



S U S T A I N A B I L I T Y
R E P O R T
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1 CONTENT

1. CONTENT	1
2. KBC AT A GLANCE	4
3. ABOUT THE REPORT	9
4. OUR SUSTAINABILITY STRATEGY	10
5. SUSTAINABILITY GOVERNANCE	12
6. HOW WE DO IT	13
7. STAKEHOLDER ENGAGEMENT	26
8. OUR EMPLOYEES	28
9. OUR CLIENTS	32
10. OUR SUPPLIERS	33
11. COMMUNITY	35
12. FACT & FIGURES	40
13. MATERIAL TOPICS	51
14. GRI CONTENT INDEX	59

2016 Highlights

We revamped our sustainability strategy, updated our existing sustainability policies and installed new ones in 2016.

We set clear targets to measure our progress in several areas

- # We are committed to a 20% reduction in our total GHG emissions by 2020 compared to 2015.
- # Our ambition is to increase the share of renewables in our total energy credit portfolio to at least 50% by 2030.
- # We have decided to stop financing coal-related activities with the exception of tapering operations in the Czech Republic, though under strict conditions.

Focus on sustainable investments

- # We aim to double the total volume of sustainable investment funds to 5 billion euros by 2018.
- # Campaigns and training have been launched to raise awareness of sustainable investments among our staff and clients.

Focus on sustainable finance and insurance solutions

We want to develop innovative financial and insurance solutions for the following focus areas: 'financial literacy', 'environmental responsibility', 'entrepreneurship' and 'longevity and health'.



CEO STATEMENT

Sustainability is neither a hype nor a trend: it's the way we do business. That is why at KBC sustainability is not part of a separate strategy, but is fully embedded in our corporate strategy. What sustainability means to us as a bank-insurer is the ability to meet the expectations of all our stakeholders and to honour our commitments: not just today, but also in the future, and to do so, of course, without external help.

In 2016, we redefined our sustainability strategy; we have developed a group-wide sustainability framework with clear guidelines, policies and codes of conduct on the environment, human rights, company values and socially sensitive issues.

There are three main pillars to our sustainability strategy:

- # Boosting our positive impact on society
- # Limiting our adverse impact on society
- # Encouraging responsible behaviour

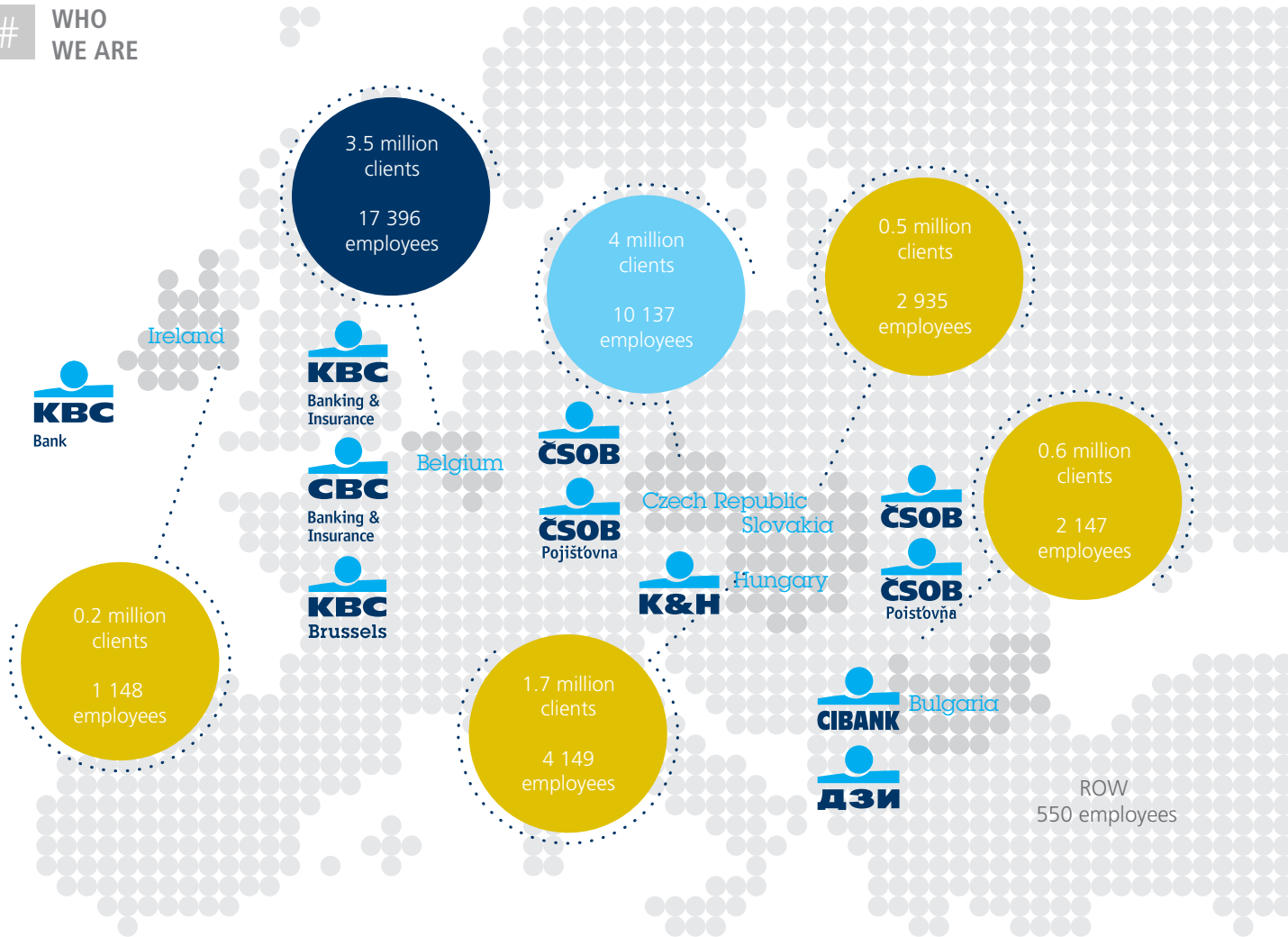
To boost our positive impact, we have determined specific focus domains in which we can make a difference as a bank-insurer. Our ambition is to develop financial and insurance solutions for each of these domains. We limit our potential negative impact, meanwhile, by complying with our own strict policies, blacklists and codes of conduct, but also by setting ourselves clear targets for sustainable investments, our own environmental footprint and our credit portfolio.

KBC's ambition is to be the reference in all our core markets, which can only be achieved if we act sustainably and responsibly. Fully embedding sustainability in our core activities will help us go on creating value for society at large.

Johan Thijs
Chief Executive Officer

2 KBC AT A GLANCE

WHO WE ARE



KBC is an integrated bank-insurance group, catering mainly for retail, private banking, SME and mid-cap clients. Geographically, we focus on our core markets of Belgium, the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland. We have a limited presence elsewhere, primarily to support corporate clients from our core markets.

Fact & figures

- # more than 38 000 employees
- # 6 core markets
- # more than 10 million clients
- # 1 456 bank branches
- # 427 insurance agencies in Belgium and various distribution channels in Central and Eastern Europe

OUR SUSTAINABILITY TARGETS AT GROUP LEVEL ARE AS FOLLOWS:

	Target year	Result in 2016
Reduce total GHG emissions (excluding commuter travel) by 20% compared to 2015, both absolute and per FTE	2020	-13.88% (absolute) -13.93% (per FTE)
50% share of renewables in total energy credit portfolio	2030	42.1%
Immediate stop of financing coal related activities and exit scenario in the Czech Republic	2050	Progress in line with target
Double the total volume of sustainable investment funds under management to 5 billion euros	2018	EUR 2.8 billion

See the KBC Group Annual Report 2016 for our other non-financial targets.

2 KBC AT A GLANCE

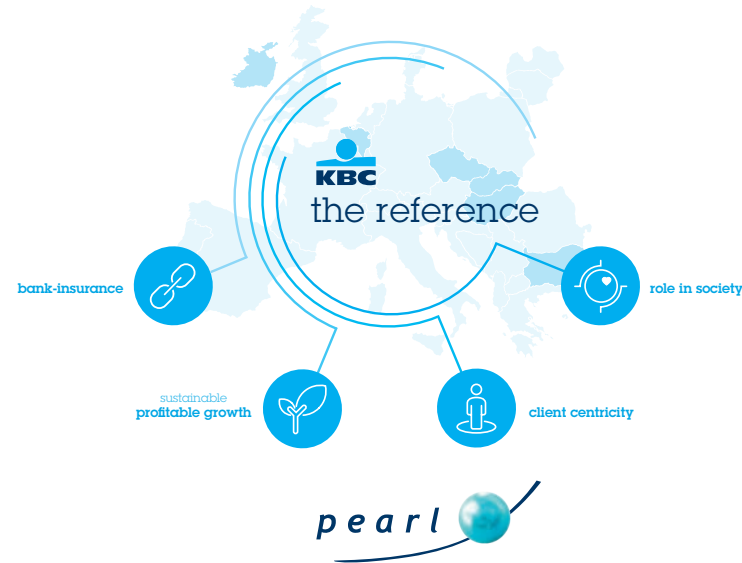
HOW DO WE CREATE AND SHARE VALUE?

INPUT

Value in

- Financial capital
- Human and intellectual capital (employees and brand)
- Manufactured capital (infrastructure)
- Social and relationship capital (clients and other stakeholders)
- Natural capital (environment and society)

KBC STRATEGY



OUTPUT

Value out

- Financial
- Products and services
- Employees and brand
- Infrastructure and innovation
- Clients and other stakeholders
- Environment and social

OUTCOME

Value for society

- We contribute to **economic growth** in all of our core markets.
- We make an important contribution to **employment** in all our core markets, both direct and indirect.
- We contribute to the transition to a **low carbon society**.
- We increase our **positive impact on society**.
- We support **economic growth and employment in the South**.

2 KBC AT A GLANCE

VALUE IN/ INPUT

We use various types of resources or 'capital' to enable us to operate



Financial capital is the money we receive from different capital providers to support our activities and to invest further in our business strategy. It comprises the capital made available by our shareholders and accumulated profit generated by our operations.



Human capital and intellectual capital (employees and brand) refer to the recruitment, management and development of our employees, to enable them to make the best possible use of their talents and experience in order to keep improving our service and to develop solutions for our clients. Intellectual capital includes the knowledge and creativity of our employees, together with our intellectual property and brand name.



Social and relationship capital (clients and other stakeholders) comprise all relationships with and our reputation among our clients, stakeholders, government, regulators and other stakeholders who enable us to operate.



Manufactured capital (infrastructure) is a generic term for all the forms of infrastructure we use to perform our activities. It includes our office buildings, branches and agencies, our electronic and other networks, our ICT platforms, and our mobile applications.



Natural capital (environment and society) refers to the raw materials we use in our operations. Although the direct consumption of raw materials is less significant for a financial institution, our indirect impact is substantial on account of our loan and investment portfolios, for instance.

As a responsible business, therefore, we want to show due respect to our indirect environmental impact.

FINANCIAL CAPITAL

- # Total equity of 17.4 billion euros
- # 177.7 billion euros of bank deposits and debt securities

HUMAN AND INTELLECTUAL CAPITAL (EMPLOYEES AND BRAND)

- # more than 38 000 employees
- # Strong brands in all core countries
- # Capacity to innovate

MANUFACTURED CAPITAL (INFRASTRUCTURE)

- # 1456 bank branches
- # 427 insurance agencies in Belgium and various distribution channels in Central and Eastern Europe
- # Various electronic distribution platforms and underlying ICT systems

SOCIAL AND RELATIONSHIP CAPITAL (CLIENTS AND OTHER STAKEHOLDERS)

- # Over 10 million clients who entrust their deposits to us and use our banking and insurance services (including payments, cash management, trade finance, leasing, corporate finance, and money and capital market products).
- # Relationships with suppliers, government, regulators and other stakeholders.

NATURAL CAPITAL (ENVIRONMENT AND SOCIETY)

- # Consumption of electricity, gas, water, paper, etc.
- # Sustainable procurement: environmental and social criteria have been incorporated in our procurement activities.

2 KBC AT A GLANCE

VALUE OUT/ OUTPUT

FINANCIAL

- # Strong financial results:
net profit of 2.4 billion euros
- # Maintenance of robust capital and liquidity ratios
- # Cost/income ratio of 55%
- # Shared value for shareholders:
1.2 billion euros paid out in dividends

PRODUCTS AND SERVICES

- # 148-billion-euro loan portfolio
- # 213 billion euros in total assets under management
- # 32 billion euros in insurance reserves
- # 702 days of coaching and training in the Global South through BRS
- # 3 million USD loans to microfinance institutions through the only recently launched BRS Microfinance Coop

EMPLOYEES AND BRAND

- # 2.3 billion euros in remuneration paid to our employees
- # High level of staff involvement
- # KBC has the best reputation of Belgium's big banks in Flanders. We measure our group-wide reputation through the reputation index.

INFRASTRUCTURE AND INNOVATION

- # Various electronic applications and branch concepts, including newly developed ones, that are connected interactively and in real time. We duplicate successful electronic applications from one core country to others.
- # Successful omnichannel approach: we are there for clients whenever and wherever they need their bank-insurer.
- # Focus on innovation: we are eager to keep up and constantly to challenge our business model with technological developments and the new needs of a changing society.

CLIENTS AND OTHER STAKEHOLDERS

- # We place our 10 million+ clients at the centre of everything we do. The omnichannel strategy allows each client to decide when and how they want to be served. By setting targets for client experience and reputation, we aim to increase the general level of client satisfaction.
- # Stakeholder interaction process in each core country
- # 1 billion euros in operating costs paid to suppliers
- # Aggregate 1.1 billion euros paid in income taxes and bank taxes

ENVIRONMENT AND SOCIAL

- # New sustainability strategy
- # Strict policies to limit the environmental impact of our core activities by reducing the climate and environmental impact of our portfolio of loans, investments and insurance policies
- # Focus on core business solutions – lending, investments, insurance and advisory – to boost a low-carbon, circular economy as a key element of our renewed sustainability approach
- # Group-wide programme to reduce our own environmental footprint: CO₂e emissions decreased by 12.37% in 2016 compared to 2015
- # 1.2-billion-euro loan portfolio in renewable energy- and biofuel sector
- # 5.9-billion-euro loan portfolio in the education and healthcare sectors
- # 2.8 billion euros in sustainable investment funds under management and market leader in Belgium in SRI funds
- # 7.8 million euros in community investment

2 KBC AT A GLANCE

VALUE FOR SOCIETY/ OUTCOME

Our clients can use our loans, deposit products and asset management services to help them realise their dreams and projects, and our insurances to protect those dreams and projects. By financing and insuring private individuals, SMEs and corporates, **we contribute to economic growth in all our core markets.**

We make an important contribution to **employment** in all our core markets, both directly and indirectly. We also recognise that we have a significant direct impact on the lives of our employees, and so we offer our people a fair reward for their work. This likewise contributes to the welfare of the countries in which we operate.

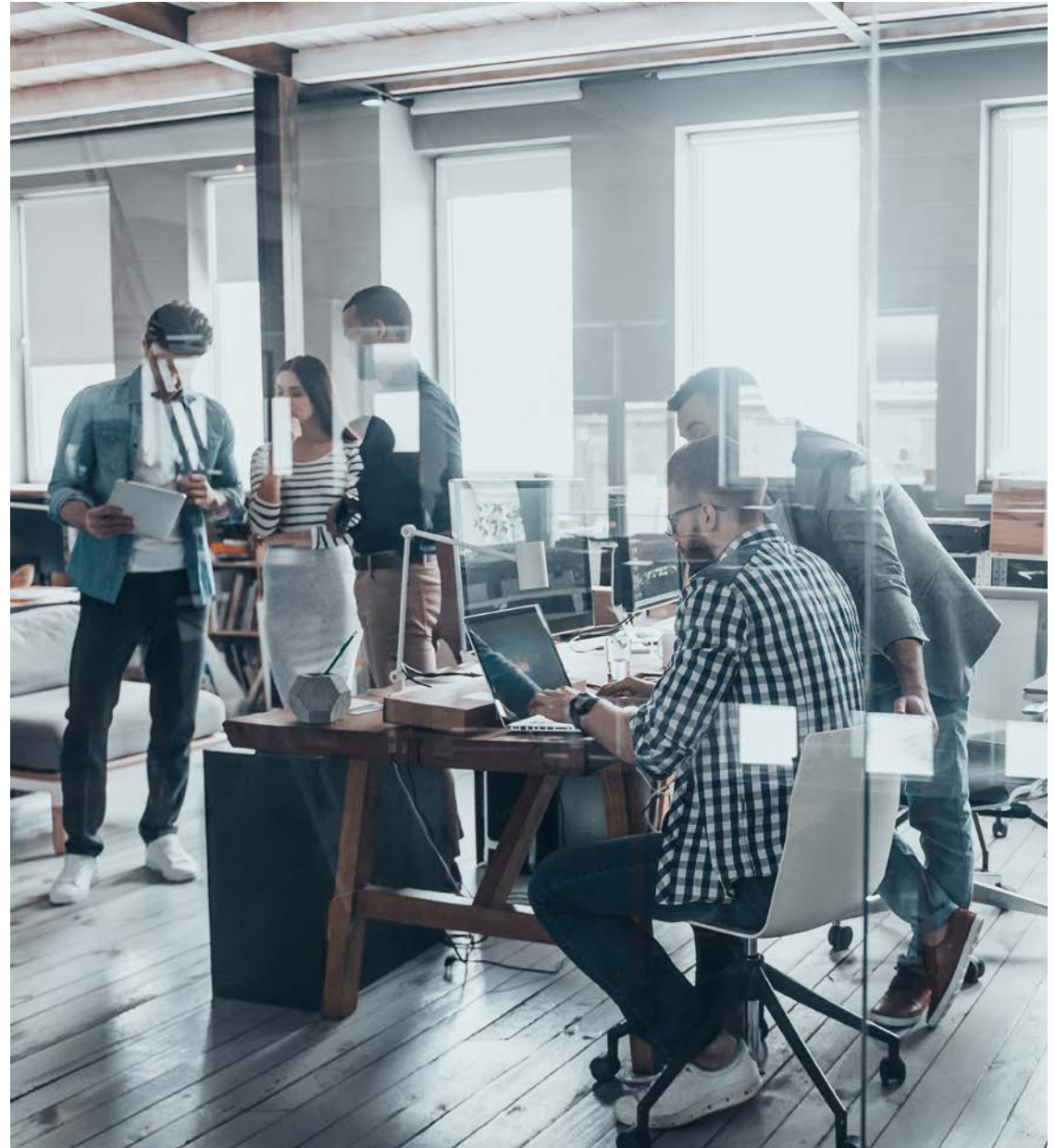
We contribute to the transition towards a **low-carbon society:**

Directly by reducing our own environmental footprint

Indirectly by imposing strict policies on all our business activities, focusing on a full range of sustainable investment products, developing relevant business solutions to help clients address current and future environmental challenges, and including environmental criteria in our procurement activities.

