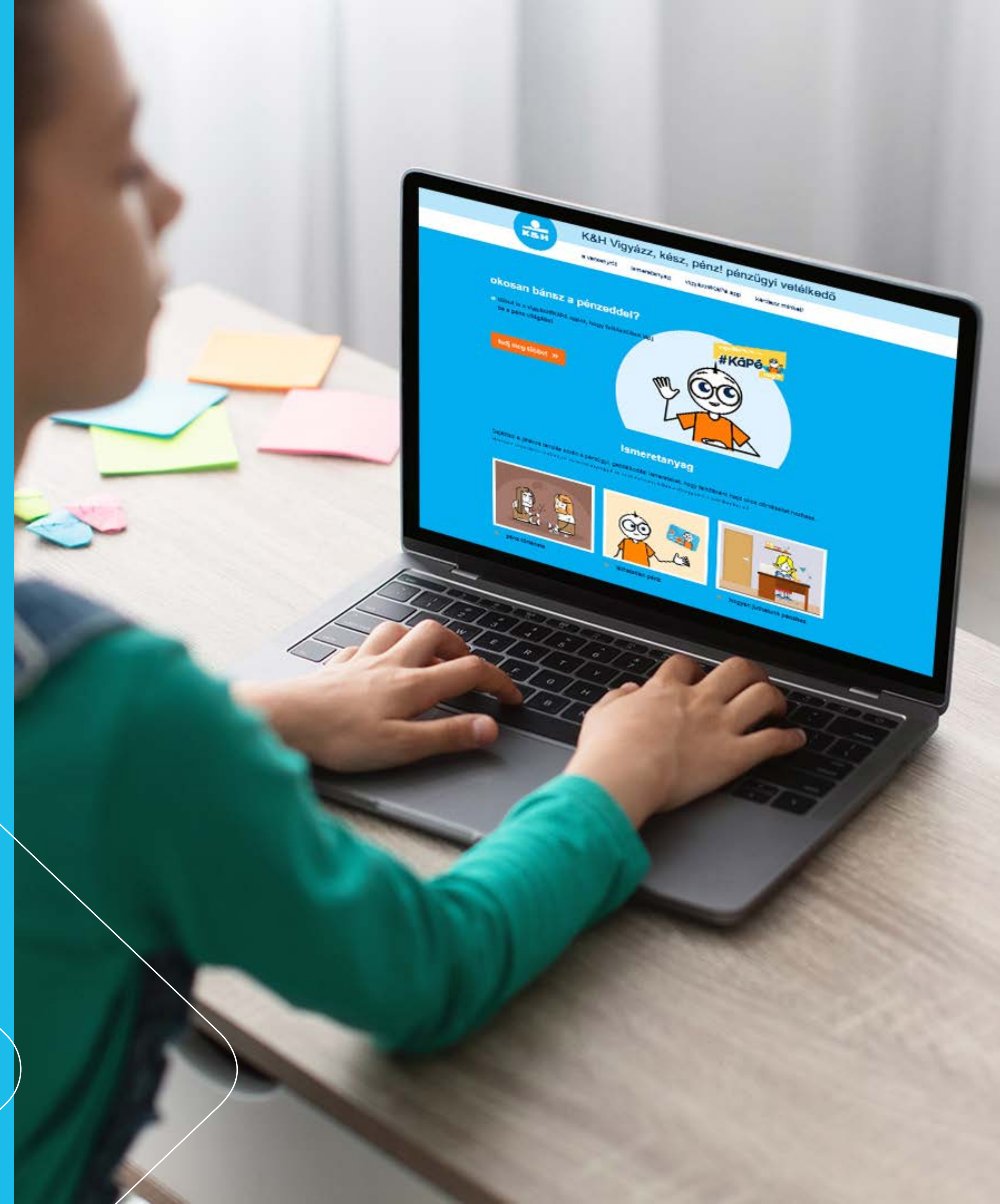
» thanks to the new, online competition interface the vigyázz#KáPé app has been downloaded more than 31 thousand times

» number of competition entrants in the 2021-22 academic year:

- » 1,896 teams
- » 7,869 students
- » 585 schools
- » from 294 communities

» more than 70,000 students over 11 years

» mentorship program at customer service points: over 6,000 teams in 11 years, with the involvement of 220 personal customer service points





# environmental protection

**We also wish to raise awareness of environmental protection through a wide range of social initiatives and work to ensure that the society of the future can thrive in a liveable environment.**

## **"K&H for sustainable agriculture" scholarship program**

The "K&H for sustainable agriculture" scholarship program was executed for the eighth time in 2022. The scheme is aimed at financially supporting studies and research for the sustainable, long-term development of the agricultural sector.

