

KBC's Principles for Socially Responsible Business

KBC aims through its activities to contribute to the economic, social and ecological advancement of the communities it serves. Accordingly, it conducts its activities in compliance with both the letter and the spirit of prevailing laws and regulations. It also takes account of changing societal norms, norms which generally foreshadow subsequent legislation.

For KBC, a primary concern is to meet the needs and safeguard the interests of its customers, its shareholders, its employees and the communities in which it operates. In its dealings with these stakeholders, KBC observes principles of fairness, reasonableness, openness, transparency and discretion, whilst ensuring privacy. These principles are incorporated into a specific **code of conduct** which governs all KBC's activities, but especially its lending and asset management businesses, as well as its human resources and facility management projects.

KBC Bank has a social responsibility to meet its customers' borrowing requirements at reasonable, market-conform rates of interest which compensate it for the credit risk it takes and other lending-related expenses. Before granting any credit, KBC will conduct a preliminary analysis not only of the associated, purely financial and economic aspects of the credit, but also of the relevant social and ecological aspects. This analysis makes it possible, among other things, to offer customers the credits and credit products that are best suited to their needs and financial resources.

Recommendations and decisions for asset management purposes are always formulated solely with the customer in mind and in keeping with a general investment strategy that is based on a thorough analysis of all available macroeconomic, sectoral and company information, as well as the risk profile of the customer concerned and/or of the relevant investment products. The customer's risk profile is determined with all due care in consultation with the customer and is adjusted where necessary to take account of his or her changing financial, social and philosophical position. To ensure it can satisfy the broadest possible range of investment preferences, the bank develops investment products with diverse risk profiles and features, including those that reflect sustainable and ethical investment principles. To support its investment policy in this regard, KBC Asset Management has set up its own research team to screen the sustainability of the policies pursued by various companies and countries (with a view to investing in government bonds). KBC Asset Management is assisted in this endeavour by an External Advisory Board. The results of this 'ethical screening' are used by KBC Asset Management not only in the management of its ethical funds, but are to produce a semi-annual publication (available at: www.kbcam.be/sustainableinvestment).

Where **insurance** is concerned, KBC will, wherever the competitive room to manoeuvre allows, apply appropriate techniques to counter the 'moral hazard' dilemma (i.e., a tendency of persons to exhibit riskier behaviour once insurance is taken out). KBC will ensure that its products encourage socially desirable or acceptable behaviour where risk-taking is concerned.

KBC is aware that in many cases, particularly in the event of sickness, disability or death, money cannot compensate for pain and suffering. Consequently, it feels that it has a social duty to try and preclude such pain and suffering where possible by means of an accident-prevention policy. In addition, where needed, KBC furnishes personal and professional assistance to accident victims, guiding them in their search for the best way to return to mental and/or physical health.

KBC will make an effort to include in certain products an explicit element of solidarity, which should make it possible to provide some measure of insurance for risks which would not normally be insurable. KBC is a firm believer in the principle that segmentation should not lead to discrimination; i.e. it should never lead to large groups of prospective policy-holders being shut out on the basis of criteria they have no control over.

In its dealings with **personnel**, KBC pursues an equal opportunity policy and resolutely avoids any form of discrimination. The recruitment, selection, promotion and remuneration of its employees occurs on the basis of each individual's merits, such as his or her knowledge and skill, development potential, added value and the responsibilities he or she shoulders. KBC aims to forge a lasting working relationship with its employees, one characterized by balance between the individual's professional commitment which contributes to the company's capabilities and his or her personal development in the broadest sense of the word.

To achieve this aim:

- KBC offers a competitive pay package, providing employees with a fair pay for their work and their contribution to the company's results; KBC seeks to be a caring employer, even when problems arise;
- KBC endeavours to enable employees to balance their professional and private lives and consequently takes the requisite initiatives with regard to flexible working arrangements, employee mobility and social schemes;
- KBC provides sound career guidance and top-quality training, so that employees are given adequate opportunities to further their careers and develop their skills; KBC provides its employees with an attractive working environment and the necessary resources to be able to perform their job efficiently;
- KBC seeks to employ people in its personnel department who provide prompt, customer-friendly and professional service.

KBC also aims to provide clear, transparent information and considers good social dialogue as a basic building block in its corporate culture. For this reason, KBC promotes the efficient and direct flow of information throughout the organization via such tools as an intranet. All this is intended to nurture and put into practice the values that KBC and its employees find important. These values are primarily: openness and honesty in dealings with one another, a mutual respect and collaboration on projects, which is characterized by a spirit of helpfulness and professionalism.

KBC is aware that the rational use of natural resources – even for a service-providing, information-processing enterprise – can help to alleviate the burden on the **environment**. It will therefore ensure that its resources are as ecologically sound and used as rationally as possible, whether this concerns water and energy use, the consumption of products, waste-prevention and –processing or transportation.

KBC endorses sustainable building principles and in providing accommodation for its workforce takes account of any possible environmental impact this may have, as well as of employee comfort and efficiency. It will require its suppliers of products and services to adopt a similar approach, based on full compliance with the relevant laws and the implementation of environmental conservation systems in keeping with the ISO 14000 family of standards. Fairness will be a feature of all of KBC's dealings with its suppliers.

KBC makes a commitment to the **communities** in which it operates, not only by funding social, cultural or scientific initiatives, but also by making competencies or facilities, for instance, available where needed. In this way, KBC aims not only to help enhance the prosperity of the communities it serves, but also to improve their well-being. Moreover, KBC encourages its employees to become socially involved.