We **increase our positive impact on society** by focusing on several genuine societal needs where we, as a bank insurer, can deliver added value.

We support **economic growth and employment in the Global South** through BRS microfinance and microinsurance projects.



3 ABOUT THE REPORT



This sustainability report describes how we address corporate sustainability, how we implement our sustainability strategy, the policies and guidelines we observe, the targets we have set ourselves and our main achievements. To define the content of this report we rely on the GRI Standards for sustainability reporting as well as on the results of the materiality matrix and the material topics defined in this process (see stakeholder engagement). We also have taken into consideration feedback on previous reporting from our stakeholders and best practices in sustainability reporting. KBC Group has published a Sustainability Report annually since 2005. In 2016, we published all non-financial information (as specified in the GRI content index 2015) for the reporting period 2015 on our corporate website, in our Annual Report 2015 and in our Report to Society 2015.

Although we have decided to publish a separate Sustainability Report for 2016, there is no substantive difference in scope between this report and the one for 2015.

The present report covers the entire organisation of the KBC Group and is aligned with the scope of the consolidation used for financial information in the consolidated annual report. The combined balance sheet of entities excluded from the consolidation do not exceed 1% of the consolidated balance sheet total. Our non-financial data are collected through a group-wide process that includes strict hierarchical validation. In 2016, we switched to a group-wide web tool for more efficient data collection and consolidation of non-financial data. All

KBC entities with over 100 FTEs report on the various non-financial areas, except for environmental and HR data, where full reporting is applied. Entities in countries with fewer than 100 FTEs, however, are out of scope of the environmental data-gathering. The reporting period is 1 October 2015 – 30 September 2016, unless otherwise stated in the report.

This Sustainability Report has been prepared in accordance with the GRI Standards: Core option and has not been externally audited. The GRI Content Index¹ can be found at the end of the report.

Questions or suggestions?
csr.feedback@kbc.be

1 The criteria to claim that a report has been prepared in accordance with the GRI Standards (either Core or Comprehensive option) can be found on pages 22-23 of GRI 101: Foundation.

4 OUR SUSTAINABILITY STRATEGY



Sustainability is not part of a separate strategy, but is instead integrated into our overall corporate strategy. It is thus embedded in the four pillars of that strategy and our day-to-day business activities. What sustainability means to KBC as a bank-insurer is the ability to respond to the expectations of all involved stakeholders, not only today but also going forward. In the first instance, therefore, it is essential that we can honour all our commitments without external support. Only then can we earn and maintain the trust of all our stakeholders. Sustainability is only possible, however, if we also maintain the trust of the society in which we operate. We aim to achieve this by acting as a responsible company: being aware at all times of the impact of our operations on society, and responding to society's needs and expectations in a balanced, relevant and transparent way. We have translated our sustainability strategy into the following cornerstones:



RESPONSIBLE BEHAVIOUR OF ALL STAFF

Responsible behaviour is the basic layer of sustainability at KBC. In order to maintain and grow trust, it is of utmost importance that we behave responsibly in everything we do, at every layer of the organisation, each and every day. KBC therefore views responsible behaviour as crucial to an effective and credible sustainability strategy. The mindset of everyone at KBC should go beyond regulation and compliance.

LIMITING OUR ADVERSE IMPACT ON SOCIETY

We are determined to limit our adverse impact on society while carrying out all our activities. We achieve this by implementing **strict policies and sustainability guidelines**, by focusing on **sustainable investments** and by reducing our own **environmental footprint**.

INCREASING OUR POSITIVE IMPACT ON SOCIETY


We contribute positively to society through our core banking and insurance activities. But we want to go further than that, by enhancing the positive impact in areas where we, as a bank-insurer, can make a difference. KBC focuses group-wide on the following **sustainability-focus domains**: environmental responsibility, financial literacy, entrepreneurship, and longevity (in Belgium and the Czech Republic) or health (in the other countries). We want to develop innovative financial and insurance solutions for these four areas.

4 OUR SUSTAINABILITY STRATEGY

SUSTAINABLE DEVELOPMENT GOALS

Our updated sustainability strategy is oriented towards real societal needs and the corresponding Global Sustainable Development Goals (SDG). We focus in this report on areas in which we, as a bank-insurer, can make a difference through our core activities. However in a broader sense, we also consider all goals where we can make a positive contribution.





 **SDG 7:** Ensure access to affordable, reliable, sustainable and modern energy for all

Climate change is one of the biggest global threats and so it goes without saying that we want to take our responsibility towards these challenges. KBC is actively engaged in various ways in the transition to a low-carbon economy:


- Via the environmental policies applying to our loans and insurance. These include achieving a 50% target for renewable energy in KBC's energy credit portfolio by 2030.
- By developing business solutions to support the transition towards energy-efficient buildings and mobility.
- By reducing our own carbon footprint (20% reduction in GHG emissions between 2015 and 2020).

*Target 7.2.: By 2030, increase substantially the share of renewable energy in the global energy mix
Indicator 7.2.1.: Renewable energy share in the total final energy consumption*

 **SDG 13:** Take urgent action to combat climate change and its impacts

 **SDG 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

KBC's core business is to support the economy in its home markets, by financing and insuring the investments of households and small and medium-sized enterprises. KBC also actively supports start-ups via coaching (Start It) and funding (Start-It fund). We support economic growth in the Global South through BRS.

 **SDG 12:** Ensure sustainable consumption and production patterns

We want to live up to our responsibility in society by:

- Actively promoting sustainable investments as an equal alternative to conventional investment products. We aim to double the total volume of sustainable investment funds of KBC Asset Management by 2018.
- Developing sustainable bank and insurance products and services that help meet a range of social and environmental challenges. We have defined the following sustainability focuses: Financial Literacy, Environmental Responsibility, Entrepreneurship and Longevity/Health. One example is the KBC Mobility programme, which offers sustainable, high-quality mobility solutions in Belgium (part of the environmental responsibility focus).

5 SUSTAINABILITY GOVERNANCE

Driven by a renewed sustainability strategy, KBC has the ambition to embed sustainability into the strategic decision-making and core business operations throughout the entire Group. Therefore, aligned with our ambition, we adapted our Sustainability Governance model as a key driver for implementing sustainability. The organisational structure is now anchored at different levels within the Group (Board level, Executive Management level, Group level and Business & Country level), ensuring that sustainability receives the highest level of attention and that it is integrated on a broad business basis.



The Group Executive Committee reports twice a year to the **Board of Directors** regarding KBC's sustainability strategy through our sustainability-dashboard.

The **Group Executive Committee** has the highest level of direct accountability for Sustainability.

The **Corporate Sustainability Department**, a dedicated team that has been formally designated in line with the group's updated strategy as a Group Function since 2012, is headed up by the Corporate Sustainability General Manager and reports directly to the Group CEO. The team is responsible for the development of KBC's group-wide sustainability strategy and its deployment into the larger group. It also acts as the point of reference for

sustainability in KBC Group and works together with partners across the group. The team monitors implementation of the strategy and periodically informs the Group Executive Committee and the Board of Directors on progress by means of a Corporate Sustainability Dashboard.

The **Internal Sustainability Board (ISB)**, chaired by the Group CEO, is composed of the senior managers of all business units and core countries and the Corporate Sustainability General Manager. The execution and implementation of the sustainability strategy and awareness-raising is organised under the guidance of the ISB so that the platform ensures effectual integration of the strategy within the various business domains

and countries, together with the support of all the group's employees. As decided by the ISB, each country and business unit appoints a sponsor to make implementation of the four sustainability focus domains effective.

The **Local Sustainability Departments** support the Senior Managers of the Internal Sustainability Board to integrate the sustainability strategy within the different business areas and countries and to organise and communicate on local sustainability initiatives. CSR Committees, established per country, deliver and validate non-financial data. Coordination between the Local Sustainability Departments within each country and with the Corporate Sustainability Department is managed via a KBC CSR Community.

We monitor the progress regarding the implementation of the sustainability strategy through our sustainability-dashboard

The remuneration policy for 2016 includes sustainability parameters

The variable remuneration of Executive Committee members is based on the assessment of a number of criteria agreed at the start of 2016, including implementation of the sustainability policy and increasing the satisfaction of all stakeholders (staff, clients and society). At least 10% of the variable remuneration awarded to senior management is subject to the achievement of targets set in advance in relation to the group's sustainability policy.

Alongside our internal organisation, we have set up external boards of experts to advise KBC and challenge our management in the different areas of sustainability:

- # An External Sustainability Board (ESB), composed of academic experts, advises the Corporate Sustainability Department on the development of KBC policies.
- # An SRI Advisory Board, also composed of academic experts, acts as an independent body regarding SRI funds. The Board oversees the screening of the socially responsible nature of SRI funds offered by KBC Asset Management.
- # The Sustainability Advisory Board (SAB), on which the Chairman of the Board of Directors and the KBC Group CEO both sit, is composed of external opinion leaders and sustainability experts and challenges and inspires KBC top management regarding its sustainability policies and initiatives.

6 HOW WE DO IT

RESPONSIBLE BEHAVIOUR

We are convinced that our strategy – powered by the 'Pearl' culture and the contribution of all KBC people – will help us earn, retain and grow trust, day by day. This will enable us in turn to become the reference in our core markets.

It is of utmost importance in this regard that we behave responsibly in everything we do, at all layers of the organisation. We have to go beyond regulation and compliance: since client-centricity is at the heart of our reference strategy, we must also focus specifically on responsible selling and advice.

The basic principles here are respect for our clients, colleagues, society and KBC itself, together with a responsive and result-driven spirit. These give us our 'licence to operate', guide our behaviour and ensure our long-term survival.

The foundation of responsible behaviour is integrity, which entails honesty, correctness, transparency and confidentiality, combined with a sound risk awareness.

BUSINESS ETHICS

We offer our banking and insurance services based on sound company values. We comply in everything we do with all relevant rules and regulations and with corporate policies and guidelines to ensure ethical business. Not only do we respect the relevant laws and regulations, we also impose stringent rules on ourselves in terms of ethical behaviour, openness and transparency, discretion and privacy. KBC's Corporate Compliance Division ensures that guidelines are observed, information remains confidential and privacy is respected. All policies are reviewed on a regular basis and updated if necessary to ensure we meet the changing environment, requirements and regulations at all times.

We invest continuously to raise our employees' awareness of issues relating to integrity and compliance. This is achieved through a combination of classroom and individual web-based training programmes, the publication of specific newsletters and journals, and web-based and e-learning courses designed to reach specific target groups in a flexible way.



Professional life is full of dilemmas – or issues that we perceive as such – requiring us to weigh up different interests carefully. It is crucial that we make a conscious effort to think about these things and that we share our thinking with each other.

DILEMMA OF THE MONTH CAMPAIGN

To help with this, we have developed a programme with a special focus on professional integrity, appropriate advice and dealing with dilemmas. The aim is to encourage one another and KBC to become steadily more sustainable. We ask our employees to think about dilemmas, to share and discuss them. The dilemmas are different at each level of the organisation. Given our focus on responsible sales and advice, there is strong emphasis on the need to think about and discuss potential dilemmas in terms of client-centricity versus performance management systems (commercial targets, bonuses) and client-centricity versus short-term profit.

POLICIES

- The Code of Conduct for KBC Group Employees
- The KBC Group Compensation Report
- The KBC Group Anti-Money Laundering Policy
- The KBC Group Ethics & Fraud Policy
- The KBC Group Anti-Corruption and Bribery Policy
- US Patriot Act Certification
- KBC Tax Strategy
- The Policy for the Protection of Whistleblowers in KBC group

6 HOW WE DO IT

LIMITING OUR ADVERSE IMPACT ON SOCIETY

CLEAR GUIDELINES AND POLICIES

We redefined our sustainability strategy in 2016 and developed a group-wide sustainability framework with clear guiding principles that form the sustainable backbone of our business activities.

We apply strict sustainability policies to our business activities in respect of human rights, the environment, business ethics and sensitive/controversial societal issues. Some of those guiding principles are new for KBC, while others have been updated and strengthened to meet the changing expectations of society more effectively.

SIGNATORY OF THE UN GLOBAL COMPACT

KBC became a signatory of the UN Global Compact in 2006 and we are pleased to reaffirm our support of the Ten Principles of the United Nations Global Compact in the areas of human rights, labour, environment and anti-corruption.

See *UN Global Compact COP 2016: KBC's statement of continued support* ☉

BLACKLISTED COMPANIES AND ACTIVITIES ☹

KBC applies stringent restrictions to companies and activities that are controversial and/or fail to comply with the UN Global Compact Principles. Companies involved in controversial weapon systems (e.g. cluster bombs and biological or chemical weapons) and the worst offenders of the UN Global Compact Principles are excluded from any activity with KBC via the KBC Group Blacklist.

See *KBC Group Policy on Blacklisted Companies*

KBC Group also blacklists speculative, soft commodity transactions.

See *KBC Group Soft Commodity Policy*



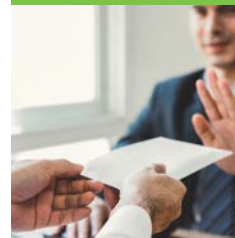
HUMAN RIGHTS



LABOUR



ENVIRONMENT



ANTI-CORRUPTION

10 Principles of the UN Global Compact

- 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2: make sure that they are not complicit in human rights abuses.
- 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4: the elimination of all forms of forced and compulsory labour;
- 5: the effective abolition of child labour; and
- 6: the elimination of discrimination in respect of employment and occupation.
- 7: Businesses should support a precautionary approach to environmental challenges;
- 8: undertake initiatives to promote greater environmental responsibility; and
- 9: encourage the development and diffusion of environmentally friendly technologies.
- 10: Businesses should work against corruption in all its forms, including extortion and bribery.

6 HOW WE DO IT

How do we implement our human rights and sustainability policies throughout our business activities?

KBC HUMAN RIGHTS POLICY



















We have updated our Human Rights Policy to become in line with the UN Guiding Principles on Business and Human Rights, while also taking account of the UN Global Compact Principles.

KBC fully respects, supports and implements the principles underlying Universal Human Rights in all our operations across the group. As a financial institution, KBC has a direct and an indirect impact on human rights. In recognition of that fact, we have implemented the KBC Human Rights Policy with respect to our core stakeholders, clients, suppliers and employees.

See *KBC Human Rights Policy*

KBC GROUP POLICY ON CONTROVERSIAL REGIMES

The new KBC Group Policy on Controversial Regimes also rules out financial activities with or related to the most controversial regimes (governments, public authorities, central and state-owned banks, and state-owned companies). These are regimes that fundamentally violate human rights and lack any form of good governance, rule of law or economic freedom. An exception is made for humanitarian goods.

	Own activities of all group entities (direct activities)	Indirect activities (value chain)					suppliers
		lending	insurance	investments (proprietary assets)	asset management		
					conventional funds	sustainable funds	
Human Rights Policy Commitment							
Due diligence (management process & assessment)							
Mitigation							

-  UN Global Compact COP 2016: KBC's statement of continued support
-  Blacklisted companies and activities
-  KBC Human Rights Policy
-  KBC Group Policy on Controversial Regimes
-  Sustainable & Responsible Bank and Insurance policy
-  KBC Energy Policy
-  The code of conduct for KBC Group Employees
-  The Policy for the Protection of Whistleblowers in KBC group
-  Assessment of compliance with the KBC sustainability policies and mitigation
-  KBC Asset Management Exclusions list for Sustainable Investments
-  Supplier assessment and performance monitoring
-  KBC Sustainability Code of Conduct for Suppliers

6 HOW WE DO IT

ASSESSMENT & MITIGATION

Assessment:

Compliance with KBC sustainability policies is monitored through:

- # Active internal screening of our lending, insurance and investment operations for the correct application of our sustainability policies.
- # General ESG assessment of the relevant companies' sustainability performance by experienced external partners, focusing on the companies' sustainability strategy and public sustainability policies, and on any recent controversies in which they have been involved.

Remedy and mitigation:

We have established the following mitigation actions if breaches are identified:

- # Zero tolerance for blacklisted companies in all our business activities.
- # Exclusion of companies that are not compliant with the UN Global Compact Principles according to assessment by external ESG assessment provider in credits, insurances and proprietary assets.
- # After due diligence by KBC and in dialogue with the parties concerned, an exit strategy or specific conditions will be applied to any existing credit or insurance relationships, and new requests will be rejected (entire relationship or specific business).

SUSTAINABLE & RESPONSIBLE BANK AND INSURANCE POLICY

The refined Credit Risk Standards on Sustainable and Responsible Lending and the new KBC Sustainable and Responsible Insurance Policy place restrictions on controversial and socially sensitive sectors and activities:

- # Energy sector: see the KBC Energy Policy
- # Project finance: as an Equator Principles Financial Institution, we provide financing or advisory services only when the borrower is willing to comply with the environmental and social processes and policies of the Equator Principles.

