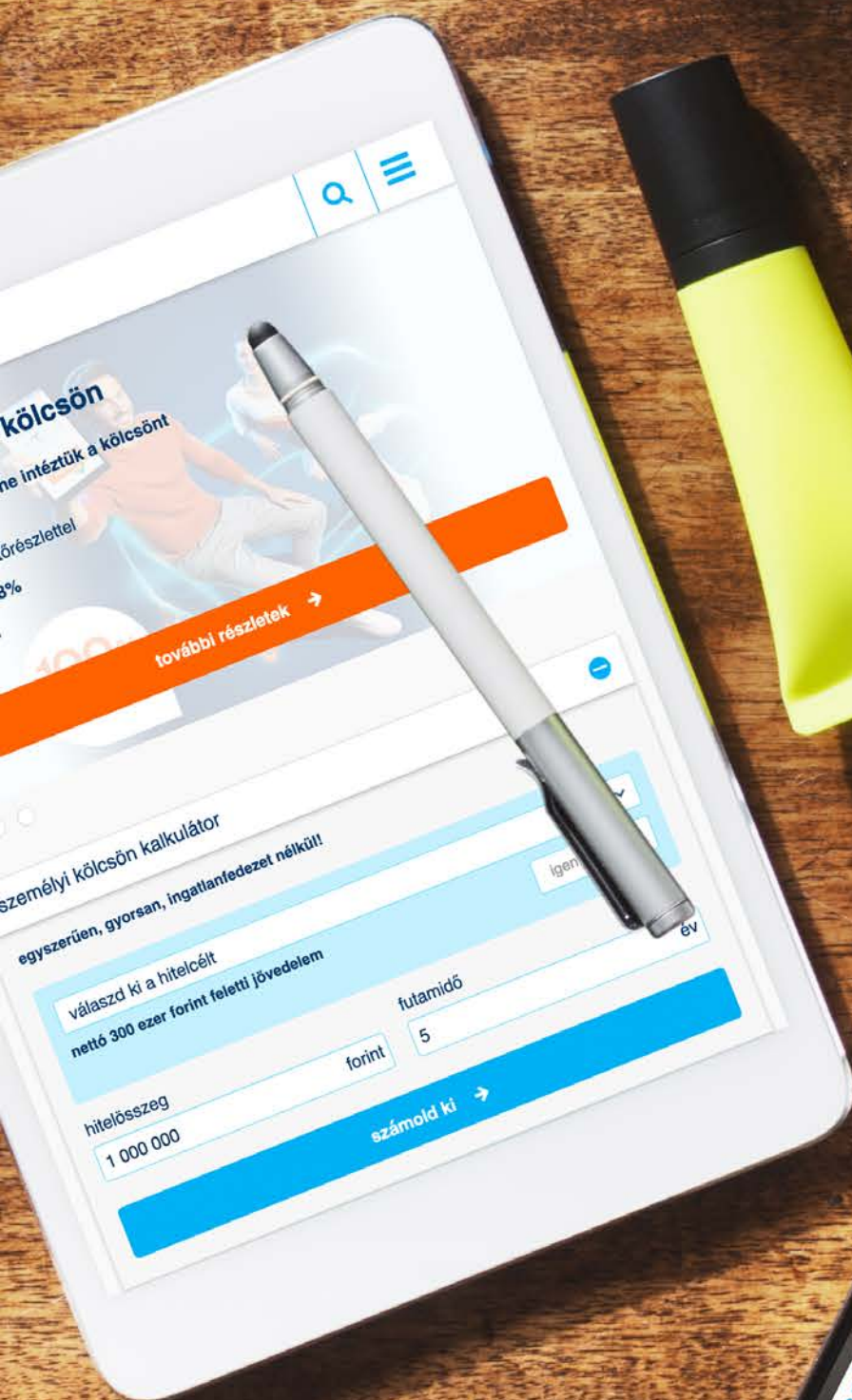


K&H Group sustainability report 2018



contents

welcome

I. who are we?

- I.1. financial results
- I.2. CSR Steering committee
- I.3. our sustainability strategy
- I.4. relevant regulations at K&H
- I.5. what kind of Sustainable Development Goals are we committed to?

