

# KB Financial Group Human Rights Management Process & 2016 Results



## KBFG's Human Rights Management Process



- KBFG's policies on human rights have been formulated in cooperation with internal and external experts and stakeholders.
- The policies identify major potential human rights issues that have a high probability of surfacing in full force during the course of business.
- KBFG's declaration of its human rights policies has been made public and communicated to all personnel and stakeholders.
- The human rights policies are reviewed regularly and updated to maintain relevancy.

- 1) Identify the impacts
- 2) Identify issues and the vulnerable group
- 3) Begin remediation: When adverse human rights issues or vulnerable groups are identified, remediation actions is decided upon in consultation with responsible departments. Remediation actions are carried out immediately depending on the seriousness of the issue, in the event that a case of human rights violation is found at a partner company and KBFG could exercise its influence to address the issue even though the human rights violation case is not attributable to KBFG, KBFG must exercise its influence proactively, and if found to be remediable through use of its leverage, KBFG promptly takes an appropriate action to do so.
- 4) Monitoring: KBFG conducts monitoring once a year to assess human rights impacts. The monitoring is aimed at identifying causes and impacts of adverse human rights, and the findings are examined and evaluated by external experts. The assessment is conducted in compliance with local and international human rights laws. In the long-run, however, it is necessary to conduct impact assessments in the phase of product and business development as well as during the course of post-management of the issues.
- 5) Grievance procedure : The Group provides relief mechanisms to those affected by adverse human rights impacts caused during the course of its business operations.
- 6) Reporting: KBFG makes regular reports on internal and external assessments of its human rights management and publicly discloses them. The report is about communicating how the company addressed negative impacts of human rights issues to internal and external stakeholders, and, in particular, for human rights violation cases that are publicly raised, detailed response measures must be disclosed. We are reporting material issues to the Board and communicating to external stakeholders through our sustainability report in a transparent manner.

## 2016 Results of Human Rights Management

### 1. Identification of Adverse Human Rights Impacts and Vulnerable Groups

KBFG conducts an assessment of potential human rights issues in all subsidiaries and contractors. As a result of the assessment, vulnerable groups identified were female and employees and, among employees of contractors, those who are engaged in dealing with customer complaints such as call center operators. Potential human rights issues have been identified, and assessment has been performed in each subsidiary, based on which improvement measures have been developed and implemented to address relevant risks, and the progress has been monitored.

Stakeholders	Potential issues	Impacts identified
Employees	Workplace safety	No. 1 Working conditions for female employees
	Work condition	
	Job discrimination	
	Discrimination in employment	No. 2 Worsening working conditions
	Discrimination between regular and temporary personnel	
	Discrimination against expatriates and indigenous people	
	Freedom of association and collective bargaining	No. 3 Work stress among employees
	Unjust treatment for involvement in union activities	
	Industrial safety	
	Extra measures in terms of safety and safety for pregnant, handicapped, other vulnerable workers	
Customers	Customer data management	
	Products and services that threaten customer safety	
Suppliers	Invasion of employee privacy	No. 1 Work & Emotional Stress among contractors
	Banning discrimination based on gender, age, nationality, race, etc	
	Equal opportunity	
	Fair treatment of the vulnerable according to labor laws	
	Banning forced labor	
Local communities	Child labor, migrant workers	
	Human right of underprivileged who are recipients of CSR projects	
	Unjust or aggressive land acquisition	

## 2016 Results of Human Rights Management

### 1) Assessment of potential human rights issues among KBFG's employee

Assessment of OHI (Organizational Health Index) and Korean corporate culture index

KBFG asked McKinsey & Company to assess its organizational health and identify issues of human rights so as to manage human rights issues of its employees. Also, it utilized the Korean Corporate Culture Index with 8 specific areas, which was developed by the Korean Chamber of Commerce and Industry, to investigate human rights vulnerabilities experienced by employees due to unique corporate culture of Korea. The assessment carried out with 1,343 employees from December 3rd to 11th of 2015 found that issues related to female employees and working over-time were the biggest risk factors, which was the same result as the previous year. To address these risks, an extended management discussion session was held in February 2016, where relevant issues were reported and action plans to resolve the issues were submitted and shared by responsible departments including HR, employee satisfaction department and training and education department.