13

Projects reached financial closing in 2016. None of these qualified as 'category A': projects with potentially significant social or environmental impacts that are diverse, irreversible or unprecedented. For more information and detailed 2016 Equator Principles reporting, please refer to 'Facts and figures' and www.kbc.com.

- # We have tightened the conditions for financing arms-related activities even further:
 - KBC is very reluctant to finance any kind of arms-related activities. However, since the armaments industry has a valid security role to play, KBC permits business with these companies under very strict conditions.



- Alongside its standard restrictions, KBC applies additional rules to the production, development and maintenance of nuclear weapons.
- Companies involved in controversial weapon systems (e.g. cluster bombs and biological or chemical weapons) are excluded from any activity with KBC via the KBC Group Blacklist.

- # We also maintain specific policies for other socially sensitive sectors, such as intoxicating crops, gambling, fur, palm oil production, mining operations, deforestation, land acquisition, the involuntary resettlement of indigenous people and prostitution.

See KBC Group Sustainability framework



6 HOW WE DO IT

KBC ENERGY POLICY

The renewed KBC Energy Policy, which is part of the Sustainable and Responsible Bank and Insurance Policy stipulates that

- # KBC no longer finances coal-related activities except for the Czech Republic, where such financing is being phased out. Based on the current local energy mix, local government policies and KBC's responsibility towards its local economy and society, an exception will be made for local coal-based electricity production and coal mining in the Czech Republic, under strict conditions, including that:
 - only the best available Clean Coal Technology are used;
 - in line with the EU Energy Roadmap for 2050, the share of loans to the coal sector within the overall KBC Energy Credit Portfolio must be reduced to zero by 2050 at the latest;
 - Pending this, the current nominal exposure will not be exceeded and will be gradually reduced to zero.
- # Investment in renewable energy, including hydro, solar and wind power, must be increased. KBC aims gradually to increase the share of renewables in the total energy credit portfolio to at least 50% by 2030 at the latest.
- # KBC will only consider financing biomass and biofuel activities subject to conditions including careful consideration of environmental impacts.
- # KBC abstains from financing oil-based electricity production, both new and upgrades.
- # KBC abstains from financing non-conventional oil and gas activity, both exploration and development.
- # KBC will continue to finance activities related to nuclear electricity generation under very strict conditions.
- # In the case of integrated energy companies, KBC will only continue to provide financing if these businesses generate no more than 50% of their turnover from coal-related activities or demonstrate that they will comply with this criterion in the near future.



Fact & figures

Our ambitions are aligned to the expected electricity generation mix in the EU 2050 strategy:

Immediate stop of financing coal related activities and exit scenario in the Czech Republic by no later than 2050

50% target share of renewables in the total energy credit portfolio by 2030 at the latest.

Despite the potential short-term negative impact on our profit and loss statement, specific new and existing projects have been turned down or cut back following the implementation of the updated KBC Energy Policy in mid-2016.

KBC is actively involved in the financing of new onshore and offshore wind farms in Belgium and once again supported several projects involving leading wind farm developers in 2016.

1.17 billion-euros credit portfolio in renewable energy sector.



6 HOW WE DO IT

FOCUS ON SUSTAINABLE INVESTMENTS

We also want to limit the adverse impact we have on society by focusing on sustainable investments.

KBC is both the pioneer and the market leader in Belgium in sustainable and responsible investing. We want to give our clients the opportunity to invest in sustainable companies and countries that recognise their social and environmental responsibility. This allows us to jointly contribute to a more sustainable society and to help limit the adverse impact that businesses have on society. We aim to extend our offering of sustainable and responsible investment products, which are gradually shedding their 'niche' status and becoming more and more mainstream.



THREE TYPES OF SUSTAINABLE FUNDS

Theme funds invest in firms that pursue solutions in the area of climate change, water shortages and alternative energy sources.

Best-in-class funds invest in companies from a broad range of sectors, that are the best performers in terms of sound corporate governance, social policy and environmental approach. By working only with the best 40% of businesses, and as few as 20% in the mining and energy sectors, companies are challenged to operate more sustainably. The funds also include bonds from the most sustainable countries. Criteria for this include the welfare of the population, care of the environment and international relations.

Impact Investing funds comprise 50 innovative businesses that are completely rethinking themes like mobility, energy, health and population ageing, and formulating surprising solutions to them. These are often slightly smaller (listed) players, but they have still come through KBC Asset Management's stringent screening.

AWARENESS

Beginning in 2017, we started organising campaigns and training to raise awareness of sustainable investments among both our staff and our clients. Our sustainable investment offering will also be made more accessible. As of this year, defensive as well as dynamic clients will be able to invest their portfolio sustainably.

It will obviously be up to clients themselves whether or not to invest in sustainable funds.

2.8 billion-euros assets under management in sustainable investment funds

STRINGENT SCREENING: EXCLUSIONS

Thorough screening, based on strict and clear rules, is carried out to determine which companies and countries qualify for the investment universe for sustainable and responsible investment solutions. We exclude investments in certain companies due to their controversial activities. KBC Asset Management places a great deal of emphasis on transparency, which is why it makes all its research results and the full list of exclusions available on its website.

Three types of sustainable funds



6 HOW WE DO IT



INDEPENDENCE

Sustainable and responsible investing stands or falls by its credibility. Therefore the sustainability policy and criteria are monitored by the SRI Advisory Board, which is fully independent of KBC. The body consists of leading academics from several universities, who are experts in fields like human rights, business ethics, biology and ecology. They operate in their own name and do not represent the institutions at which they are employed. They decide which screening methodology we should use and set the criteria for rating companies. They also ensure that screening is complete, thorough and accurate.



PROXY VOTING

KBC Asset Management pursues an active policy of proxy voting and engagement. By exercising the rights attached to shares held by the investment funds and by making its voice heard at the annual general meetings of these companies, KBC aims to defend the interests of its clients and investors. It does so by proxy, when deemed appropriate and necessary. KBC Asset Management applies this active voting policy to several different themes, recognising that business, corporate governance and sustainability issues all determine the value of a company in the medium and long terms. All these factors can have a significant impact on value creation or the return enjoyed by clients and investors.

6 HOW WE DO IT

REDUCING OUR ENVIRONMENTAL FOOTPRINT

Environmental responsibility is one of the selected domains KBC wants to focus on in playing its role in society. Climate change is among the biggest global challenges for the 21st century, and so our primary objective is to contribute to the transition to a low-carbon economy and society.



INDIRECT

We have strict policies in place to limit the environmental impact of our core activities in order to reduce the climate and environmental effects of our portfolio of loans, investments and insurance activities.

DIRECT

We are decreasing our own footprint by reducing the environmental impact of our operations. We have set clear targets to this end:

- # KBC Group has committed to reducing its own GHG emissions – excluding commuter travel – by at least 20% by 2020 (relative to 2015).
- # All core countries must introduce a certified ISO 14001 environmental management system no later than 2017.

OUR ACHIEVEMENTS

Our carbon footprint

KBC Group GHG emissions (in tonnes CO ₂ e) ¹	2016	2015	Trend
Scope 1	35 901.41	35 982.48	-0.23%
Scope 2	35 708.54	47 234.87	-24.40%
Scope 3	20 911.02	22 362.83	-6.49%
Total - absolute	92 520.96	105 580.18	-12.37%
Total - per FTE	2.55	2.91	-12.27%
Covered by target ² - absolute	76 336.81	88 644.07	-13.88%
Covered by target ² - per FTE	2.10	2.44	-13.79%

¹ For more detail on the GHG emissions and the calculation methodology, see 'Facts & figures' at the end of this report

² Excluding commuter travel

ISO 14001

At the end of 2016, all core countries except the Czech Republic and Ireland had an ISO 14001-certified environmental management system in place. The Czech Republic and Ireland will attain ISO 14001 certification by the end of 2017. Belgium, the Czech Republic, Hungary and Slovakia also have ISO 50001-certified energy management systems, which are helping reduce energy consumption through efficiency measures.

Fact & figures

KBC Group emphasised its commitment to the environment by signing the 'Message from Belgian stakeholders in support of the COP21'.

See KBC Group Environmental Policy

We achieved a 12.37% reduction in our total GHG emissions in 2016, mainly due to the purchase of low-carbon electricity

66.14 of purchased electricity is low-carbon

KBC Group's GHG emissions have been verified by an external party in accordance with ISO14064-3:

Vinçotte has verified the greenhouse gas assertion of KBC Group of 92 520.96 tonnes of CO₂e to a level of reasonable assurance and concluded that the reported greenhouse gas emissions of KBC Group for 2016 are reliable and fairly stated.

See ISO 14064-3 certificate.

For more detailed environmental indicators, please see the 'Facts & Figures' section of this report.

6 HOW WE DO IT

INCREASE OUR POSITIVE IMPACT ON SOCIETY

FINANCIAL LITERACY

Financial literacy has three dimensions for KBC:



FINANCIAL ADVICE AND CLEAR COMMUNICATION

Helping clients make the right choices through good and transparent advice and clear communication.

We view clear and appropriate advice as the foundation stone of our profession. By offering responsible advice, we want our clients to know precisely what the details and consequences are of the financial solution they choose. We also want to communicate transparently on our products and services, which is not as straightforward as it sounds, given that financial regulations can be quite complex at times.



FINANCIAL BEHAVIOUR

Using analysis to understand and respond to client behaviour more effectively.

A business can serve its clients more effectively if it combines all the available data and analyses it by computer. But not every client is comfortable with this, so KBC makes a point of letting them choose for themselves. Clients who give their permission receive personalised advice, promptly and tailored to their specific needs at each stage of their lives. Where clients prefer not to allow this, we fully respect their privacy and stop presenting them with commercial offers in this way. Naturally we continue to offer them personal advice at a bank branch or insurance agency.



FINANCIAL EDUCATION

Raising citizens' understanding of financial concepts and products. This means young people too, since tomorrow's financial consumers should be able to make carefully thought-out choices.



LESSONS AND TEACHING PACKAGES

The 'Get a teacher' programme in Belgium and a similar initiative in the Czech Republic provide youngsters with an understanding of the world of finance, including their personal situation. These non-commercial teaching packages have been devised by a dedicated team of KBC volunteer teachers at secondary schools and colleges.

160

employees have committed themselves to teach in these programmes in Belgium and Czech Republic.

In Hungary, K&H promotes financial education through the national 'K&H Ready, Steady, Money' contest, which tests schoolchildren's financial knowledge.

In Ireland, KBC has launched the 'Digital First-Time Buyers Guide'. This provides clients with several unique features, such as animated videos and direct links to KBC mortgage calculators, which will guide them through different stages in the home-buying process.



6 HOW WE DO IT

ENVIRONMENTAL RESPONSIBILITY



Environmental responsibility to us means developing business solutions that have a positive impact on the environment. It also means continuing to reduce our own environmental footprint through the creation of a variety of initiatives and targets.

ENERGY

We develop products and services with a positive impact on the environment.

MOBILITY

KBC also wants to become the reference for sustainable and high-quality mobility solutions.



In 2016 KBC has entered in a pilot project of Wattson, which incorporates energy-saving measures in care property. As a spin-off company of 3E, Wattson develops and manages energy efficiency projects in an ESCo (Energy Service Company) business model: investments are paid back by the savings. All aspects of the energy savings projects are taken care of by Wattson: design, renovation, finance, maintenance and constant finetuning to achieve the projected savings. Yearly nearly 900 tonnes of CO₂ will be saved in 12 care homes.

KBC also participated in a high-profile sustainable energy project in Mol, in Flanders, which is researching geothermal power (energy extracted from the earth's crust). The study is being performed by the Flemish research and technology organisation VITO. Deep geothermal energy could help certain regions in Flanders to meet their climate goals without significant additional costs. Businesses and households alike could then make use of heat and electricity that is continuously available (day/night and regardless of weather conditions) and at a fixed price, independent of the global and local energy markets.

1.17 billion-euro credit portfolio in renewable energy sector

42.1 % of total energy credit portfolio in renewable energy sector

1 000 lease bicycles offered through the KBC Mobility programme early 2017

10 500 roadside bike assistance call-outs

KBC is a major financial partner for Rentel NV, which began work this spring on the largest wind farm of the Belgian coast. The new offshore power station will consist of 42 turbines and will have a total installed capacity of 309 MW. The installation will deliver green electricity to approximately 285 000 households. The Rentel project will consolidate Belgium's leading role in the field of offshore wind energy and help achieve the country's own targets for 2020 goals as well as EU climate standards. Realisation of the new wind farm will also generate in the region about 1 400 direct jobs and a further 1 400 indirect jobs during the development and construction stage.

In 2016, KBC launched the KBC Mobility programme – a joint project of KBC Insurance, KBC Autolease and the breakdown assistance organisation VAB, in cooperation with other relevant external partners. KBC Mobility offers sustainable, quality mobility solutions in Belgium.

KBC Autolease is greening its fleet by offering a wider range of hybrid, electric and plug-in hybrid cars.

The KBC Home Insurance policy in Belgium has been adapted to meet prevailing public regulations on the energy-efficiency of private homes. As of October 2016, claims paid out by KBC to cover fire damage, for example, represent the reconstruction value including current legal requirements in terms of energy-efficiency.



6 HOW WE DO IT

ENTREPRENEURSHIP



Entrepreneurship, innovative thinking and economic growth go hand in hand at KBC. Entrepreneurship is in our genes, and by supporting innovative ideas and projects, we can contribute to economic growth, which is one of our fundamental objectives.

SUPPORTING START-UPS AND ESTABLISHED BUSINESSES

We provide loans to retailers and SMEs in all our local markets, to enable them to build their businesses. We also fund specific sectors and target groups, such as the social profit sector (education, hospitals, and retirement and nursing homes). We support innovative start-up ideas too.

ALSO IN THE GLOBAL SOUTH

We also support business start-ups in the Global South. BRS Microfinance Coop is a joint initiative of the non-profit organisation BRS, KBC and Cera. The three partners provide start-up capital, knowledge and experience to microfinance and microinsurance initiatives in Africa, Latin America and Asia. BRS Microfinance Coop issues cooperative shares, so that private individuals too can invest in microfinance and insurance.

Through KBC Start it @kbc, we aim – together with several partners – to help start-ups in Flanders and Belgium with various aspects of doing business. Start it @kbc is the biggest community of its kind in Belgium. Our large number of partners means that the community's start-ups can count on extensive expertise and a widespread network, international contacts, office space, mentorship and the most complete Start-up Business Academy in Belgium. KBC Securities launched the KBC Start it Fund in 2016, from which start-ups can draw capital to fund their growth. The first funding of this kind occurred in January 2017. Bolero, KBC's online stockbroker, also offers start-ups the opportunity to raise capital through crowdfunding. The successful Start it @kbc initiative will be launched in other core countries too.



73

billion-euro loan portfolio to retailers, SMEs and corporates

445

new businesses have already been coached by Start it @kbc, Belgium's largest incubator.

24

hours: we can now deliver business loans within 24 hours in Belgium

In Hungary, K&H launched a 'Gap in the Market' campaign to identify professions, services or shops that were lacking in a particular village or town, with the aim of stimulating entrepreneurship

0.8

million euros in capital raised for start-ups and SMEs in shares or bonds through Bolero Crowdfunding, Bolero is KBC's online stockbroker

One example of a start-up that raised capital through the Bolero Crowdfunding platform is iLightLED, a company specialised in LED lighting solutions. Switching to LED lighting saves clients energy and is both financially and environmentally beneficial.

500

euros: the average microloan enabling many entrepreneurs in the Global South to launch an economic activity

13

million euros in cooperative share capital raised for BRS Microfinance Coop in 2016

550

private individuals invested in cooperative shares



6 HOW WE DO IT



INTRAPRENEURSHIP

KBC also supports entrepreneurship and innovation within our own organisation. We are eager to keep up and constantly to challenge our business model with technological developments and the emerging needs of a changing society.

The creative input of our employees is highly important when it comes to equipping ourselves to deal with technological change. We do everything we can to attract and motivate talented staff.

We regularly review all our existing products so that they can be adapted to take account of evolving client needs or changing market conditions.

We pay particular attention to innovation and digitisation and are investing substantial amounts in that area. We have appointed a Chief Innovation Manager and have set up an Innovation Board, in which the Chief Innovation Manager and the CEOs of the different countries can discuss the group's innovation plans, how projects are progressing and joint initiatives.

We have launched numerous successful mobile and other innovative apps. We duplicate successful electronic applications in one core country to others.

The launch of the CSOB NaNákupy ('CSOB For Shopping') app made us the first to introduce mobile payments through near-field communication (NFC) on the Czech market. The service has been well received by the public and was crowned 'Czech Issuing Innovation 2016' by Visa and MasterCard – an award that enhances the bank's image as an innovator. The app is a universal tool for shopping. Its e-commerce payment and smart card management capabilities will be further expanded in 2017, together with loyalty card virtualisation, shared shopping lists and much more besides.

KBC Securities launched KBC Match'it in the autumn – a digital platform where buyers can meet companies looking to be taken over. We are the first financial institution in Europe to offer a facility of this kind.



6 HOW WE DO IT

DEMOGRAPHIC AGEING AND HEALTH



Increasing longevity requires us to adapt our policy and our range of products and services to the fact that people are living longer. We want to make a positive contribution to the issues surrounding an ageing population by offering specific solutions through our core activities.

Several of our core countries (Bulgaria, Slovakia, Hungary and Ireland) have identified 'Health' as their fourth focus area. These core countries will develop products, services and projects geared towards improving general health, healthcare and quality of life.



We launched the Happy@Home project in Belgium, a joint venture between KBC, the service provider ONS and the software firm CUBIGO to make domestic assistance readily available (home help, odd-job work and other services).

In the Czech Republic, we pay particular attention to senior citizens. We are working with retired people's associations, for example, to provide online checklists (e.g. what to remember when admitted to the hospital) and are collaborating with the Centre of Health Economics and Management (part of the Faculty of Social Sciences) at the Charles University in Prague.

K&H in Hungary provides financial and material assistance to sick children through the 'K&H MediMagic Programme'.

Our specialised Social Profit and Local Authorities department has been created to meet the specific needs of social profit institutions (hospitals, retirement and nursing homes, education and welfare services) and local authorities.