In the past eight years, 380 talented students submitted high-quality theses in the "K&H for sustainable agriculture" scholarship program. Including last year's winners, 62 applicants received HUF 10,2 million of total support for the continuation of research that contributes to safer as well as more efficient and sustainable agriculture.

One new feature of the year 2022 competition is that the institution nominating the most successful students was also recognised. The special institutional award of the K&H for a Sustainable Agriculture Scholarship Application Scheme went to the University of Debrecen.



## K&H cooling groves

Our K&H cooling groves programme was launched to expand green spaces in the courtyards of educational institutions by planting trees and shrubs, and to educate children about their beneficial effects, thus contributing to environmental awareness.

Educational institutions may apply for the grant scheme and in the yards of the 100 winners in total 555 trees and 1,110 shrubs will be planted until May 2023, with the professional cooperation of the 10 Million Trees Foundation.

K&H clients have also contributed to the effort: between 18 September and 31 October K&H earmarked HUF 10 per transaction from its own revenue for the creation of K&H cooling groves from clients' digital payments. With our additional financial contribution, the programme has been implemented with HUF 50 million.



K&H hűsítő ligetek pályázat  
oktatási intézményeknek

# entrepreneurship

K&H Group has been working for years to assist start-up, developing and family businesses by promoting entrepreneurial spirit, and by connecting needs with opportunities.

## » K&H: Gap in the Market

K&H has close to 116 000 business customers, and therefore, in addition to providing innovative banking services and funding solutions, we also strive to help businesses successfully launch and scale up by raising financial awareness. On the K&H Gap in the Market website, we provide professional tips on how to start and grow a business, while the programme's community map allows you to identify missing or temporarily/finally closed businesses in your area and even share business premises, thus encouraging entrepreneurship locally. In addition, we have been financial advisors to businesses in the Shark Tank' business show for 5 years now, and, since last year, also to the winning businesspersons of the SPAR and K&H Hungaricool product competitions, where we are helping companies to get to the next level by offering our professional expertise and even funding in the competition for entrepreneurs operating in Hungary.

## » K&H family business excellence award

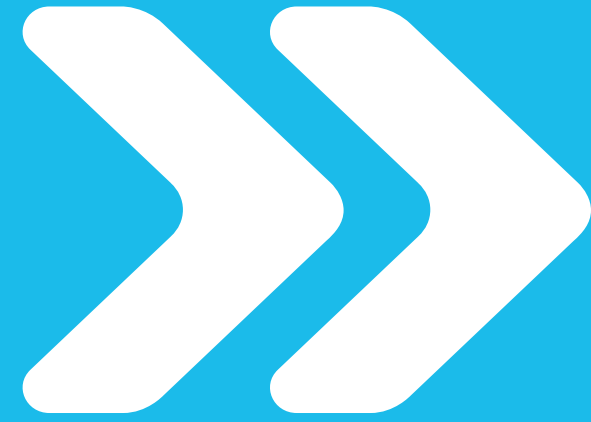
The K&H family business excellence award has been created in acknowledgement of the contribution of Hungary's family businesses to the economy, and their commitment to the country's society. In 2022, we once again rewarded entrepreneurs whose success may inspire other family businesses to reach the next level.

- 4 categories
- 8 award recipients

## » K&H family businesses club

The K&H family businesses club has been established as an informal forum where family business owners can learn from each other and reputable presenters, and can openly talk about the challenges and successes in their families and businesses.





» **K&H NextGen academy**

One of the major challenges to a family business is how to pass the company on to the next generation. It is this succession issue that we wanted to address with the K&H NextGen academy programs, which were launched six years ago to provide comprehensive and inspiring additional knowledge in fields that promote a company's future growth and sustainability.

» **Start it @K&H**

The "Start it @K&H" incubator program, which is run on a purely CSR basis, awaits primarily early-phase start-up companies that harbour major growth potential, regardless of the sector they operate in. As Hungary's no. 1. large corporate incubator program, "Start it @K&H" is an inspiring community with an office in Budapest and another in Győr, where the participating corporations receive product development and investment support from experienced mentors for 12 months, tapping into K&H's domestic and international network of connections. The latest selection for Autumn 2022, with a focus on the environmental and social aspects of sustainability, saw 14 teams successfully getting into the programme, 4 of which are sustainability startups and 5 of which are founded by women.



# health

As a leading financial institution, we strive to respond to the needs of society and contribute to helping our members live fulfilling lives.



## » K&H MediMagic Equipment Purchase Application Scheme

K&H Group is committed to supporting the national child health sector in the application of innovative diagnostic and therapeutic procedures. In 2022, the focus areas of our K&H MediMagic Equipment Purchase Application Scheme were mental health and infectious diseases. Together with the 20 winners of the 19th equipment purchase application scheme, since the programme's inception we have donated a total of 536 instruments worth HUF 850 million to children's healthcare institutions.