II. sustainability in business

- II.1. sustainability towards customers
- II.2. responsibility towards suppliers
- II.3. responsibility towards employees

III. special areas of responsibility

- III.1. financial education
- III.2. environmental protection
- III.3. encouraging entrepreneurship
- III.4. health

IV. our awards in 2018

V. GRI-G4 index



welcome

The rapid rise of digitisation is already affecting all aspects of our lives. At the same time, protecting environmental and social values to ensure sustainable development on our planet is becoming more and more important. We know, however, that social responsibility involves more than supporting a few good causes. As one of Hungary's leading financial service providers, every year we launch new development projects and schemes, and transform our products and services accordingly.

Last year K&H was the first bank in Hungary to launch a fully online cash loan service; the number of our clients using mobile banking services increased significantly; and more and more of them have a biometric profile. These were further steps towards making transactions completely travel-free and paperless. We have also added new elements to our social initiatives in order to embrace digital transformation: that is how the ready#CaSh mobile app was born, and our latest scheme has set us on a truly new and innovative path as we have extended our support for sports to include e-sports.

Thank you for following our innovative developments and the results of our initiatives. They demonstrate our commitment to continuously improving service standards, so that we help our clients realise their dreams and protect their values.



I. who are we?

As a leading financial operator in Hungary, we offer banking and insurance solutions in response to customer requirements, from which customers can make a smart decision, selecting those most suitable for them.

Our innovative services and initiatives are witness to our commitment to continually boosting the standard of services we offer to customers, helping them realise their dreams and protect them.

1.5 million
retail, SME
and corporate
customers

4000
employees

financial results

- » in 2018 K&H Bank recorded a profit of HUF 57.8 billion
- » K&H Insurance had a profit of HUF 4.5 billion
- » in 2018, its total assets reached to HUF 3 199 billion

- » loans extended to old people's homes: HUF 32.6 million
- » loans extended to schools and educational institutions: HUF 823 million
- » loans extended to hospitals: HUF 1 billion and 923 million

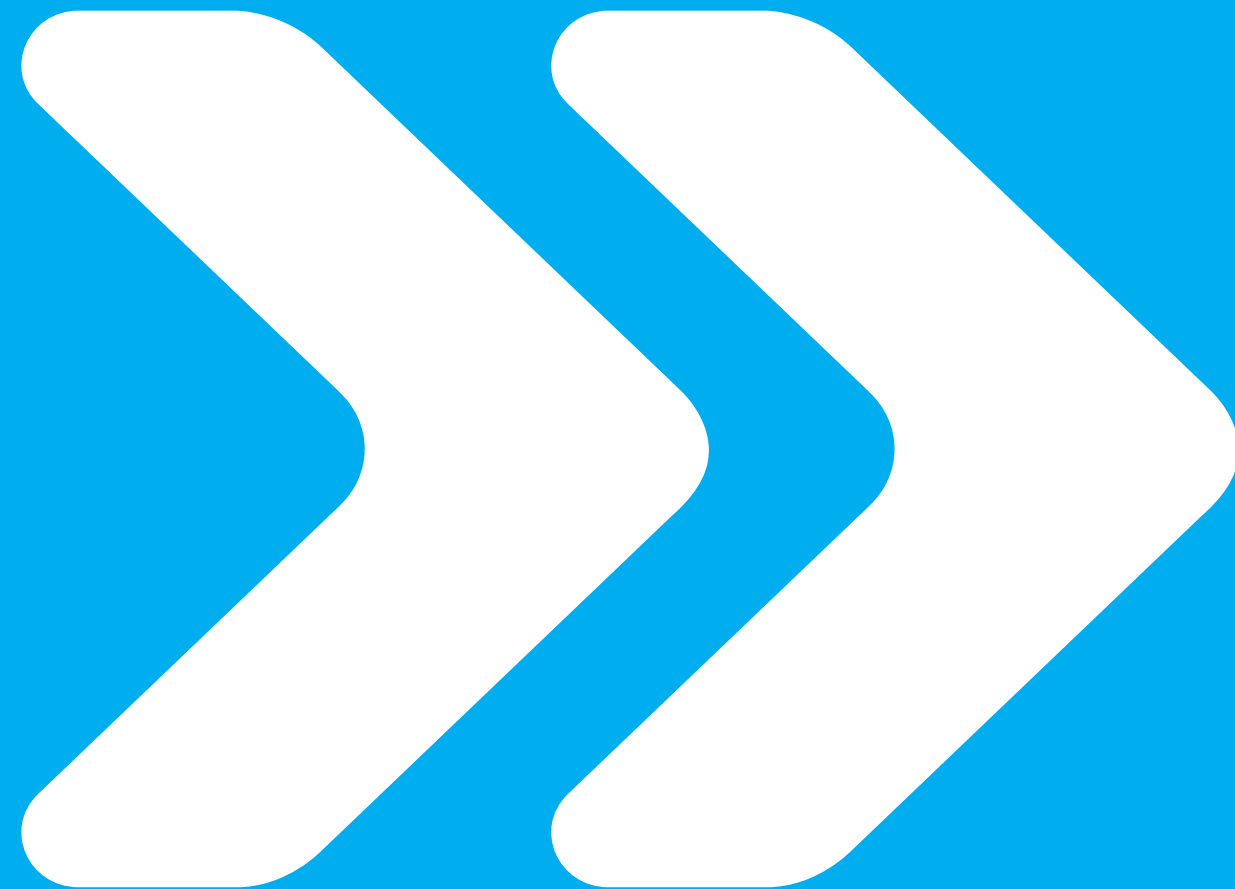
(figures as at 31 December 2018)