5

billion-euro loan portfolio in the healthcare sector, including retirement and care homes

In Bulgaria, a new health insurance product will be launched in 2017 that will offer health solutions for retail clients, such as free annual check-ups and reimbursement of medical treatment and hospitalisation. The product also links up with an electronic health-status file, incorporating an SOS application. Medical personnel can then access the personal health information in the event of an emergency.



7 STAKEHOLDER ENGAGEMENT

IDENTIFYING OUR STAKEHOLDERS

Another aspect of sustainability for KBC is that we are able as a bank-insurer to respond to the needs and expectations of all our stakeholders, both now and in the future. It was therefore important for us to identify our main stakeholders and to set up a structured stakeholder dialogue so that we can work together towards a sustainable future.

This was achieved via thorough stakeholder analysis carried out in cooperation with sustainability experts. Based on this knowledge, we have launched interactive initiatives, dialogues and/or surveys for each of our stakeholder groups.

STAKEHOLDER GROUPS	ENGAGEMENT AND DIALOGUE
Clients	Annual client satisfaction, NPS and reputation surveys, regular client panels and continuous suggestions and complaints management
Employees	Annual Group Employee Survey, regular consultation with the Health & Safety Committees, prevention advisors and union representatives, annual meeting of the European Works Council and annual evaluation of all staff
Shareholders, investors and financial analysts, sustainability analysts	Annual General Meeting, investor days, regular investor roadshows, sustainability assessments such as DJSI, CDP, Sustainalytics, Bankwijzer Belgium and Ethibel.
Local and federal government and regulators	Membership of the banking and insurance sector federations in the different core countries and of other national and international representative bodies to establish and maintain external relationships with political actors, achieve closer follow-up of regulatory initiatives impacting the financial sector (e.g. public consultations), active participation at networking events.
NGOs, communities, social organisations	Annual stakeholder dialogue, regular meetings with NGOs, membership of the local business councils for sustainable development in several core countries, research papers and media analysis
Suppliers	CSR questionnaire as integral part of the supplier assessment, supplier screening process by EcoVadis

Fact & figures

In 2016 we conducted a materiality assessment with input from 2018 respondents from Belgium, the Czech Republic, Slovakia, Bulgaria, Hungary and Ireland.

The survey was carried out by an independent third party.

1802 EXTERNAL STAKEHOLDERS
respondents in six core countries

216 INTERNAL STAKEHOLDERS
respondents from the Board of Directors, the Executive Committee and senior management

You can find a detailed overview of the most important items, scope and management approach in the 'Material topics' section of this report.

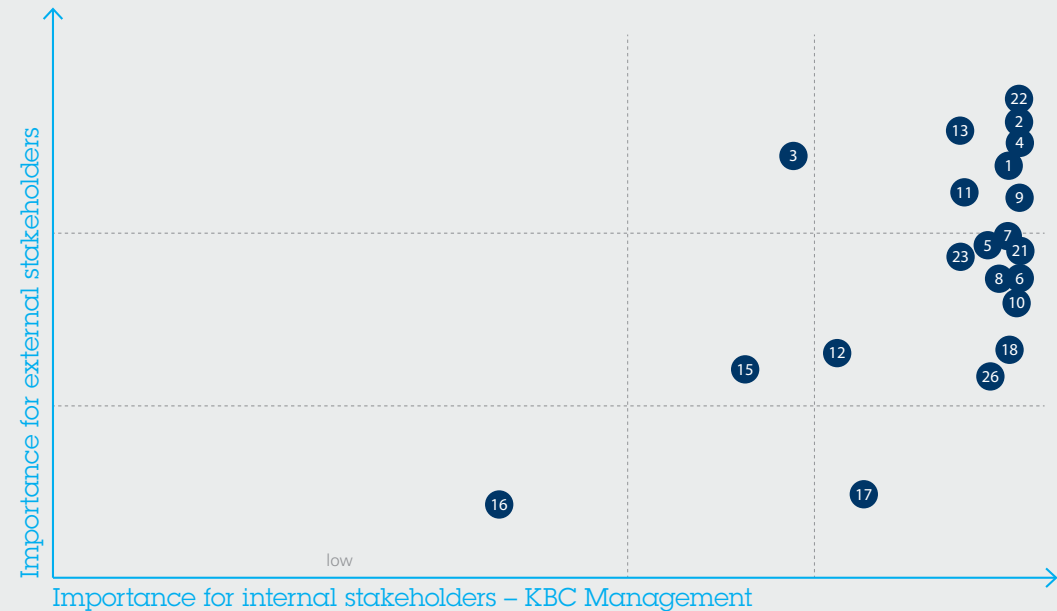
7 STAKEHOLDER ENGAGEMENT

MATERIALITY ASSESSMENT

Working towards a sustainable future means focusing as a bank-insurer on areas that are important to both our stakeholders and to KBC. Based on feedback from external and internal experts, market research and international trends, we have drawn up a list of issues and domains considered as material for both society and KBC. Following thorough analysis and continuous dialogue with the various stakeholders, we have defined 27 material items of this kind. To draw up our materiality matrix, we carried out a survey of the general public in all our core countries and an internal survey of our Board of Directors, Executive Committee and senior management. We asked the survey participants to rate the various items by importance.

The result of the survey is a materiality matrix for the entire KBC Group. Although all 27 items are material, we focus in our reporting on items with the highest importance for both our stakeholders and KBC. We have included two extra topics (not listed in the right upper quadrant), as we view them as being of the highest importance to us or to specific stakeholder groups: (i) limiting our adverse impact on society via sustainable policies (important for KBC and NGOs) and (ii) our direct footprint, since climate change is one of the biggest threats of our society.

Materiality matrix



- | | | |
|--|--|--|
| <ul style="list-style-type: none"> ① Quality of products and services ② Compliance with laws and regulations ③ Pricing of products and services ④ Financial performance ⑤ Risk management ⑥ Long term strategy ⑦ Customer protection ⑧ Innovative products and services ⑨ Enable people to make smart financial decisions | <ul style="list-style-type: none"> ⑩ Transparent communication ⑪ User-friendliness of products and services ⑫ Accessibility of products and services ⑬ Privacy and data protection ⑮ Assessment of suppliers on environmental and social aspects ⑯ Our direct footprint ⑰ Limiting our adverse impact on society via sustainable policies | <ul style="list-style-type: none"> ⑱ Funding and insuring the local economy and stimulating entrepreneurship ⑲ Responsible selling and advice ⑳ Integrity ㉓ Business ethics ㉖ Equal opportunities for all employees |
|--|--|--|

8 OUR EMPLOYEES

OUR CULTURE

A company is only as strong as its people. KBC recognises this and focuses in a variety of ways on developing talent, providing lifelong education, maintaining a stable work-life balance, reducing complexity, encouraging the international exchange of best practices, and stimulating innovation so we can respond to a fast-changing society.

We sum up our business culture and our values in the acronym 'PEARL', which stands for Performance, Empowerment, Accountability, Responsiveness and Local Embeddedness. We also encourage all our employees to behave in a way that is responsive, respectful and results-driven. An explanation of what we mean is given in the following diagram. It goes without saying that we monitor how embedded this culture is among our staff. We have even appointed a dedicated PEARL manager to make sure that all our employees are thoroughly imbued with these values. The PEARL manager reports regularly to our CEO, ensuring that senior management is aware of the extent to which PEARL is known, practised and embedded within our group.



Local Embeddedness

We view the diversity of our teams and of our clients in the different core markets as a strength and we stay close to our clients.



Responsiveness

We anticipate and respond readily to the questions, suggestions, contributions and efforts of our clients, colleagues and management.

Responsive

We anticipate and respond to suggestions and questions spontaneously and positively.



Results-driven

We do what we promise, we meet our objectives, we deliver quality, and we do so on time and in a cost-effective manner.

Respectful

We treat people as our equals, we are transparent, we trust them and appreciate them for what they do and who they are.

Performance

We strive for excellent results and do what we promise to do.



Empowerment

We offer every employee the chance to develop their creativity and talent.

Accountability

We meet our personal responsibility towards our clients, colleagues, shareholders and society.



8 OUR EMPLOYEES

OUR PEOPLE

The world is changing constantly. To ensure we are prepared for this changing society, we have embedded our PEARL culture in our principles for hiring, developing and leading our employees:

- # We develop our people's ability to perform better and better all the time
- # We encourage them to innovate, regardless of their function and across departmental boundaries
- # We foster vertical and horizontal collaboration
- # We strive to reduce complexity
- # We exploit the richness of diversity
- # We are developing a unique client-centric mindset at all levels of our group
- # We encourage international exchange of best practices

COOPERATING AND INTERACTING: WORKING TOGETHER TOWARDS A SUSTAINABLE FUTURE

We focus on four pillars to realise our corporate strategy:

- # **Company citizens:** our people adapt continuously to our rapidly changing world. We provide them with the support they need to develop this agility; and we help them find meaningful job opportunities and assignments that also enable us to move forward as a bank-insurer.
- # **Inspiring leaders:** our leaders inspire their teams to outperform our competitors and grow as people. We recognise that only motivated teams are able to perform at their best.
- # **Honest rewards:** rewards are in line with the demands of today's society; they reflect real differences and support new organisational needs.
- # **Cooperating organisation:** we reduce organisationally-induced waste, obstacles, complexity, incoherence and conflicts, so that we can all perform more efficiently.

DIVERSITY

Management by gender	2016 Male/ Female	2015 Male/ Female
Senior management	85%/ 15%	85%/ 15%
Middle and junior management	59%/ 41%	59%/ 41%
White- and blue collar	31%/ 69%	31%/ 69%

Fact & figures

38 462 employees

Employees by country

	2016	2015
Belgium	17 396	17 671
Czech Republic	10 137	9 887
Slovakia	2 935	2 787
Hungary	4 149	4 188
Bulgaria	2 147	1 958
Ireland	1 148	1 113
Rest of the world	550	599

Employee satisfaction

We closely monitor employee satisfaction and engagement, and consult our staff each year by means of the Group Employee Survey. The 85% response rate in 2016 was up five percentage points on the previous year, with over 30 000 employees taking the time to share their opinions. The survey revealed an engagement level for the group as a whole that is in line with the European financial sector average.

For more detailed people indicators, please see the 'Facts & figures' section of this report.

44% male employees

56% female employees

8 OUR EMPLOYEES

OUR PEOPLE STRATEGY

Company citizenship at KBC is based on four principles, endorsed by our employees and fully supported by the organisation:

- # We offer a wide range of interesting and challenging jobs and provide opportunities to change positions within the organisation in order to move along with stakeholders needs.
- # We offer effective solutions for growth, allowing each employee to develop continuously according to the needs of our group.
- # Our people – especially our senior staff – behave according to the principles embedded in our company culture, so that everyone at KBC shows cooperation and respect at all times.
- # We reward those who demonstrate proactivity and drive, continuously encouraging each employee to contribute to the fulfilment of our strategy.

WORK-LIFE BALANCE AT EVERY STAGE OF THE CAREER:

KBC offers flexible working hours, the option to work part-time and from home, benefits for special occasions (marriage, child birth, etc.), health insurance for all employees and re-insertion programmes after periods of absence.

The Minerva programme is an HR initiative that offers a range of options and opportunities to our most experienced (55+) employees in Belgium:

The Minerva programme offers five different career paths:

- # *Remain at the same level:*
no change in either job level or employment percentage.
- # *Work less:*
no change in the job level, but the employment percentage is reduced.
- # *Work at a lower level:*
job level drops, but employment percentage remains the same.
- # *Work less and at a lower level:*
both job level and employment percentage are reduced.
- # *Employment outside KBC:* involves external partners/organisations with a social profile that fits with our group sustainability strategy.

STIMULATE CREATIVITY AND INNOVATION:

The Smart Copycat Contest is a platform to encourage innovation throughout KBC and to stop us reinventing the wheel. It is aimed at all KBC group employees in Belgium, the Czech Republic, Hungary, Bulgaria, Slovakia and Ireland. The contest encourages entrants to interact with each other to convert new ideas into high-quality business plans.

HR Inspiration Days, meanwhile, are international sessions to prepare KBC and its employees to meet the challenges of a changing world.

Fact & figures

18 % part-timers

43 % of employees took advantage of workplace flexibility via homeworking or flexible working hours

Smart Copycat Contest: better a good copy than a bad idea

'Hackathons' were organised in each of KBC's core countries to give all our employees an opportunity to hear success stories from the different entities and then to develop a 'smart copy' of chosen examples. The Executive Committee chose the overall winner at the international final event.

'What will companies look like in the future?' The theme of the two days HR Inspiration Days in 2016.



8 OUR EMPLOYEES

WE DEVELOP TALENTS

We offer our employees a wide range of interesting and challenging positions and opportunities to change job or grow in their current role. We strongly encourage 'career agility'. An extensive internal job board offers our employees an overview of available vacancies.

Self-development is a key factor in KBC's mobility and employability philosophy. This is supported, however, by an extensive range of learning and development programmes.

LEARNING AND DEVELOPMENT

We offer lifelong education and training to develop our employees' skills and talents. KBC provides a wide variety of classical training courses, e-learning, on-the-job coaching, and other development opportunities. Our employees can also draw on job-specific and general training through our voluntary Open Learning training package, which is specifically aligned with the employee's personal interests.

We offer special career development programmes for our senior management and top talents to support and prepare them for future challenges. Exclusive to KBC, the programmes focus primarily on strategic and organisational themes.

Fact & figures

100

% of staff receives performance and career development evaluation each year

The rewards we provide are in line with the demands of today's society, reflecting real differences and supporting new organisational needs.

329

top talents, of whom 32% are women

105 000

total number of training days

30

million euros spent on training and development

178

senior managers and top talents participated in the KBC University Programme and International Talent College in 2016



9 OUR CLIENTS

We put our clients at the centre of everything we do and offer them a unique bank-insurance experience:

We want to earn our clients' trust by providing them with complete, accessible and relevant solutions at a fair price.

By offering them flexibility:

- # Variety of channels
- # When it suits them best

By focusing on simplicity and client experience:

- # We enable our branches, agencies, advisory centres and digital channels to communicate with each other effectively.
- # We have once-only request for data and information.
- # We know our clients and understand their needs and expectations.

By protecting data and privacy:

- # We have a strict privacy policy in place.
- # We analyse available data only when the client gives his permission.

By offering tailor-made and personalised advice:

- # Clients who allow their data to be analysed receive personalised advice, tailored to their specific needs.
- # All clients receive personal advice at their bank branch or insurance agency.

TARGETS FOR CLIENT EXPERIENCE AND REPUTATION

Putting the interests of our clients at the heart of everything we do is the cornerstone of our strategy, and so we keep a close eye on their situation. We collect their experiences in the various markets in which we are active and use that information to improve our services and products.

OMNICHANNEL

Bank branches, insurance agencies, advisory centres, self-service terminals, the website, our home banking application and mobile apps.

DIGITAL CONVENIENCE

We continue to develop new and existing apps and technologies in order to meet the needs of a changing society. Examples include:

- # KBC Touch and KBC Touch for Business in Belgium: manage your business and personal accounts in a single app
- # KBC Assist in Belgium: report an accident or claim related to your car or home
- # CSOB NaNákupy (For Shopping) in the Czech Republic: mobile payments when shopping
- # CSOB SmartBanking in Slovakia, K&H mobilbank in Hungary, KBC Ireland Mobile Banking in Ireland and CIBANK Mobile in Bulgaria: mobile banking from your smartphone and tablet.



PARTNERSHIPS

We facilitate the co-creation of state-of-the-art innovative products and services through partnerships between KBC Group business units and fintech start-ups and scale-ups. The collaboration between KBC Insurance and NoisyChannels is a good example. The partnership uses artificial intelligence to help the second-line client support team handle insurance matters. The project has raised the team's productivity by 20%, creating extra room for client interaction and personal support.

We collaborate with partners to develop new financial solutions like Payconiq – a cashless and cardless payment solution in Belgium linked with an integrated client loyalty programme.

10 OUR SUPPLIERS

We are committed to working with all our stakeholders to help bring about a more sustainable society. To achieve this, we aim to create an environment in which sustainability is fully embedded. Suppliers are amongst our most important stakeholders and so we want them too to integrate social, ethical and environmental criteria in their purchase, sale and outsourcing procedures. Our suppliers are therefore required to comply with the principles outlined in the KBC Sustainability Code of Conduct for Suppliers. 

SUPPLIER ASSESSMENT

When making procurement decisions, we not only consider the best price and quality, but also ethical, environmental and social aspects. By incorporating sustainability in our procurement activities we aim to:

- # Encourage our suppliers to integrate criteria that reflect social, ethical and environmental concerns in their purchase, sale and outsourcing procedures.
- # Procure products and services with the lowest possible environmental impact.
- # Work with suppliers that contribute to KBC's progress towards sustainable development.
- # Collaborate solely with suppliers that subscribe to the universal UN Global Compact Principles.

All our procurement activities are assessed against the environmental and social criteria incorporated in the KBC Sustainability Code of Conduct for Suppliers. We have worked out a procedure for the different phases in the purchasing activities.