### 2) Assessment of potential human rights issues in contractors

Human rights situation of employers involved in emotional labor at KBFG, was assessed. KBFG used a risk mapping method to assess human rights risks of contractors and manage them effectively. Due to the nature of financial services business, the majority of contractors provide services such as call center services to address customer inquiries and complaints, and they are exposed to the highest human rights risks.

## 2. Remediation

According to the results of 2016 assessment, the KBFG conducted a number of improvement activities for the most vulnerable targets of human rights risks that include female employees and those who perform emotional labor at customer contact points such as call centers.

### 1) Human rights of female employees

Causes of human rights issues related to female employees were identified as three fold: 1) a male-oriented corporate culture involving drinking after work, over-time work, etc., 2) concerns for interruption of work due to child birth and child rearing, etc., and 3) prejudice concerning work capability of female employees. Counter-measures for each of these causes were proposed accordingly.

### 2) Human rights of contractors

KBFG assessed the human rights situation at the subsidiaries that work with contracted providers of such services and presented them with a guide to develop measures for improvement.

KB Kookmin Bank conducted surveys and interviews with employees of 7 contractors engaged in emotional labor to investigate potential human rights issues. As a result, the most serious potential human rights issue was found to be emotional and physical stress due to cursing by rude callers. The Bank held discussions

## 2016 Results of Human Rights Management

with the contractors to address this issue and jointly developed solutions, which are divided into preventive measures and response measures. Preventive measures include 1) the Bank's provision of legal support when a legal action is required against angry callers, 2) establishment of a dedicated team to address concerns and provide counselling to concerned workers, and 3) education with an external lecturer to teach how to deal with rude callers. When a problem occurs, response measures include 1) giving the concerned worker time to calm down and rest (free coupon for break, early dismissal from work, flexible work hours, etc.), 2) providing a break of a day or two from work if necessary, 3) offering counselling via a contract with a specialized counselling clinic, and 4) installing facilities and providing services for physical relaxation to relieve stress, including in-house health keepers (massagists), aroma therapy, exercise equipment at the staff lounge (steppers, mini basketball hoop, dart, etc.) for workers to use. KB Kookmin Bank continues to monitor the situation and try to improve the overall human rights situation.

Based on the assessment of human rights situation of workers engaged in emotional labor, KB Kookmin Card concluded that the situation is beyond the level to be addressed by the contracts on their own. When a call is received at the customer support center, the Automatic Response System (ARS) provides a list of abusive and rude behaviors and informs the caller that rude remarks may initiate a legal action. Also, two types (insulting comments and threatening remarks) were added to the list of abusive behaviors (cursing, sexual harassment, and interference with business), and the content of the conversation is notified to the caller via SMS upon the end of consultation session.

### 3. Monitoring

Potential human rights issues have been identified, and assessment has been performed on each subsidiary, based on which improvement measures have been developed and implemented to address relevant risks, and their implementation has been monitored.

KBFG has monitored the progress of remedial measures it had applied in 2016, reported the progress internally, and published findings and results in the 2016 sustainability report which is available online at its website. KBFG will continuously conduct human rights assessments and monitoring through all the business sites. Remediation plans, where it is found to be necessary, shall be taken in 2017.