CSR Steering Committee

The Corporate Sustainability and Responsibility Steering Committee is responsible for the corporate social responsibility activities of K&H Group in Hungary, and it represents the Company's commitment to such activities implemented across the country.

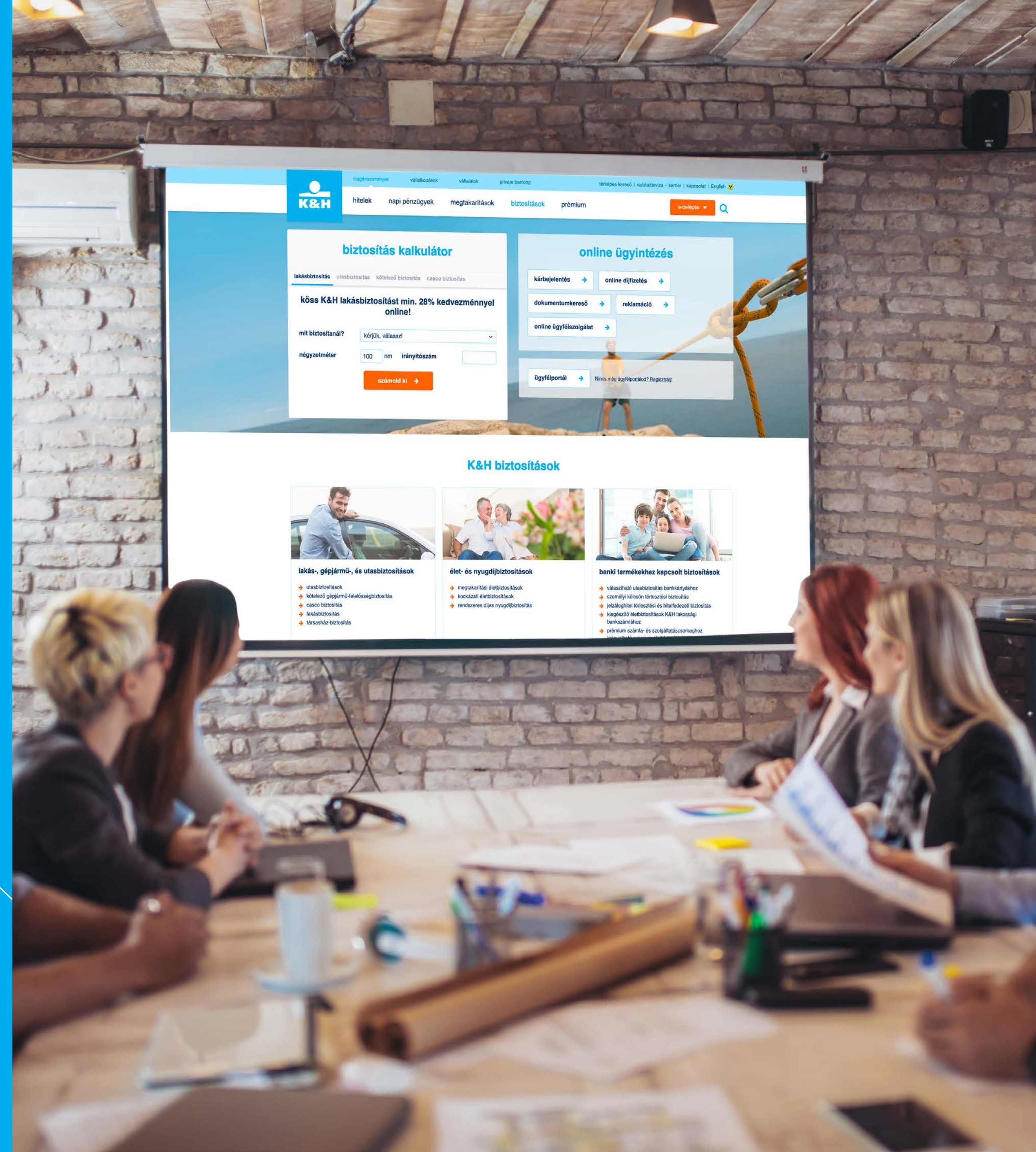
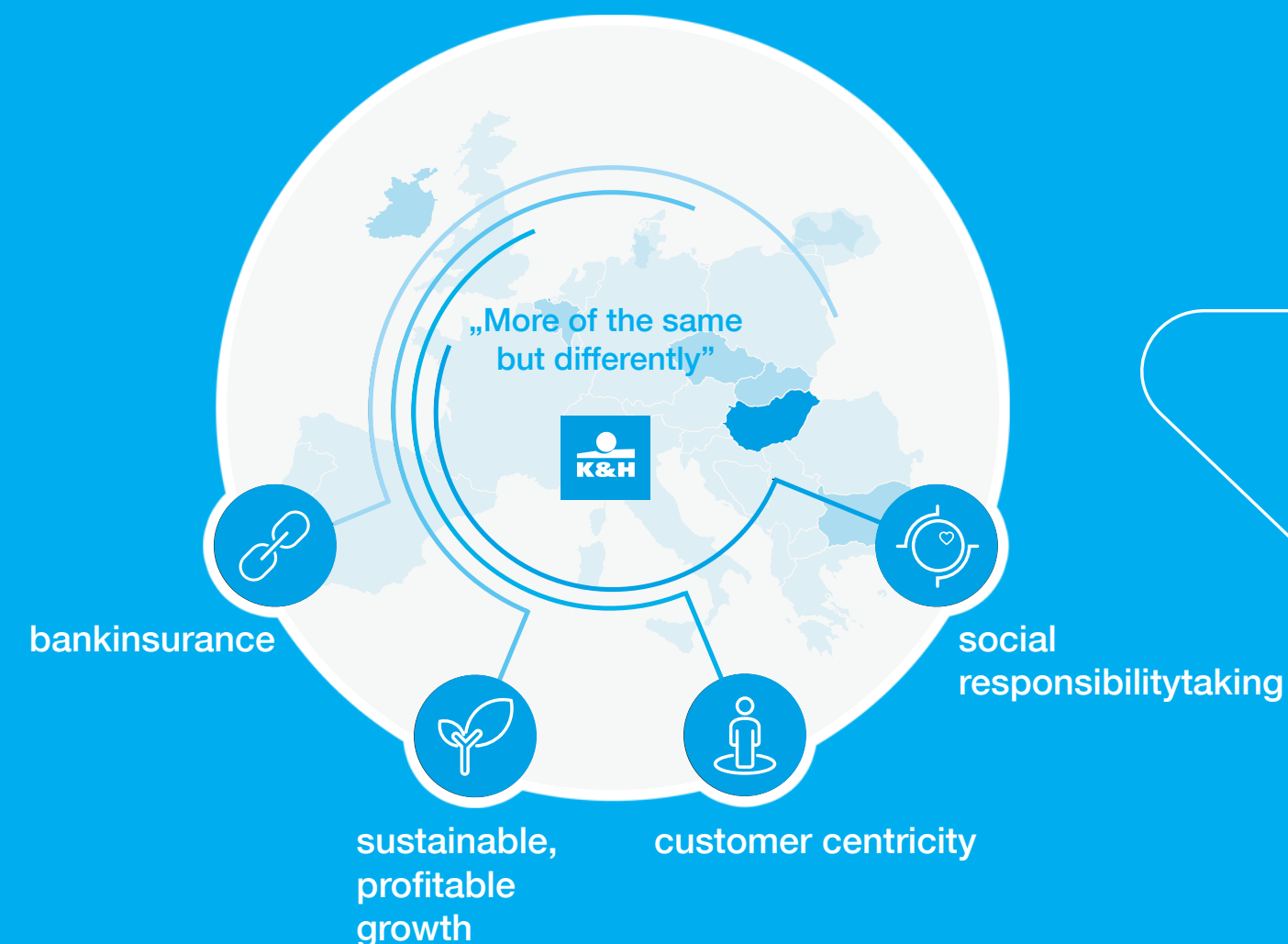
- » monitors initiatives
- » checks progress
- » supervises guidelines and
- » approves the sustainability report