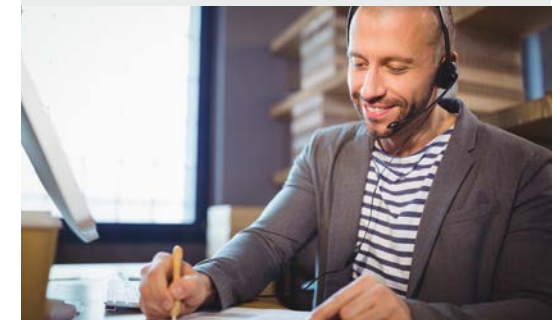
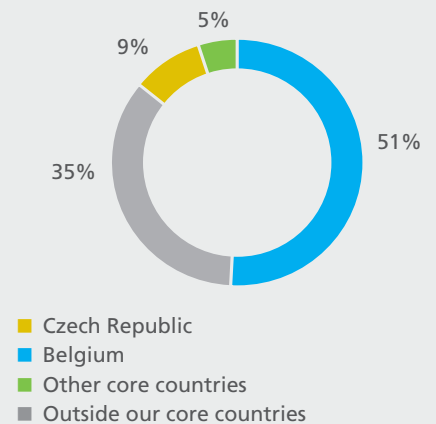
During the selection procedure, all suppliers are assessed on sustainability risk using the KBC Blacklist, World Check and the CSR Questionnaire for Suppliers. If any hits are generated on World Check, these are investigated by the Corporate Sustainability department in cooperation with the Group Compliance department. It will then be decided whether further cooperation with the supplier is possible. Blacklisted companies are excluded from any activity with KBC. The CSR Questionnaire is an integral part of the screening of a new supplier. It checks compliance with the KBC Sustainability Code of Conduct for Suppliers in more detail. Any supplier that passes this screening is then contractually obliged to sign the Code of Conduct.

Fact & figures

3 800 total number of suppliers (over 12 500 euros spend)

Our biggest suppliers in 2016 were active in information technology, professional services, advertising and marketing, facility management and building completion.

Geographical spread of our suppliers that participated in the EcoVadis screening in 2016:



10 OUR SUPPLIERS

PERFORMANCE MONITORING

We actively monitor compliance with the Sustainability Code of Conduct for Suppliers. If any violations come to light that cannot be fundamentally resolved within an appropriate period, KBC will terminate the business relationship. KBC will support suppliers willing to make the adjustments needed to bring them into compliance.

We work with the international consultant EcoVadis for in-depth screening of our suppliers' sustainability performance. Each year we invite several Tier-1 suppliers to undergo screening. The suppliers who are screened receive a scorecard, which they can also use as evidence of their sustainability commitment to other clients. Where the results are less positive, we work with the supplier and EcoVadis to draw up an action plan to raise the level of sustainability within the supplier's company.

Seventy-seven suppliers were invited to participate in EcoVadis screening in 2016, to which 76% responded. The average score for the screened KBC suppliers was 50 – slightly higher than the average EcoVadis score of 42. One supplier received a score of 20, requiring a corrective action plan. Having checked with the relevant procurement officer, the low score was due to the lack of supporting documents. The supplier in question will be asked to undergo screening once again as part of the next wave.



11 COMMUNITY

LOCAL COMMUNITIES

We are aware of the important role we play in society and we take our responsibility seriously.

As an integrated bank-insurance group we have an indirect impact on the economy and society at large through our operations and all our products and services. Due to the significant scale and wide variety of our indirect impact, we cannot report on it in full. But the most important elements are as follows:

- # We stimulate the economy in all our core markets and beyond through our lending, insurance and asset management activities. Besides loans to individuals and SMEs, we invest in specific sectors and target groups such as the social profit sector, real estate and construction and renewable energy. We also have dedicated financing departments to help fund projects in these sectors based on specialised industry knowledge.
- # We have defined entrepreneurship as one of the focus areas in which we, as a bank-insurer, can make a genuine difference. We want to contribute to economic growth by supporting innovative ideas and projects.
- # We contribute significantly to employment in all core countries, delivering the purchasing power of almost 40 000 families.
- # We support economic growth in the Global South via BRS.

ACCESS TO FINANCIAL SERVICES

Access to financial services and appropriate financial advice for everyone is essential for economic development and a prerequisite for financial inclusion and social integration.

- # For that reason, we have defined financial literacy as one of the areas we want to focus on in contributing positively to society. We aim to help clients make the right choices through good and transparent advice, clear communication, and by improving public knowledge of financial concepts and products.
- # We also want our products and services to be available to everyone in society. We ensure that our electronic applications are accessible to blind and partially-sighted clients too; that our branches and headquarters have the best possible disabled access; and that the majority of our ATMs can also be used by visually and hearing impaired people.

Refugee crisis

We took additional steps this year to help address the refugee problem. KBC has seconded a full-time employee to the Federation of Enterprises in Belgium (FEB) and Febelfin to serve as a programme manager of the FEB Refugee Crisis Taskforce, which was set up in 2015. The taskforce develops initiatives that respond to the specific needs and requirements of asylum-seekers and refugees and facilitate their integration in our society and economy. Various projects have already been launched in which KBC is involved.

Fact & figures

148	billion-euro loan portfolio to private individuals, retailers, SMEs and corporates
1.17	billion-euro credit portfolio in renewables sector
1.1	billion euros paid in income taxes and bank taxes
5	billion-euro loan portfolio in healthcare sector, including retirement and care homes
445	new businesses have already been coached by Start it @ kbc, Belgium's largest incubator.

WE INVEST IN THE ECONOMY

The Public Private Partnership (PPP) project 'Construction Third Lock Chamber Princess Beatrix Lock and Widening Lek Canal' has reached financial close in 2016 with KBC Bank acting as financing partner. The project will improve passage through the Lek Canal, which connects the Amsterdam-Rhine Canal with the Lek river, an important waterway between the ports of Rotterdam and Amsterdam. The project will reduce waiting times at the Beatrix Lock for inland waterway vessels and will accommodate larger and a higher number of vessels. Construction is expected to be completed by 2019, at which point a 27-year maintenance period will come into effect.

2.3	billion euros in remuneration paid to our employees
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Our collaboration with BRS helps improve the quality of life of poor people in the Global South. BRS supports microfinance and microinsurance institutions in developing countries, not only financially, but particularly with advice, coaching and practical banking and insurance know-how. BRS's partnership with Cera and KBC enables it to combine Cera's cooperative vision with KBC's bank-insurance expertise and experience. Voluntary work by KBC employees and members of the BRS Institute means BRS can work banker to banker and insurer to insurer. 702 days of coaching and training were provided to local microfinance institutions in 2016.

27 October 2016 –
Launch of BRS Microfinance Coop

BRS Microfinance Coop's first investment was a loan agreement of 2 million US dollars with Financiera Fundeser in Nicaragua, a microfinance institution offering financial services to family farmers. Thanks to BRS Microfinance Coop's investment it was able to address the needs of more than 1 000 local micro businesses. BRS Microfinance Coop has a high regard especially for Fundeser's strong social vision, its professional management and focus on rural farming communities.

Fundeser manages a loan portfolio of more than 51.5 million US dollars and the average credit amount is 1 725 US dollars. Roughly 55% of loans are for agricultural activities such as stock farming and coffee. The other loans are mainly for trade activities.



Financiera Fundeser - Nicaragua
(31.12.2016)

- # Borrowers: 26 997
 - Men (14 626)
 - Women (12 371)

- # Credit portfolio: 51.5 million US dollars
 - Agricultural loans: 58% (especially stock farming and coffee)
 - Trade and services: 33%
 - Consumer credit: 9%

- # Average credit amount: 1 725 US dollars

- # Operational independence: 110%

- # Risk portfolio: 2.3%

- # Loan from BRS Microfinance Coop: 2 million US dollars

© Isabel Corthier, Annual Report BRS 2016

11 COMMUNITY

COMMUNITY INVOLVEMENT

We want to promote activities, projects and campaigns in the areas of citizenship, sponsorship, volunteer working and philanthropy that matter to our clients, our employees and our communities, while leaving all entities in our core countries the possibility to define a local focus. The idea is to have a positive impact on society at large and to promote volunteer working, also by our own employees. We sponsor initiatives with a direct link to our strategy, pillars or the defined focus domains, which enable individuals and organisations to grow, develop and increase their self-confidence. Employee involvement is actively encouraged.



KBC is a partner of the cancer charity Kom op tegen Kanker and took part in various campaigns in 2016, including '1 000 Kilometres', a four-day cycling event with 700 teams. Each team that raises 5 000 euros (for cancer research) gets to participate in the 1 000 Kilometres. KBC sponsors the event but took even more pride in the 23 teams of KBC employees who took part in 2016.

KBC Belgium

CIBANK, in collaboration with the BCause Foundation, organised the 'Ready for Success' campaign in 2016. The programme supports children and young people who have to grow up and study without their parents' support. CIBANK offered bursaries to eight students who successfully completed a placement for which they were also paid.

CIBANK Bulgaria

'KBC Bright Ideas' is a unique platform, on which people can suggest ideas to improve their neighbourhood. It donated 250 000 euros over the past two years to 120 innovative projects in Ireland. KBC Bright Ideas also presented an award in 2016 to the most innovative ecological project, Waterford Marine Search and Rescue.

KBC Ireland

The 'CSOB Head and Heel Programme' is a contest in which students are encouraged to find a creative approach to a financial topic. The CSOB Bratislava Marathon has been a well-known event for years. Over 10 000 runners took part in 2016. CSOB donates 1 euro to charity for every registered participant.

CSOB Slovakia

In 2016, KBC Ireland launched 'Enactus Pitch Perfect Bootcamp', at which nine Enactus students pitched and defended their ideas to a KBC jury. Enactus is committed to a more sustainable society.

KBC Ireland

The 'Together with CSOB' campaign enabled employees to collect extra money for their chosen charity. CSOB then matched what they raised. Employees launched 30 money-raising projects in 2016, mostly to support disabled people, deprived children and families. They raised 591 392 Czech koruna.

CSOB Czech Republic

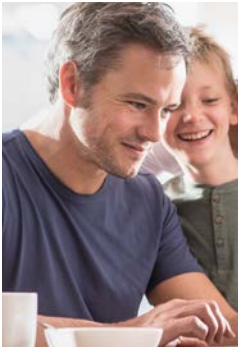
DZI provided ten university students with a grant for the Faculty of Economics and Business Administration at Sofia University. The grant covers the entire four-year study period, giving the recipients the opportunity to gain their bachelor's degree.

DZI Bulgaria

Twenty-nine non-profit organisations took part in the Blue Life Academy in 2016. They were helped there by nine team coaches, three individual coaches and numerous consultants and speakers. The organisations had the opportunity to apply for a subsidy (50 000 Czech koruna) to promote their further development.

CSOB Czech Republic

11 COMMUNITY



We launched BX-Grown in cooperation with the Neerhof Farm project, which focuses on sustainable business and the circular economy. Neerhof Farm is committed to urban agriculture (small plots) in an ecologically responsible manner, with respect for soil, crop and people. It works with non-profit organisations from vulnerable communities in Brussels that help to reintegrate disadvantaged young people in society. These youngsters, who briefly find themselves on the wrong track, can be trained and counselled through the BX-Grown Project. They learn how to run a sustainable farm and are also involved in selling the vegetables they cultivate. The idea is to encourage and persuade them to start up their own city farm in Brussels. KBC will host a weekly vegetable sale at our headquarters in Brussels as of mid-2017 to give the project an extra boost.

KBC Belgium



CIBANK continued a long-standing tradition in 2016 by collaborating on the 'Clean and Hospitable Sofia' campaign, which promotes green areas and clean cities. CIBANK staff painted several benches in the area around the National Library.

CIBANK Bulgaria



Financial education has been part of the social projects at K&H for many years. K&H was active in this area once again in 2016 with its national 'K&H Ready, Steady, Money' contest. Since the competition was launched in 2010, 526 cities, 959 schools and 23 700 students have taken part.

K&H Hungary

Staff bought Christmas presents for children living in homes, donated blood, and contributed to the CSOB HelpFund, Run for a Good Cause, Baking for a Good Cause and many other projects too.

CSOB Czech Republic

KBC employees in Ireland collaborated in 2016 with Junior Achievement, an organisation that motivates and inspires students. In recent years, 110 KBC volunteers have provided training to 2 342 students at 67 schools

KBC Ireland

KBC and Cera are joint sponsors of Woensdag Fietsdag (Wednesdays are for Cycling), the new campaign of the mobility organisation Mobiel 21, which was launched at 751 Flemish nursery and primary schools in September 2016. Every Wednesday, as many children as possible go to school on foot, by bike or using public transport. The schools focus all year round on safe and ecological travel.

KBC Belgium

The 'K&H for the underprivileged' programme provides support to the most disadvantaged micro-regions in the areas of children's healthcare, performing arts, pre-adult education and sports. K&H Insurance donated 6 million Hungarian forints to primary schools in these regions in 2016, enabling 1 372 children to attend performances at 27 theatres.

K&H Insurance Hungary

Through its Employee Grant Programme, CSOB in Slovakia supports a variety of NGOs that promote an active and healthy lifestyle, education and healthcare for children. CSOB also donated 12 000 euros to the Barriers Account, so that 11 children could move home and are now able to live in better conditions.

CSOB Slovakia

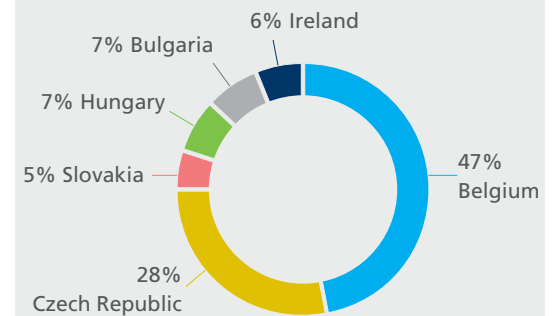
Every year, we offer our employees the opportunity to apply for extra support for non-profit organisations with which they are involved. Small-scale organisations of this kind with a social purpose can receive a cheque of 1 500 euros through our Solidarity Campaign. In 2016, we worked with KumulAid – an online donation platform – to increase the available grants. Through our KBC volunteers, each of the selected non-profit organisations was able to raise up to 2 700 euros for their project.

KBC Belgium

The insurer DZI organised a number of initiatives in 2016, including a drawing contest for children, with a focus on road safety. 'DZI Sport Stars' was a one-day event that mobilised over 2 000 children from 120 schools in nine cities to take part in a variety of sports. Charity concerts were organised in nine cities, attracting over 60 000 visitors.

DZI Bulgaria

7.8-million-euro
community investment in 2016





Sustainability Ratings and Indices

FTSE4Good Index
STOXX ESG Leaders Index
Euronext VigeoEiris Indices Benelux 20
Euronext VigeoEiris Indices Eurozone 120
Ethibel Sustainability Index (ESI) Excellence Europe
Dow Jones Sustainability Index (DJSI)
Sustainalytics
Carbon Disclosure Project (CDP) Climate Change
Ecovadis CSR rating

Commitments

UN Global Compact
United Nations Guiding Principles on Business and Human Rights
OECD Guidelines for Multinational Enterprises.
Principles for Responsible Investments (PRI)
Equator Principles
COP 21
Belgian SDG Charter

12 FACTS & FIGURES

ECONOMIC INDICATORS

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

In million EUR	Stakeholder group	Indicator	Economic value	
			2016 ⁷	2015 ⁷
	Suppliers	Operating costs ¹	1 011	975
	Employees	Staff expenses ²	2 252	2 245
	Shareholders	Net result ³	2 427	2 639
		Dividend pay-out ⁴	1 171	0
	Governments	Total taxes paid (income tax, non-recoverable VAT and other taxes, bank levy and deposit protection fund) ⁵	1 066	1 034
	Community	Total corporate community investment ⁶	7.8	3.8

¹ See note 3.8 of the KBC Group Annual Report 2016. Includes: general administrative expenses such as repair and maintenance expenses, advertising costs, rent, professional fees, utilities and other such expenses.

² See note 3.8 of the KBC Group Annual Report 2016.

³ See 'Consolidated income statement' in the KBC Group Annual Report 2016.

⁴ See 'Company balance sheet, income statement and profit appropriation' in the KBC Group Annual Report 2016.

⁵ See Report to Society 2016, p. 11 and Report to Society 2015, p. 12.

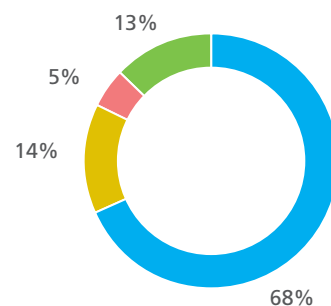
⁶ Based on the LBG measurement framework. The substantial increase in 2016 was due to improved non-financial data gathering.

⁷ FY data

CORPORATE COMMUNITY INVESTMENT

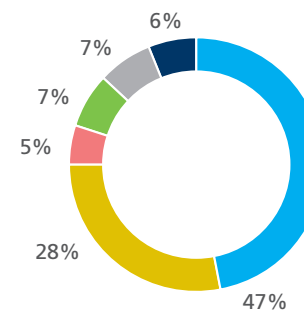
KBC Group contributed 7.8 million euros to the community in 2016.

HOW WE CONTRIBUTED IN 2016?



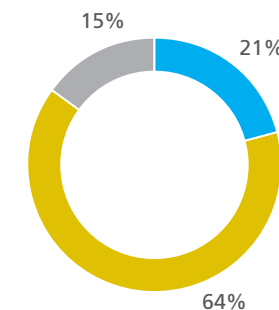
- Cash
- Time
- In-kind
- Management Overheads

WHERE WE CONTRIBUTED IN 2016?



- Belgium
- Czech Republic
- Slovakia
- Hungary
- Bulgaria
- Ireland

MOTIVATION FOR CONTRIBUTION IN 2016?



- Charitable donations
- Community investments
- Commercial activities

POLICY INFLUENCE

In EUR	2016 ¹	2015 ²
Annual total monetary contributions to trade associations	3 839 835	-

¹ FY data

² No data available for 2015

12 FACTS & FIGURES

ENVIRONMENTAL INDICATORS

ENERGY CONSUMPTION

	2016	2015
Coverage (% of FTEs)	100%	100%
Total electricity consumption	641 279.37	673 341.30
- of which purchased electricity (in GJ)	636 914.54	671 603.30
- of which low-carbon electricity (in GJ) (% of purchased electricity)	421 285.13 (66.14%)	322 141.24 (47.97%)
Fuel consumption (natural gas and heating oil) (in GJ)	353 917.41	357 835.54
District heating, cooling and steam consumption (in GJ)	92 456.79	97 586.21
Other types of energy consumption	1 955.16	2 826.24
Total energy consumption (in GJ)¹	1 088 310.79	1 130 473.45
Total energy consumption per FTE (in GJ/FTE)¹	29.99	31.12
Total CO₂e emissions from energy consumption (in tonnes)	54 055.89	65 826.57
Total CO₂e emissions from energy consumption per FTE (in tonnes/FTE)	1.49	1.81

¹ Total energy consumption differs from the sum of the different energy sources, as the consumption of self-generated electricity from non-renewable fuel has been excluded to avoid double counting and counted under fuel consumption.

