

Brussels, 12 September 2016

KBC revamps groupwide sustainability framework.

Clear and more refined guiding principles for sustainability themes

In redefining its strategy towards sustainability, KBC clearly communicates how it is dealing with a number of social and sustainability themes. This transparency is part of the extended sustainability policy applying throughout the KBC group and enshrined in a number of guiding principles. These can be viewed at www.kbc.com.

This extended sustainability policy is embedded in KBC's business strategy. *'It ensures that our sustainability principles are incorporated into all our activities and grounded in every part of the organisation. It also means that, as a bank-insurer, we can enhance the positive impact our day-to-day operations have on society,'* explains **Johan Thijs, KBC Group CEO**. *'To us, corporate sustainability primarily means being able to respond autonomously to the expectations of all our stakeholders, not only today but also going forward. That is a much broader interpretation than the traditional approach, which is usually based on the environment, philanthropy and corporate governance.'*

KBC seeks at all times to achieve the right balance between business objectives and sustainability targets. This approach is fully in line with KBC's position as an all-round bank-insurer which aims to play a prominent economic role for its private individual, SME and mid-cap client base.

Clear guiding principles...

KBC has developed a groupwide sustainability framework with clear guiding principles and views that forms the sustainable backbone of its business activities.

KBC mainly uses guiding principles and codes of conduct when it comes to the environment, human rights, company values and socially sensitive issues. Some of those guiding principles are new for KBC, while others have been refined and updated to more effectively meet the changing expectations of society.

- The renewed *KBC Energy Policy* stipulates that:
 - o KBC no longer finances coal-related activities (apart from the Czech Republic where such financing is being phased out), and likewise large-scale biofuel and biomass power plants
 - o Investments in renewable energy should be increased
 - o Integrated energy companies must meet stricter criteria
- The renewed *Credit Risk Standards on Sustainable & Responsible Lending Policies* have tightened the conditions for financing (permitted) arms-related activities even further.
- The new *KBC Policy on Controversial Regimes* and the *KBC Human Rights Policy* impose tight restrictions on companies and activities that are controversial and/or that do not comply with the UN Global Compact principles.

... based on a strategic vision

To be able to meet stakeholder expectations today and in the future on the basis of its own strengths, KBC has developed a sustainability strategy comprising three cornerstones:

- enhancing the positive impact on society
- limiting any negative impact, and
- encouraging responsible conduct at all levels of the business organisation

'Responsible conduct, based on integrity and a healthy awareness of risk, forms the long term basis of our approach to sustainability. It is the only way to ensure that we provide appropriate advice and assistance to our clients. To enhance our positive impact on society – our second cornerstone – we aim to offer financial solutions in a number of areas that

meet a specific requirement in society,' continues Johan Thijs. These focus areas are environmental awareness, financial literacy, entrepreneurship and – depending on the local situation – health or the ageing population.

At the same time, KBC also aims to keep the negative impact of its activities to a minimum. KBC adheres to this third cornerstone by strictly applying its guiding principles, actively monitoring its own ecological impact and actively offering a wide range of socially responsible investment opportunities. For instance, KBC is looking to reduce its emissions of greenhouse gases by 20% on their 2015 level by 2020, and to obtain ISO 14001¹ certification in all its core countries by 2017.

Permanent dialogue

A vision for sustainability needs to move with the changing perceptions and expectations of society. KBC wants to stay connected with the latest developments in this area and involves its stakeholders in an open dialogue by means of publications, such as the Report to Society and the integrated Annual Report, and by a dedicated CSR mailbox. KBC also commissions market research to be conducted in all the countries where it is active and invites a number of stakeholders each year to attend a meeting with the company's top management. This gives KBC a clear idea of what is important to its stakeholders and also enables it to adjust its current and future projects and initiatives more effectively to their expectations.

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¹ ISO 14001 is an international standard for environmental management that aims to manage and avoid environmental risks stemming from business activities.