Employee donations raised HUF 2.6 million for the Pécs ambulance station and the Vaszary Kolos Hospital in Esztergom, which received equipment to help children heal more effectively.



# K&H go!

## » mass sport event

- 28th K&H go! running night: 3 220 participants
- In 2022, new distances were offered to enthusiastic runners - the 10 kilometre distance could be run in pairs and 3-person relay teams, and the half marathon distance could also be completed in pairs and trios (3 laps of equal length; 7kms).

## » plogging

The K&H go! programme organised a plogging event for the first time, where the focus was not only on exercising together, but also on protecting our environment. The event, which took place on 25 June 2022, saw more than 30 bags of litter collected during active jogging. The young and the old were all active, and their enthusiastic work was supported by a coach and also waste collection organisations. This way, part of the Pest section of the River Danube was safely cleared of litter.



**a mozgás  
& a környezet**

**& találkozzunk  
június 25-én!**



## » K&H e-sport sponsorship

We consider e-sport to be the sport of the future, as it is similar to the world of conventional sports in several ways: it involves intellectual exercise and requires physical stamina. That is why we want to set an example in this field, too, by supporting commitment, perseverance and outstanding performance. We intend to support Hungarian e-sport talent already from the beginning.

### our supporters

- K&H Hungarian National E-sport Championship:
  - 17 million HUF total prize money
  - more than 6700 individual and nearly 730 team entries
  - over 1 million viewers followed the live online coverage of the national e-competitions
- K&H e-cup FIFA'22:
  - number of stream channels viewers: 13 000
- K&H Junior Rocket League Cup:
  - number of registered teams: 134
- K&H University E-sport Cup:
  - HUF 3 million total prize money
  - 8 universities
  - 95 teams
  - 475 university students





## » Paralympic cooperation

- K&H will remain the sponsor of the Hungarian Paralympic Committee and the Financial Institution of the Hungarian Paralympic Team until the 2024 Olympic Games in Paris. In addition to supporting the Committee, we have also relaunched the provision of individual grants to the athletes under the K&H go! Paralympic Scholarship Programme.
- We awarded grants in three categories for excellence in Hungarian Paralympic sport: athletes who have already achieved results in world competitions, a future hopeful and a helper. These athletes set an example to us through their perseverance and determination. Through our scholarship programme, we want to help them focus on their most important task: preparing and performing successfully.
- **Grant winners**
  - Adult category: Boglárka Madarászné dr. Mező, wheelchair fencer
  - Hopeful category: Csaba Rescsik, sport shooter
  - Helper category: Gergely Nagy, Ocelka Róbert's cycling guide

# awards received



**MasterCard, Bank of the Year**  
- Sustainable Initiative of the Year 2022



**ClientFirst Consulting Service Excellence Certified Benchmark Programme**  
- face-to-face client service Category Winner



**Global Finance 2022**  
- Best Trade Financing Bank in Hungary



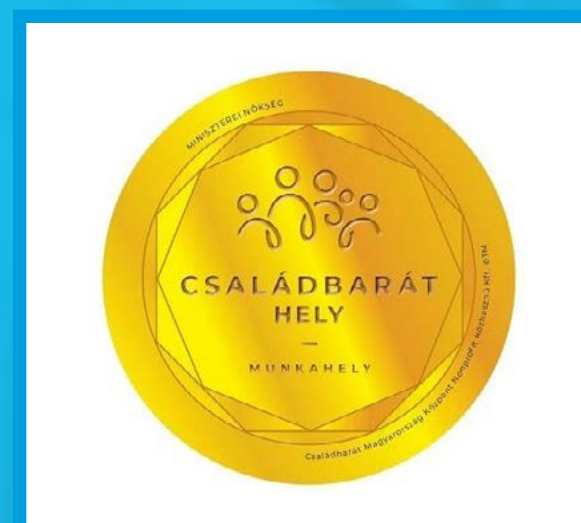
**Content Marketing Awards 2022**  
Television sponsorships and product placement, bronze certification



**Privatbankar.hu**  
- Best Domestic Equity Investor Fund



**Privatbankar.hu**  
- ESG Fund Manager of the Year  
- Runner-up (in 2nd position)



**Family Friendly Trade Mark**



**Family Friendly Company of the Year Award**



**EFFIE Finalist Award 2022**  
- Innovation brand platform launch



**EFFIE Bronze Award 2022**  
- Christmas campaign



**EXIM Awards 2022**  
- SME financier of the year



**EXIM Awards 2022**  
- Bank with the Highest Number of Compensation Loan Placements

# VIII. GRI index



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GRI STANDARD	DISCLOSURE	LOCATION
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GRI STANDARD	DISCLOSURE	LOCATION
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