BUSINESS TRAVEL

	2016	2015
Coverage (% of FTEs)	100%	100%
Business travel by road	121 822 158.25	118 566 354.74
Business travel by public transport	6 112 396.32	5 261 122.89
Business travel by air	16 036 304.96	15 495 390.07
Total business travel (in km)	143 970 859.53	139 322 867.69
Total business travel per FTE (in km/FTE)	3 967.55	3 835.17
Total CO₂e emissions from business travel (in tonnes)	17 772.91	17 781.52
Total CO₂e emissions from business travel per FTE (in tonnes/FTE)	0.49	0.49

12 FACTS & FIGURES

COMMUTER TRAVEL

	2016	2015
Coverage (% of FTEs)	100%	100%
Commuter travel by road	116 100 577.34	117 980 618.81
Commuter travel by public transport	60 675 416.72	66 352 287.24
Total commuter travel (in km)	176 775 994.06	184 332 906.04
Total commuter travel per FTE (in km/FTE)	4 871.59	5 074.17
Total CO₂e emissions from commuter travel (in tonnes)	16 184.16	16 936.11
Total CO₂e emissions from commuter travel per FTE (in tonnes/FTE)	0.45	0.47

PAPER

	2016	2015
Coverage (% of FTEs)	100%	100%
Recycled paper consumption	128.43	-
Other paper consumption	3 728.22	-
Total paper consumption (in tonnes)	3 856.65	4 521.40¹
Total paper consumption (in tonnes/FTE)	0.11	0.12
Total CO₂e emissions from paper consumption (in tonnes)	3 588.51	4 245.60
Total CO₂e emissions from paper consumption per FTE (in tonnes/FTE)	0.10	0.12

¹ No breakdown between recycled paper consumption and other paper consumption available for 2015

12 FACTS & FIGURES

WASTE

	2016	2015
Coverage (% of FTEs)	100%	100%
Recycled waste generation	3 712.02	4 592.81
Residual waste generation	2 557.83	2 660.94
Total waste generation (in tonnes)	6 269.85	7 253.75
Total waste generation (in tonnes/FTE)	0.17	0.20
Total CO₂e emissions from waste generation (in tonnes)	519.19	318.51
Total CO₂e emissions from waste generation per FTE (in tonnes/FTE)	0.01	0.01

WATER

	2016	2015
Coverage (% of FTEs)	100%	100%
Total water consumption (in m³)	380 521.06	448 540.34
Total water consumption (in m³/FTE)	10.49	12.35
Total CO₂e emissions from water consumption (in tonnes)	400.31	471.86
Total CO₂e emissions from water consumption per FTE (in tonnes/FTE)	0.01	0.01

12 FACTS & FIGURES

GREENHOUSE GAS EMISSIONS

SCOPE AND DEFINITION

The greenhouse gas inventory was prepared according to the requirements of the WRI/WBCSD Greenhouse Gas Protocol. The system boundaries for greenhouse gas emissions were determined by operational control and cover the whole of KBC group (see 'About the report' for more details on our non-financial data-gathering and scope of reporting).

The greenhouse gas inventory includes scope 1, scope 2 and scope 3 emissions:

- # Scope 1 emissions comprise emissions from fuel combustion and emissions from business travel and commuter travel by company car fleet;
- # Scope 2 emissions comprise emissions from our use of electricity and district heating, cooling and steam consumption;
- # Scope 3 emissions comprise emissions from business travel and commuter travel (except emissions from company car fleet which are included in scope 1 emissions), emissions from paper and water consumption and emissions from waste generation.

The greenhouse gases included were: CO₂, N₂O and CH₄. Cooling gases were not included because no reliable group-wide data were available.

EXTRAPOLATION

The data and information for the greenhouse gas inventory were mainly historical in nature. Extrapolations were performed for missing data. Because not all entities can deliver all required emission source data (especially data on commuter travel) and entities in countries that have less than 100 FTEs are out of scope of the non-financial environmental data-gathering, we have extrapolated based on historical per-FTE activity data and per-FTE CO₂e emissions respectively, so as to reflect our total GHG emissions. The greenhouse gas emissions calculated by extrapolation account for 15.6% of the total. Hypothetical approaches were only used for limited activities.

EMISSION FACTORS

The emission factors used are largely based on DEFRA 2016 emission factors, except for travel by road and by rail (European Energy Agency emission factors) and non-renewable electricity (residual mix calculated by EU country under RE-DIS II project 2014). We use the same conversion factors group-wide unless more accurate country or source-specific conversion factors are available.

EXTERNAL VERIFICATION

KBC Group's greenhouse gas emissions have been externally verified in accordance with ISO 14064-3. Vinçotte has verified KBC Group's greenhouse gas assertion of 92 520.96 tonnes of CO₂e to a level of reasonable assurance and concluded that KBC Group's reported greenhouse gas emissions for 2016 are reliable and fairly stated.

12 FACTS & FIGURES

OUR TARGET AND OUR ACHIEVEMENTS

KBC Group has committed to reducing our total GHG emissions by at least 20% – both absolute and per FTE – by 2020 (relative to 2015 and excluding commuter travel). We have set 2015 as our base year, as reliable data has been available since that year for the whole group. Base-year emissions have been recalculated using improved methodology in line with the 2016 methodology and based on full coverage.

The related carbon footprint fell by 13.88% in absolute terms and by 13.93% per FTE in 2016, representing progress of almost 70% towards the target.

	2016	2015 (base year ³)
Coverage (% of FTEs)	100%	100%
Total GHG emissions (in tonnes CO ₂ e)	92 520.96	105 580.18
Total GHG emissions per FTE (in tonnes CO ₂ e/FTE)	2.55	2.91
Total scope 1 GHG emissions (in tonnes CO ₂ e)	35 901.41	35 982.48
Total scope 1 GHG emissions per FTE (in tonnes CO ₂ e/FTE)	0.99	0.99
Total scope 2 GHG emissions (in tonnes CO ₂ e) ¹	35 708.54	47 234.87
Total scope 2 GHG emissions per FTE (in tonnes CO ₂ e/FTE)	0.98	1.30
Total scope 3 GHG emissions (in tonnes CO ₂ e)	20 911.02	22 362.83
Total scope 3 GHG emissions per FTE (in tonnes CO ₂ e/FTE)	0.58	0.62
Total GHG emissions covered by target (in tonnes CO₂e)²	76 336.81	88 644.07
% change compared to base year	-13.88%	-
Total GHG emissions covered by target per FTE (in tonnes CO₂e/FTE)	2.10	2.44
% change compared to base year	-13.93%	-

¹ The total GHG emissions figure reported here has been calculated using the market-based calculation method described in the GHG Protocol, Scope 2 Guidance. This calculation method takes account of low-carbon electricity use (from renewable and nuclear sources) at a low-carbon emission factor (0 g CO₂e/GJ). Using the location-based calculation method described in the GHG Protocol, our scope 2 GHG emissions amounted to 63 475.31 tonnes CO₂e in 2016 and 68 693.39 in 2015 (conversion factor based on IEA – CO₂ Emissions from Fuel Combustion).

² Target scope: total GHG emissions excluding emissions from commuter travel.

³ We have set 2015 as our base-year, as reliable data has been available since that year for the whole group. Base-year emissions have been recalculated using improved methodology in line with the 2016 methodology and based on full coverage.

12 FACTS & FIGURES

RESPONSIBLE BUSINESS INDICATORS

SUSTAINABLE INVESTMENTS

	2016	2015
Total assets under management in sustainable funds (in bn EUR at year-end)	2.8	2.5
Share of sustainable funds in total assets under management	3.51%	3.19%

SUSTAINABLE FINANCE

	2016	2015
Loan portfolio in renewable energy and biofuel sector (granted amount in bn EUR at year-end) ¹	1.17	-
Loan portfolio in renewable energy and biofuel sector, share in total energy portfolio ¹	42.1%	-
Loan portfolio in education and healthcare sector (granted amount in bn EUR at year-end)	5.9	5.7

¹ No comparable 2015 data available

MICROFINANCE

NON-PROFIT ORGANISATION BRS

The non-profit organisation BRS works with different partners to sustainably improve the quality of life of poorer people in the Global South. BRS supports local communities, not only through money, but above all by coaching and training the employees of local microfinance institutions.

	2016	2015
Number of projects in the Global South	11	11
Number of countries	9	9
Financial support for projects (in EUR)	203 601	201 000
Number of days of coaching and training (mainly by KBC staff volunteering for BRS)	702	507
Budget spent on coaching and training	104 550	80 500

BRS MICROFINANCE COOP

BRS Microfinance Coop invests in specialised microfinance institutions in Africa, Latin America and Asia in the shape of loans and capital. The cooperation is a joint initiative of BRS, KBC and Cera, which provided the starting capital in 2016 for the first loans in East Timor and Nicaragua. Since October 2016, it has also been possible for private individuals to subscribe to the cooperative A shares.

	2016	2015
Cooperative share capital (in EUR)	13 789 500	728 000
Investments (loans to microfinance institutions) (in USD)	3 000 000	-

12 FACTS & FIGURES

EQUATOR PRINCIPLES

	2016	2015
Number of EP transactions that reached financial close	13	9
Project finance	13	9
- Category A	0	0
- Category B	7	5
- Category C	6	4
Project related corporate loans	0	0
Project finance advisory	0	0

Equator Principles Reporting 2016	A	B	C
Project finance, by category	0	7	6
Sector			
Infrastructure	0	5	1
Power	0	2	5
Region			
Europe, Middle East and Africa	0	7	6
Designated country			
Yes	0	7	6
No	0	0	0
Independent review			
Yes	0	7	6
No	0	0	0

SUPPLIERS

	2016	2015
Number of suppliers screened by EcoVadis	51	44
EcoVadis rating (in % of total screened suppliers)		
Outstanding rating (85 – 100 p)	0%	0%
Advanced rating (65 – 85 p)	12%	5%
Confirmed rating (45 – 64 p)	49%	61%
Partial rating (25 – 44 p)	38%	32%
None rating (0 – 24 p)	1%	2%

PEOPLE INDICATORS

HEADCOUNT

HEADCOUNT

	2016	2015
Number of full-time equivalents ¹	36 324	36 328
Total headcount ¹	38 462	38 203

¹ FTE and headcount figures differ from the figures reported in the 2016 Annual Report of KBC Group due to a difference in reporting period. See KBC Group Sustainability Report 2016: 'About the report'.

EMPLOYEES BY REGION (IN % OF FTE)

	2016	2015
Belgium	43.71%	44.36%
Czech Republic	27.28%	26.75%
Slovakia	7.89%	7.51%
Hungary	11.25%	11.36%
Bulgaria	5.38%	5.39%
Ireland	3.02%	3.02%
Rest of the world	1.47%	1.61%

EMPLOYEES BY AGE

	2016	2015
<=25	4%	4%
>25 <= 30	11%	12%
>30 and =<35 years	14%	14%
>35 and =<40 years	16%	16%
>40 and =<45 years	16%	16%
>45 and =<50 years	14%	15%
>50 and =<55 years	14%	13%
>55 and =<60 years	9%	9%
>60	2%	2%

12 FACTS & FIGURES

EMPLOYEES BY GENDER

	2016	2015
Male	44%	44%
Female	56%	56%

EMPLOYEES BY EMPLOYMENT TYPE

	2016	2015 ¹
Permanent	93.74%	93.58%
Temporary	6.26%	6.42%
By region (permanent/ temporary)		
Belgium	99.63%/0.37%	-
Czech Republic	84.56%/15.44%	-
Slovakia	83.37%/16.63%	-
Hungary	98.67%/1.33%	-
Bulgaria	95.71%/4.29%	-
Ireland	90.59%/9.41%	-
Rest of the world	93.64%/6.36%	-
Full-time		
	82.02%	81.53%
Part-time		
	17.98%	18.47%

¹ No comparable 2015 data available

EMPLOYEES BY FUNCTION CLASSIFICATION

	2016	2015
Senior management (Top 300)	0.74%	0.74%
Middle and junior management	44.08%	43.11%
White- and blue collar	55.18%	56.15%

NEW EMPLOYEES AND EMPLOYEE TURNOVER

JOINERS

	2016 ¹	2015
New employees hired, total headcount (% of employees)	3 911 (10.20%)	-
By region		
Belgium	578 (3.33%)	-
Czech Republic	1 635 (16.26%)	-
Slovakia	528 (17.99%)	-
Hungary	636 (15.33%)	-
Bulgaria	314 (14.63%)	-
Ireland	182 (16.37%)	-
Rest of the world	38 (6.92%)	-
Internal mobility ²		
	18.31%	-

¹ Reliable data are only available for 2016

² Internal mobility: internal mobility divided by the total population (headcount)

12 FACTS & FIGURES

LEAVERS

	2016 ²	2015
Employee turnover ¹ , total headcount (% of employees)	3 747 (9.78%)	-
By region		
Belgium	799 (4.60%)	-
Czech Republic	1 466 (14.58%)	-
Slovakia	397 (13.53%)	-
Hungary	518 (12.48%)	-
Bulgaria	309 (14.39%)	-
Ireland	197 (17.72%)	-
Rest of the world	61 (11.11%)	-
Proportion of voluntary leavers	80.92%	-

¹ Employee turnover: total leavers (excluding internal mobility) divided by total population (headcount)

² Due to a change in methodology 2016 figures are not comparable to previous years data.

AVERAGE LENGTH OF EMPLOYMENT

	2016	2015
Average seniority	13	13

DIVERSITY

DIVERSITY OF EMPLOYEES

	2016	2015
Gender, by region (male/ female)		
Belgium	52 %/ 48%	53%/ 47%
Czech Republic	40%/ 60%	36%/ 64%
Slovakia	32%/ 68%	31%/ 69%
Hungary	34%/ 66%	32%/ 68%
Bulgaria	32%/ 68%	32%/ 68%
Ireland	48%/ 52%	47%/ 53%
Rest of the world	53%/ 47%	51%/ 49%
Gender, by management type (male/ female)		
Senior management (Top 300)	85%/ 15%	85%/ 15%
Middle and junior management	59%/ 41%	59%/ 41%
White- and blue collar	31%/ 69%	31%/ 69%

DIVERSITY OF GOVERNANCE BODIES

	2016	2015
Composition of the Board of Directors (at year end)		
Male	69%	75%
Female	31%	25%
< 30 years	0%	0%
30-50 years	13%	19%
> 50 years	87%	81%
Composition of the Executive Committee (at year end)		
Male	83%	83%
Female	17%	17%
< 30 years	0%	0%
30-50 years	0%	17%
> 50 years	100%	83%

12 FACTS & FIGURES

HEALTH AND WORKPLACE

	2016	2015 ¹
Sick leave (number of days)	8.17	-
By region		
Belgium	9.57	-
Czech Republic	8.30	-
Slovakia	6.16	-
Hungary	5.22	-
Bulgaria	6.24	-
Ireland	6.53	-
Rest of the world	5.62	-
Sick-leave rate (share of working days)	3.72%	-
By region		
Belgium	4.76%	-
Czech Republic	3.51%	-
Slovakia	2.78%	-
Hungary	2.08%	-
Bulgaria	2.91%	-
Ireland	2.63%	-
Rest of the world	2.45%	-

¹ Due to a change in methodology, the 2016 figures are not comparable with data from previous years.

LABOUR RELATIONS

	2016	2015
Employees covered by collective bargaining agreements	89%	89%

COMPETENCE

HIGHEST EDUCATIONAL LEVEL

	2016	2015
Highest educational level achieved		
Master degree and higher	33.32%	34.66%
Bachelor degree	36.11%	34.60%
Secondary degree	30.41%	30.40%
Primary degree	0.16%	0.33%

TRAINING AND DEVELOPMENT

	2016	2015
Total time spent on learning and development (in days per employee)	3.42 ¹	6.72

¹ Figures exclude training at CSOB Bank CR (training figures could not be reported due to the change to a new HR system, which means the data is not comparable with previous years).

13 MATERIAL TOPICS

Topics that are material to both our external stakeholders and KBC are set out in the table below, together with their boundary and the management approach.