## Details of KB Human Rights Management Checklist

Sector	Actions taken	Answers				
		Yes	Need improvement	No	N/A	Irrelevant
<b>1</b> Establish human rights management systems	① KBFG has made a policy declaration professing its responsibility to respect human rights.					
	② KBFG has regularly conducted human rights assessments.					
	③ KBFG has taken necessary steps to implement human rights management.					
	④ KBFG has in place a system of tracking and recording results of human rights management.					
	⑤ KBFG regularly reports the results of its human rights management practices.					
	⑥ KBFG provides relief mechanisms to those negatively impacted by its operations.					
	Sub total					
<b>2</b> Non-discriminatory employmen	① KBFG does not discriminate against sex, religion, disability, age, social status, or place of origin with respect to employment					
	② KBFG does not discriminate based on sex in employing workers.					
	③ KBFG does not discriminate against temporary workers in labor management.					
	④ KBFG does not treat foreign workers in a discriminatory manner.					
	Sub total					
<b>3</b> Guarantee of freedoms to associate and conduct collective bargaining	① KBFG recognize workers' freedom of association and collective bargaining rights.					
	② KBFG retaliates against employees for joining labor unions or for conducting lawful union activities.					
	③ KBFG acknowledges its obligation to provide union leaders with information necessary to conducting their duties of representing union members' interests.					
	④ When there is no labor union, KBFG provides alternative measures that enable employees to independently discuss labor-related issues.					
	Sub total					

Sector	Actions taken	Answers				
		Yes	Need improvement	No	N/A	Irrelevant
④ Ban forced labor	① KBFG prohibits forced labor of all kinds.					
	② With respect to foreign workers, KBFG does not keep their IDs, travel papers and other important personal documents.					
	③ KBFG takes special steps to see to it that its overseas subsidiaries or business partners do not allow forced labor.					
	Sub total					
⑤ Ban child labor	① KBFG hires no minors 14 or younger.					
	② If minors are found working, KBFG either offers education opportunities or takes a relief measure, rather than immediately suspends their employment.					
	③ KBFG does not expose workers 17 or younger to environments where safety, hygiene and morality are at risk.					
	Sub total					
⑥ Industrial safety	① KBFG keeps the safety harness and facilities of workplace safe and clean.					
	② KBFG implements additional safety and hygiene measures for pregnant, handicapped or other vulnerable workers.					
	③ KBFG provides employees with all protection gear for performing their jobs and regularly conducts education on industrial safety.					
	④ KBFG conducts employee health checkups to help employee stay healthy.					
	⑤ KBFG helps employees suffering from work-related injuries or sickness recuperate or, if necessary, provides expense for the recuperation.					
	Sub total					
⑦ Responsible supplier management	① KBFG requires all major suppliers, sub-contractors, subsidiaries, other partners to perform their responsibilities to respect human rights.					
	② KBFG monitors, through surveys and visits, to see if its sub-contractors, subsidiaries and partners are in compliance with human rights laws and regulations.					
	③ KBFG takes extra steps to prevent its security personnel from infringing on the human rights of other employees.					
	Sub total					

Sector	Actions taken	Answers				
		Yes	Need improvement	No	N/A	Irrelevant
⑧ Protect human rights of local people	① Prior to purchasing land, KBFG consults with, and seeks to get informed consent from all, including legal and customary owners, facing life-altering changes.					
	② KBFG neither involves itself in nor seeks gains from unjust relocations; but adequately compensates those who relocate.					
	③ Prior to using community products of art or unpatented inventions, KBFG duly informs owners or inventors of all necessary and obtains informed consent.					
	Sub total					
⑨ Guarantee in environmental rights	① KBFG has set up and operates environmental management systems.					
	② KBFG keeps its environmental data public.					
	③ KBFG adheres to principles of preventive approach with respect to environmental problems					
	④ KBFG has set up contingent plans to control, reduce, or avert serious environmental damages or disasters.					
Sub total						
⑩ Protect consumer rights	① KBFG, to protect consumers' lives, health, safety from product defects, pays attention to specify product designs and making in accordance with ordinance guidelines.					
	② In the event of a product-related casualty, KBFG promptly informs consumers of product defects and recall responsible products.					
	③ KBFG respects consumer privacy and takes rational measures to protect personal data it collects and maintains for business.					
Sub total						
Total						