MATERIAL TOPIC	GRI standard	Explanation and boundary (why material?)	Our approach and management	More information and/or relationship with KPIs
INTEGRITY	GRI 205: Anti-Corruption GRI 206: Anti-Competitive Behaviour GRI 417: Marketing and Labelling	Ethical behaviour and integrity are considered as essential components of sound business practice. Honesty and integrity are part of the high ethical standards that KBC stands for. Integrity is material for all stakeholders.	Integrity and responsible behaviour are the basic layer of the group-wide sustainability strategy. The principles of integrity are set out in the integrity policy, as well as in specific codes, instructions and codes of conduct. The Group Compliance function will regularly evaluate the implementation of this policy within group entities by performing quality controls. It will also report on policy compliance each quarter to the Group Executive Committee and the Group Audit, Risk and Compliance Committee and annually to the Board of Directors.	<i>See Annual Report 2016:</i> - 'Main features of the internal control and risk management systems' in 'Corporate governance statement' - 'Our role in society' in 'Our strategy' - 'Governance' KPI: see 'Our role in society' in 'Our strategy'. <i>In this report:</i> - See 'Responsible behaviour' in 'How we do it' <i>Supporting strategic documents:</i> - Corporate Governance Charter KBC Group 2017 - KBC Group Sustainability Framework - See our guidelines and policies
COMPLIANCE WITH LAWS AND REGULATIONS	GRI 419: Socioeconomic Compliance	As a bank insurer, compliance with laws and regulation is a strict minimum. This is material for both external and internal stakeholders.	We comply with all relevant laws and regulations in all our activities. Compliance is ensured by our 'Three Lines of Defence' model. The Group Audit Committee and the Risk and Compliance Committee play a central role in monitoring the internal control and risk management systems. On top of this, KBC is subject as a European bank insurer to additional external auditing (e.g. ECB, National Bank of Belgium, FSMA). Corporate governance, including compliance with laws and regulations is one of the key non-financial KPIs, evaluated by group-wide reputation measurement.	<i>See Annual Report 2016:</i> - 'In what environment do we operate?' in 'Our business model'. - 'How do we manage our capital?' - 'Main features of the internal control and risk management systems' in 'Corporate governance statement'. - 'Governance' KPI: see 'Our role in society' in 'Our strategy'. - KPIs on capital and liquidity: see 'Our strategy'. <i>In this report:</i> - See 'Responsible behaviour' in 'How we do it'. <i>Supporting strategic document:</i> - Corporate Governance Charter KBC Group 2017

13 MATERIAL TOPICS

<p>PRIVACY AND DATA PROTECTION</p>	<p>GRI 418: Customers Privacy</p>	<p>Privacy and data protection are inextricably bound up with our core business and thus extremely important for both our internal and external stakeholders</p>	<p>We put our clients centre stage; that is why we have implemented a strict privacy policy, in which the client determines the boundaries.</p> <p>Group Compliance is responsible for implementation of and compliance with the privacy policy.</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'Main features of the internal control and risk management systems' in 'Corporate governance statement'. - Cyber risk: see 'In what environment do we operate?' in 'Our business model'. - 'The client is at the centre of our business culture' in 'Our strategy'. <p><i>In this report:</i></p> <ul style="list-style-type: none"> - See 'Financial literacy' in 'Increase our positive impact on society'. - See 'Our clients'.
<p>FINANCIAL PERFORMANCE</p>	<p>GRI 201: Economic Performance</p>	<p>Our financial performance is important for our internal and external stakeholders – particularly our clients, employees and shareholders – to secure our long-term future.</p>	<p>Striving for sustainable and profitable growth is a foundation stone of our strategy. This means not fixating on short-term returns, but focusing on long-term performance that contributes to sustainable growth. Our sustainable and profitable performance is achieved through robust risk, capital and liquidity management.</p> <p>The Group Executive Committee has full responsibility for operational management.</p> <p>We monitor our long-term performance and our focus on the real economy and sustainability via several Key Performance Indicators (KPIs).</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'Our financial report'. - 'How do the business units contribute to the group result?' in 'Our business units'. - 'Consolidated financial statements'. - Financial KPIs: see 'Our strategy'. <p><i>Supporting strategic document:</i></p> <ul style="list-style-type: none"> - Corporate Governance Charter KBC Group 2017
<p>PRICING OF PRODUCTS AND SERVICES</p>	<p>GRI 201: Economic Performance</p>	<p>Offering products and services at a fair price in line with market conditions is material for both our clients and for us to maintain sustainable and profitable growth.</p>	<p>Pricing is embedded in the group-wide strategy through the client-centricity, sustainable growth and bank-insurer pillars.</p> <p>The Group Executive Committee is responsible for operational management and the implementation and evaluation of the group strategy.</p> <p>We monitor client satisfaction and have set targets for client experience and reputation.</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'Client experience' KPI: see 'The client is at the centre of our business culture' in 'Our strategy'. - See 'How do we create value?' in 'Our business model'.

13 MATERIAL TOPICS

<p>QUALITY OF PRODUCTS AND SERVICES</p>	<p>GRI 417: Marketing and Labeling</p>	<p>Offering products and services of high quality ensures our sustainable future and is essential for our clients.</p>	<p>Offering high-quality products and services is part of our client-centric approach and is embedded in our group corporate strategy. The Group Executive Committee is responsible for operational management and the implementation and evaluation of the group strategy.</p> <p>We monitor client satisfaction and have set targets for client experience and reputation.</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'The client is at the centre of our business culture' and 'We offer our clients a unique bank-insurance experience' in 'Our strategy'. - New products and services: see 'Our business units'. - 'Client experience' KPI: see 'The client is at the centre of our business culture' in 'Our strategy'.
<p>USER-FRIENDLINESS OF PRODUCTS AND SERVICES</p>	<p>KBC 1: User-friendliness</p>	<p>User-friendliness of products and services improves client satisfaction and is thus important for both clients and KBC.</p>	<p>User-friendliness is embedded in our client-centric approach, part of the corporate strategy.</p> <p>We evaluate user-friendliness via the client experience driver in our reputation survey.</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'The client is at the centre of our business culture' and 'We offer our clients a unique bank-insurance experience' in 'Our strategy'. - New products and services: see 'Our business units'. - 'Client experience' KPI: see 'The client is at the centre of our business culture' in 'Our strategy'.
<p>ENABLE PEOPLE TO MAKE SMART FINANCIAL DECISIONS AND TRANSPARENT COMMUNICATION</p>	<p>GRI 417: Marketing and Labeling</p>	<p>Important for both KBC and our external stakeholders. As a responsible bank-insurer, it is important for KBC that clients can make smart financial decisions to ensure their future, to reinforce client-centricity and to build up long-term relationships</p>	<p>We have determined financial literacy as one of the four focus domains in which KBC wants to make a difference to society. Financial literacy has three dimensions to KBC:</p> <ul style="list-style-type: none"> - Financial advice - Financial education - Financial behaviour. <p>By focusing on financial literacy and transparent communication we want to help people to make smart financial decisions that benefit them the most.</p> <p>Our sustainable strategy is part of the group's corporate strategy. The Group Executive Committee is responsible for operational management. Sustainable governance ensures group-wide compliance with and implementation of the sustainability policies.</p> <p>We measure progress and implementation through our Sustainability Dashboard, which is reported to the Group Executive Committee and the Board of Directors.</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'Our role in society' in 'Our strategy'. - 'Client experience' KPI: see 'The client is at the centre of our business culture' in 'Our strategy'. - 'Governance' KPI: see 'Our role in society' in 'Our strategy'. <p><i>In this report:</i></p> <ul style="list-style-type: none"> - See 'Financial literacy' in 'Increase our positive impact on society'. <p><i>Supporting strategic document:</i></p> <ul style="list-style-type: none"> - Corporate Governance Charter KBC Group 2017

13 MATERIAL TOPICS

<p>CLIENT PROTECTION AND RESPONSIBLE SELLING AND ADVICE</p>	<p>GRI 417: Marketing and Labeling GRI 419: Socioeconomic Compliance</p>	<p>Client protection and responsible selling and advice are the foundation of our client-centric approach. They are essential for both KBC and our clients to safeguard both our futures.</p>	<p>Client protection and responsible selling and advice are subject to international laws and regulation (see material aspect 'Compliance with laws and regulations').</p> <p>But KBC wants to go beyond procedures, laws and regulations and so responsible selling and advice are an essential element of responsible behaviour, as incorporated in the Group Sustainability Strategy. Responsible behaviour is embedded in our different group-wide policies.</p> <p>Group Compliance is responsible for the implementation and strict observance of the policies.</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'Main features of the internal control and risk management systems' in 'Corporate governance statement'. - 'The client is at the centre of our business culture' in 'Our strategy'. - 'In what environment do we operate?' in 'Our business model'. - 'Our role in society' in 'Our strategy'. - 'Client experience' KPI: see 'The client is at the centre of our business culture' in 'Our strategy'. <p><i>In this report:</i></p> <ul style="list-style-type: none"> - See 'Responsible behaviour' in 'How we do it'. - See 'Financial literacy' in 'Increase our positive impact on society'. <p><i>Supporting strategic documents:</i></p> <ul style="list-style-type: none"> - KBC Group Sustainability Framework - See our guidelines and policies
<p>RISK MANAGEMENT</p>	<p>GRI 201: Economic Performance</p>	<p>Stringent risk management is at the core of our operations and is material for both our business and our external stakeholders.</p>	<p>Our operations and our decision-making process are embedded in a stringent risk-management framework. Our risk management is based on a 'Three Lines of Defence model' to shield us against risks that might threaten the achievement of our goals. The Board of Directors, assisted by the Group Risk & Compliance Committee and the Executive Committee are responsible for the development and implementation of the group-wide risk strategy and risk culture.</p> <p>The Group risk function bears primary responsibility for defining the operational risk management framework for the entire group. The development and implementation of this framework is supported by an extensive operational risk governance model covering all group entities.</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'We aim to achieve our ambitions within a stringent risk management framework' in 'Our strategy'. - 'Main features of the internal control and risk management systems' in 'Corporate governance statement'. - 'How do we manage our risks?' <p><i>Supporting strategic documents:</i></p> <ul style="list-style-type: none"> - Corporate Governance Charter KBC Group 2017 - KBC Group Risk Report 2016

13 MATERIAL TOPICS

<p>BUSINESS ETHICS</p>	<p>GRI 205: Anti-Corruption GRI 206: Anti-Competitive Behaviour</p>	<p>Ethical business is the basic condition for our 'licence to operate'. Only by doing responsible business we can maintain and reinforce the trust of both our internal and external stakeholders.</p>	<p>We comply in all our activities with all relevant rules and regulations and with corporate policies and guidelines that ensure ethical business. The Compliance Division of KBC Group ensures that all guidelines are observed, information remains confidential and privacy is respected.</p> <p>All policies are reviewed on a regular basis and updated if necessary, in order always to respond to the changing environment, requirements and regulations.</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - PEARL business culture: see 'What makes us who we are?' in 'Our business model'. - 'Our role in society' in 'Our strategy'. - 'Reputation index' KPI: see 'The client is at the centre of our business culture' in 'Our strategy'. <p><i>In this report:</i></p> <ul style="list-style-type: none"> - See 'Responsible behaviour' in 'How we do it'. <p><i>Supporting strategic document:</i></p> <ul style="list-style-type: none"> - See our guidelines and policies
<p>LONG-TERM STRATEGY</p>	<p>GRI 201: Economic Performance</p>	<p>Having a long-term strategy is essential to secure our future and sustainable growth, and is thus material for both internal and external stakeholders.</p>	<p>Striving for sustainable and profitable growth is a foundation stone of our strategy. This means not fixating on short-term returns, but focusing on long-term performance that contributes to sustainable growth. Our sustainable and profitable performance is achieved through robust risk, capital and liquidity management.</p> <p>The Group Executive Committee has full responsibility for the operational management. We monitor our long-term performance and our focus on the real economy and sustainability via several Key Performance Indicators (KPIs).</p>	<p><i>See annual report 2016:</i></p> <ul style="list-style-type: none"> - 'Our strategy'.

13 MATERIAL TOPICS

<p>INNOVATIVE PRODUCTS AND SERVICES</p>	<p>KBC 2: Innovation</p>	<p>The changing needs, behaviour and requirements of society and our clients force us to be innovative. Daring is essential to meet these changing expectations. Innovative thinking helps to prepare us for a sustainable future.</p>	<p>Given KBC's growing focus on and investments in innovation and digitisation, and anticipating the huge transformation KBC needs to make in the digital arena, the Group Executive Committee has appointed a Chief Innovation Manager, who reports directly to the Group CEO.</p> <p>The Chief Innovation Manager's main responsibilities will be to:</p> <ul style="list-style-type: none"> - Monitor the external world and derive conclusions on how the financial sector will evolve. - Bring digital awareness to the entire KBC group, ensuring that all functions understand the need for transformation and develop the ability to respond, decide and act accordingly. - Promote a strategic debate within KBC's top management on how KBC should evolve in the coming years and which actions will contribute to that transformation. - Improve best practices and group co-operation on digital initiatives. - Prepare the 'next step' in digital transformation. <p>We evaluate innovative thinking via the groupwide reputation survey.</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'In what environment do we operate?' in 'Our business model'. - New products and services: see 'Our business units'. - 'Innovation' KPI: see 'We focus on sustainable and profitable growth' in 'Our strategy'. <p><i>In this report:</i></p> <ul style="list-style-type: none"> - 'Entrepreneurship' in 'Increase our positive impact on society'. - 'Our clients'.
<p>FUNDING AND INSURING THE LOCAL ECONOMY AND STIMULATING ENTREPRENEURSHIP</p>	<p>GRI 203: Indirect Economic Impact</p>	<p>Funding and insuring the local economy in our core countries is the core of our business model and is thus material for both internal and external stakeholders. It helps us to ensure sustainable and economic growth in the society in which we operate.</p>	<p>We manage sustainable growth in our core countries in the following ways:</p> <ul style="list-style-type: none"> - We focus on the long term - We focus on real economies - We are committed to a long-term presence in our core countries <p>The Group Executive Committee is responsible for operational management and implementation of the strategy in all business units and core countries.</p>	<p><i>See Annual Report 2016:</i></p> <p>'Our business model'.</p> <p>'Our role in society' in 'Our strategy'.</p> <p><i>In this report:</i></p> <ul style="list-style-type: none"> - See 'SDG 8' in 'Our sustainability strategy'. - See 'Entrepreneurship' in 'Increase our positive impact on society'. - See 'Community'.

13 MATERIAL TOPICS

<p>ACCESSIBILITY OF PRODUCTS AND SERVICES</p>	<p>GRI 413: Local Communities</p>	<p>As a bank insurer playing a role in society, it is material for us and all our external stakeholders that we offer accessible products and services to all groups in society.</p>	<p>Offering accessible products and services is part of our strategic pillars 'our role in society' and client-centricity'. The Group Executive Committee is responsible for operational management and the implementation and evaluation of group strategy.</p> <p>We monitor client satisfaction and have set targets for client experience and reputation.</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'The client is at the centre of our business culture' in 'Our strategy'. - 'Client experience' KPI: see 'The client is at the centre of our business culture' in 'Our strategy'. <p><i>In this report:</i></p> <ul style="list-style-type: none"> - 'Our clients'.
<p>EQUAL OPPORTUNITIES FOR ALL EMPLOYEES</p>	<p>GRI 401: Employment GRI 404: Training and Education GRI 405: Diversity and Equal Opportunity</p>	<p>This is material for both KBC and our employees. Being a sustainable and ethical employer is key to our success.</p>	<p>Our employees are our greatest strength, which is why we have implemented our group-wide HR policy with strict guidelines.</p> <p>Governance: the Group HR department is responsible for the implementation of and compliance with the HR policy. The Group HR manager reports directly to the Group CEO.</p> <p>Measurement through annual employee satisfaction survey, annual performance and career development reviews of each employee and 360° evaluation of line managers.</p>	<p><i>See annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'Our employees, capital, network and relationships' in 'Our business model'. <p><i>In this report:</i></p> <ul style="list-style-type: none"> - See 'Our employees'.
<p>ASSESSMENT OF SUPPLIERS ON ENVIRONMENTAL AND SOCIAL ASPECTS</p>	<p>GRI 102-9: General Disclosure: Supply Chain GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment</p>	<p>Sustainable suppliers have a positive impact on society. Doing business with sustainable suppliers allows us to contribute to a more sustainable society.</p>	<p>Supplier screening is incorporated in our group-wide Sustainability Code of Conduct for Suppliers. Environmental and social aspects are embedded in the Sustainability Code of Conduct for Suppliers.</p> <p>Compliance with and implementation of the policy are managed by Group Compliance and Group Procurement.</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'How do we create value?' in 'Our business model'. <p><i>In this report:</i></p> <ul style="list-style-type: none"> - See 'Our suppliers'. <p><i>Supporting strategic documents:</i></p> <ul style="list-style-type: none"> - KBC Sustainability Code of Conduct for Suppliers

13 MATERIAL TOPICS

<p>LIMITING OUR ADVERSE IMPACT ON SOCIETY VIA SUSTAINABLE POLICIES</p>	<p>GRI 203: Indirect Economic Impact GRI 412: Human Rights Assessment FS6, FS7, FS8 (Financial Services Sector Disclosures): Product Portfolio</p>	<p>Limiting our adverse impact we have on society helps us to secure the sustainable future of both KBC and society as a whole.</p>	<p>Limiting our adverse impact on society is one of the cornerstones of our sustainable strategy, which is part of the group's corporate strategy.</p> <p>The Group Executive Committee is responsible for operational management.</p> <p>We apply strict sustainability rules to our business activities with respect to human rights, the environment, business ethics and sensitive or controversial themes.</p> <p>Measurement and evaluation are administered via sustainability governance and the sustainability dashboard.</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'Our role in society' in 'Our strategy'. <p><i>In this Report:</i></p> <ul style="list-style-type: none"> - 'Clear guidelines and policies' in 'Limiting our adverse impact on society'. <p><i>Supporting strategic document:</i></p> <ul style="list-style-type: none"> - KBC Group Sustainability Framework
<p>DIRECT FOOTPRINT</p>	<p>GRI 302: Energy GRI 305: Emissions</p>	<p>Climate change is one of the biggest threats worldwide. It is therefore material for society as a whole.</p>	<p>We recognise that urgent actions should be taken to combat climate change. We have incorporated climate change into our sustainability strategy.</p> <p>We meet our environmental responsibility through strict sustainability policies, by imposing environmental targets for the group and by determining environmental responsibility as one of the focus areas for sustainability.</p> <p>Measurement and evaluation are administered through sustainability governance and the sustainability dashboard</p>	<p><i>See Annual Report 2016:</i></p> <ul style="list-style-type: none"> - 'Our role in society' in 'Our strategy'. <p><i>In this report:</i></p> <ul style="list-style-type: none"> - 'Clear guidelines and policies' and 'Reducing our environmental footprint' in 'Limiting our adverse impact on society'. - 'Environmental responsibility' in 'Increase our positive impact on society'. <p><i>Supporting strategic documents:</i></p> <ul style="list-style-type: none"> - KBC Group Environmental Policy - KBC Group Sustainability Framework

14 GRI CONTENT INDEX

This Sustainability Report has been prepared in accordance with the GRI Standards: 'Core' option and has not been externally audited. The GRI Content Index is set out below. Reference is made to the Annual Report 2016, the Sustainability Report 2016, KBC Group Sustainability Framework and our corporate website.

GRI 101: FOUNDATION 2016

GRI 101 does not include any disclosures

GRI 102: GENERAL DISCLOSURES 2016

ORGANISATIONAL PROFILE

102-1	Report the name of the organization	See Annual Report 2016: 'Welcome' (p. 3); 'note 6.9.: General Information on the company' (p. 209)
102-2	Activities, brands, products, and services	See Annual Report 2016: 'KBC at a Glance' (p. 6-7)
102-3	Location of headquarters	See Annual Report 2016: 'note 6.9.: General Information on the company' (p. 209)
102-4	Location of operations	See Annual Report 2016: Inside cover; 'KBC at a Glance' (p. 6-7); 'What makes us who we are?' (p. 15)
102-5	Ownership and legal form	See Annual Report 2016: 'note 6.9.: General Information on the company' (p. 209)
102-6	Markets served	See Annual Report 2016: Inside cover; 'Where do we stand in each of our countries?' (p. 63)
102-7	Scale of the organization	See Annual Report 2016: Inside cover; 'KBC Group passport' (p. 1); 'Market conditions in our most important countries in 2016' (p. 22-23); 'How we create value' (p. 11-13)
102-8	Information on employees and other workers	See Sustainability Report 2016: 'Facts & figures': 'People indicators' (p. 47-50) See Sustainability Report 2016: 'About the report' (p. 9)
102-9	Supply chain	See Sustainability Report 2016: 'Facts & figures': 'Economic indicators' (p. 40); 'Responsible business indicators' (p. 46-47) See Sustainability Report 2016: 'Our suppliers' (p. 33-34)
102-10	Significant changes to the organisation and its supply chain	No significant changes were made to the organisation or its supply chain
102-11	Precautionary Principle or approach	See Annual Report 2016: 'We aim to achieve our ambitions within a stringent risk management framework' (p. 45-47); 'Non-financial risks' (p. 95-96) See KBC Group Sustainability Framework: 'Limiting our adverse impact' (p. 7-14)
102-12	External initiatives	See Sustainability Report 2016: 'Commitments' (p. 39)
102-13	Members of associations	See Sustainability Report 2016: 'Stakeholder engagement' (p. 26); 'Commitments' (p.39)

STRATEGY

102-14	Statement from senior decision maker	See Sustainability Report 2016 (p. 3) See Annual Report 2016 (p. 8-9) See Report to Society 2016 (p. 1)
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14 GRI CONTENT INDEX

ETHICS AND INTEGRITY

102-16	Values, principles, standards, and norms of behavior	See Annual Report 2016: 'What makes us who we are?' (p.14-15); 'Important new and updated KBC sustainability policies' (p. 43) See Sustainability Report 2016: 'Responsible behaviour' (p. 13); 'Limiting our adverse impact on society': 'Clear guidelines and policies' (p. 14-17); 'Our suppliers' (p. 33-34) See corporate website: Behaving responsibly and ethically at KBC; Setting rules and policies See KBC Group Sustainability Framework: 'Limiting our adverse impact' (p. 7-14)
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GOVERNANCE

102-18	Governance structure	See Annual Report 2016: 'Composition of the Board and its committees' (p. 18); 'Composition of the Board and its committees' (p. 120-127) See Corporate Governance Charter KBC Group 2017
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STAKEHOLDER ENGAGEMENT

102-40	List of stakeholder groups	See Sustainability Report 2016: 'Stakeholder engagement' (p. 26)
102-41	Collective bargaining agreements	See Sustainability Report 2016: 'Facts & figures': 'People indicators' (p. 47-50)
102-42	Identifying and selecting stakeholders	See Sustainability Report 2016: 'Stakeholder engagement' (p. 26)
102-43	Approach to stakeholder engagement	See Sustainability Report 2016: 'Stakeholder engagement' (p. 26-27)
102-44	Key topics and concerns raised	See Annual Report 2016: 'In what environment do we operate' (p.19-23) See Sustainability Report 2016: 'Stakeholder engagement' (p. 26-27); 'Material topics' (p. 51-58)

14 GRI CONTENT INDEX

REPORTING PRACTICE

102-45	Entities included in the consolidated financial statements	See Annual Report 2016: 'Note 6.5.: Subsidiaries, joint ventures and associated companies at year-end 2016' (p. 206-208) See our corporate website for a complete list of companies belonging to the group See Sustainability Report 2016: 'About the report' (p. 9)
102-46	Defining report content and topic boundaries	See Sustainability Report 2016: 'About the report' (p. 9); 'Stakeholder engagement' (p. 26-27); 'Material topics' (p. 51-58)
102-47	List of Material topics	See Sustainability Report 2016: 'Material topics' (p. 51-58)
102-48	Restatements of information	See Sustainability Report 2016: 'Facts & figures', 'Environmental indicators' (p. 41-45). The environmental indicators for 2015 are restated figures using improved calculation methodology in 2016 and based on full coverage.
102-49	Changes in reporting	See Sustainability Report: 'About the report' (p. 9)
102-50	Reporting period	See Sustainability Report 2016: 'About the report' (p. 9)
102-51	Date of most recent report	See Sustainability Report 2016: 'About the report' (p. 9)
102-52	Reporting cycle	See Sustainability Report 2016: 'About the report' (p. 9)
102-53	Contact point for questions regarding the report	See Sustainability Report 2016: 'About the report' (p. 9)
102-54	Claims of reporting in accordance with the GRI standards	See Sustainability Report 2016: 'About the report' (p. 9)
102-55	GRI content index	See Sustainability Report 2016: 'GRI content index 2016' (p. 59)
102-56	External assurance	See Sustainability Report 2016: 'About the report' (p. 9)

14 GRI CONTENT INDEX

TOPIC SPECIFIC GRI STANDARDS (GRI 200,300, 400)

ECONOMIC

GRI 201: Economic Performance 2016 (linked to material topics: pricing of products and services, financial performance, risk management and long term strategy)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
201-1	Direct economic value generated and distributed	See Annual Report 2016: 'KBC Group passport' (p. 1); 'How we create value' (p. 11-13); 'Results by business unit' (p. 74-75) See Sustainability Report 2016: 'Facts & figures': 'Economic indicators' (p. 40) See KBC Group Community Involvement Policy
201-2	Financial implications and other risk and opportunities due to climate change	See Annual Report 2016: 'How do we create value' (p. 12); 'Limiting our negative impact on society' (p. 42) See Sustainability Report 2016: 'Limiting our adverse impact on society': 'Clear guidelines and policies' (p. 14-17) KBC Group CDP Report 2016 KBC Group environmental Policy
201-4	Financial assistance received from government	KBC did not receive financial assistance from any government during 2016. The state aid received in 2008 and 2009 was fully repaid in December 2015.
GRI 203: Indirect Economic Aspects 2016 (linked to material topic: Funding and insuring the local economy and stimulating entrepreneurship and Limiting our adverse impact on society via sustainable policies)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
203-1	Infrastructure investments and services supported	See Sustainability Report 2016: 'Community' (p. 35)
203-2	Significant indirect economic impacts	As an integrated bank-insurance group, catering mainly for retail, private banking, SME and mid-cap clients, we have an indirect impact on the economy and society at large through all our products and services. Due to the significant scale and wide variety of our indirect impact, we cannot report on it in full. When we grant a loan to an entrepreneur, for instance, we have an impact not only on that entrepreneur, but also on the community in which he operates in. See Sustainability Report 2016: 'How do we create and share value?' (pg 5-8); 'Increase our positive impact on society' (p. 21-25); 'Our employees' (p. 28-31); 'Community' (p. 35-39); 'Facts & figures', 'Economic indicators' (p. 40); 'Facts & figures', 'Responsible business indicators' (p. 46-47).

14 GRI CONTENT INDEX

GRI 205: Anti-corruption 2016 (material topic: Business ethics and Integrity)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
205-1	Operations assessed for risks related to corruption	<p>See Sustainability Report 2016: 'Responsible behaviour' (p. 13) See KBC Group Anti-Corruption and Bribery Policy</p> <p>Significant risks related to corruption identified through the risk assessment:</p> <p>Risk assessment Every entity should perform a risk assessment at least annually to evaluate the nature and the extent of its exposure to potential internal and external bribery and corruption risks, based on predefined criteria. Identified key external corruption and bribery risks:</p> <ul style="list-style-type: none"> - Country risk (perceived high levels of corruption, low quality of legislation, low transparency). - Sector risk (certain departments of a financial institution or cross-border activities are more exposed; risks are different for a bank compared to other activities such as leasing, investment services or factoring). - Transaction risk (charitable contributions, licences and permits, public procurement). - Business opportunity risk (complex projects including many intermediaries, not at market prices, no clear legitimate objective). - Business partnership risk (transactions with foreign public officials, joint ventures, PEPs, agents and intermediaries). - Due Diligence Risk (absence of due diligence on parties performing services on behalf of the organisation, e.g. to establish business in a foreign market, M&As) <p>Identified key internal corruption and bribery risks:</p> <ul style="list-style-type: none"> - Human resources (employee training, skills and knowledge, bonus culture, excessive risk taking). - Monitoring and control (lack of monitoring, reporting, or clear financial/accounting controls). - Other (lack of clarity in procedures for hospitality, promotional expenses, charitable contributions, etc.; lack of anti-bribery message from the top management, specific divestment risks).
205-2	Communication and training about anti-corruption policies and procedures	<p>See Sustainability Report 2016: 'Responsible behaviour' (p. 13) See the code of conduct for KBC Group employees</p>

14 GRI CONTENT INDEX

GRI 206: Anti-competitive behavior 2016 (material topic: Business ethics and Integrity)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	<p>See Sustainability Report 2016: 'Material topics' (p. 51-58)</p> <p>A few years ago, KBC decided to reinforce its anti-trust risk management through a group-wide Competition Compliance Programme ('CCP'), embedded within the group's overall risk governance. KBC's long-standing preventive approach has been upgraded to a compliance approach. In general, the implementation of a CCP is a long-range plan: according to international standards, it takes several years. KBC has therefore decided to apply a gradual approach to ensure that the CCP is embedded at all corporate levels. Implementation began by obtaining endorsement decisions at all management levels. The necessary corporate structures were then created to allow staff members to comply with the CCP. Only at a subsequent stage did we reach out to staff members to influence individual behaviour.</p> <p>One key element of the CCP is the mandatory prior legal advice in specific situations. This can be obtained in two ways:</p> <ul style="list-style-type: none"> - Legal guidelines have been created, describing how to behave in several standard situations (e.g. trade association meetings and joint deals). - In other situations, the competent legal advisers must be contacted individually. <p>Another key element of the CCP is training: all staff members are required to attend a training session. Most follow an interactive e-learning programme. Managers and employees in regular contact with competitors must attend an interactive workshop focusing on examples from daily life.</p>
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	KBC is involved in a very limited number of legal actions of national competition authorities in Central and Eastern Europe. These legal actions are pending for several years.

14 GRI CONTENT INDEX

ENVIRONMENT

GRI 302: Energy 2016 (material topic: Direct footprint)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
302-1	Energy consumption within the organisation	See Sustainability Report 2016: 'Facts & figures': 'Environmental indicators' (p. 41-45)
302-3	Energy intensity	See Sustainability Report 2016: 'Facts & figures': 'Environmental indicators' (p. 41-45)
302-4	Reduction of energy consumption	See Sustainability Report 2016: 'Facts & figures': 'Environmental indicators' (p. 41-45)
GRI 305: Emissions 2016 (material topic: Direct footprint)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
305-1	Direct (Scope 1) GHG emissions	See Sustainability Report 2016: 'Facts & figures': 'Environmental indicators' (p. 41-45)
305-2	Energy indirect (Scope 2) GHG emissions	See Sustainability Report 2016: 'Facts & figures': 'Environmental indicators' (p. 41-45)
305-3	Other indirect (Scope 3) GHG emissions	See Sustainability Report 2016: 'Facts & figures': 'Environmental indicators' (p. 41-45)
305-4	GHG emission intensity	See Sustainability Report 2016: 'Facts & figures': 'Environmental indicators' (p. 41-45)
305-5	Reduction of GHG emissions	See Sustainability Report 2016: 'Facts & figures': 'Environmental indicators' (p. 41-45) See Sustainability Report 2016: 'Our environmental footprint' (p. 20)
GRI 308: Supplier environmental assessment 2016 (material topic: Assessments of suppliers on environmental and social aspects)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
308-1	New suppliers that were screened using environmental criteria	See Sustainability Report 2016: 'Our suppliers' (p. 33-34)
308-2	Negative environmental impacts in the supply chain and actions taken	See Sustainability Report 2016: 'Our suppliers' (p. 33-34)

14 GRI CONTENT INDEX

SOCIAL

GRI 401: Employment 2016 (material topic: Equal opportunities for all employees)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
401-1	New employee hires and employee turnover	See Sustainability Report 2016: 'Facts & figures': 'People indicators' (p. 47-50)
GRI 404: Training and education 2016 (material topic: Equal opportunities for all employees)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
404-1	Average hours of training per year per employee	See Sustainability Report 2016: 'Facts & figures': 'People indicators' (p. 47-50) See Sustainability Report 2016: 'Our employees' (p. 31)
404-2	Programs for upgrading employee skills and transition assistance programs	See Sustainability Report 2016: 'Our employees' (p. 31)
404-3	Percentage of employees receiving regular performance and career development reviews	See Sustainability Report 2016: 'Our employees' (p. 31)
GRI 405: Diversity and equal opportunity 2016 (material topic: Equal opportunities for all employees)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
405-1	Diversity of governance bodies and employees	See Sustainability Report 2016: 'Facts & figures': 'People indicators' (p. 47-50)
GRI 412: Human Rights Assessment 2016 (material topic: Limiting our adverse impact on society via sustainable policies)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
412-1	Operations that have been subject to human rights reviews or impact assessments	See Sustainability Report 2016: 'Clear guidelines and policies': How do we implement human rights and our sustainable policies throughout our business activities? (p. 15) See KBC Group Human Rights Policy

14 GRI CONTENT INDEX

GRI 413: Local Communities 2016 (material topic: Accessibility of products and services)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
413-2	Operations with significant actual and potential negative impacts on local communities	See Sustainability Report 2016: 'Community' (p. 35)
FS13	Access Points in low-populated or economically disadvantaged areas by type	See Sustainability Report 2016: 'Increase our positive impact on society' (p. 21-25)
FS14	Initiatives to improve access to financial services for disadvantaged people	See Sustainability Report 2016: 'Community' (p. 35)
GRI 414: Supplier Social Assessment 2016 (material topic: Assessments of suppliers on environmental and social aspects)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
414-1	New suppliers that were screened using social criteria	See Sustainability Report 2016: 'Our suppliers' (p. 33-34)
414-2	Negative social impacts in the supply chain and actions taken	See Sustainability Report 2016: 'Our suppliers' (p. 33-34)
GRI 417: Marketing and Labeling 2016 (material topic: Enable people to make smart financial decisions and transparent communication, Quality of products and services, customer protection, Responsible selling and advice and Integrity)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
417-1	Requirements for product and service information and labeling	<p>We want clients to be able to make smart and well informed financial decisions. Therefore, we focus on financial advice and clear communication on our products and services and their impact.</p> <p>We have a New and Active Products Process (NAPP) in place for the creation of all new products, change and review of all existing products. Through this process, business has to consider the main risks related to all new, modified or reviewed products and services. In addition, the advice from support functions (Risk, Compliance, Legal, Tax, Finance, Credit, Business Architecture) has to be sought. If the risks related to a product or service are deemed too great, the business proposal will be rejected or subjected to conditions. The intention is that we should not sell any unsuitable products or services to clients.</p> <p>See Annual Report 2016: 'The client is at the centre of our business culture' (p. 31-33); 'We offer our clients a unique bank-insurance experience' (p. 34)</p> <p>See Sustainability Report 2016: 'Responsible behaviour' (p. 13)</p> <p>See Sustainability Report 2016: Financial literacy (p. 21)</p>

14 GRI CONTENT INDEX

GRI 418: Customer Privacy 2016 (material topic: Privacy and data protection)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	In the course of 2016, KBC received questions from the Belgian Data Protection Authority (CBPL) and from clients. All client questions were handled by our Complaints Management department and internally analysed in-depth by the Data Protection Officer and others. CBPL inquiries were handled directly by the Data Protection Officer. None of the questions led to proceedings with a significant effect on the company's financial position or reputation. Questions from local regulators and complaints from clients are handled directly by the local KBC entities.
GRI 419: Socioeconomic Compliance 2016 (material topic: Compliance with laws and regulations, customer protection and Responsible Selling and Advice)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
419-1	Non-compliance with laws and regulations in the social and economic area	See Annual Report 2016: 'Note 5.7.: Provisions for risks and charges' (p. 196-197)

FINANCIAL SERVICES SECTOR DISCLOSURES

Sector Specific Aspect: Product Portfolio (material topic: Limiting our adverse impact on society via sustainable policies)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58) See Sustainability Report 2016: 'Clear guidelines and policies' (p. 14-17)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/ SME/ large) and by sector	See Annual Report 2016: 'Credit risk exposure in the banking activities' (p. 83-85)
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	See Sustainability Report 2016: 'Facts & figures': 'Responsible business indicators' (p. 46-47)
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	See Sustainability Report 2016: 'Facts & figures': 'Responsible business indicators' (p. 46-47)

14 GRI CONTENT INDEX

OWN INDICATORS

KBC1: User-friendliness (material topic: User-friendliness of products and services)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
KBC1	Development of tools to improve user-friendliness of products and services	See Sustainability Report 2016: 'Increase our positive impact on society' (p. 21-25); 'Our clients' (p. 32)
KBC2: Innovation (material topic: Innovative products and services)		
103-1	Explanation of the material topic and its boundary	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-2	The management approach and its components	See Sustainability Report 2016: 'Material topics' (p. 51-58)
103-3	Evaluation of the management approach	See Sustainability Report 2016: 'Material topics' (p. 51-58)
KBC2	Development of innovative products and services to meet changing requirements of society	See Sustainability Report 2016: 'Increase our positive impact on society' (p. 21-25); 'Our clients' (p. 32)