our sustainability strategy

The Reference strategy is KBC Group's strategy covering all countries. It has 4 key pillars:

- » **bankinsurance:** we are striving to offer a unique bankinsurance experience to customers
- » **sustainable growth and profitable operation:** we are planning for the long run, so we are aiming for sustainable growth and profitable operation
- » **customer centricity:** we place the customer in the focus of everything we do, and work towards offering them high-quality services and fitting solutions at all times
- » **our society:** we take our responsibility towards local society and local economy seriously, striving to show our commitment in our day-to-day activities alike



This is all supported by the PEARL culture, which can make our strategy truly successful.

the key pillars of PEARL:

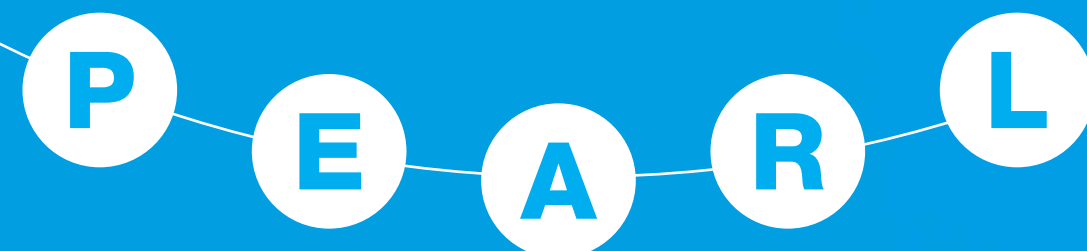
Performance – we perform outstandingly, above the expectations of our stakeholder groups

Empowerment – we ensure the enhancement of our employees' creativity and individual skills

Accountability – we take personal responsibility towards all stakeholder groups

Responsiveness – we manage the needs, ideas, recommendations and efforts of colleagues, managers and customers with an equally open, co-operative and supportive attitude

Local embeddedness – we are aware that we and our customers are also very diverse in our different markets, and we act accordingly





relevant regulations at K&H

Our activities concerning business ethics, social sensitivity, human rights and the reduction of our environmental and ecological footprint are based on strict guidelines.

business ethics:

- » K&H Bank's code of conduct (March 2010)
- » Code of ethics (February 2010)

socially sensitive topics:

- » retail credit risk regulation (July 2013)
- » corporate credit policy (part of the Corporate Underwriting Regulation)
- » the provision of equal access during interaction with the customer (November 2016)

human rights:

- » collective agreement (6A and 6B §)

environmental protection:

- » the environmental policy of the K&H Brand Group and the local units in Hungary of KBC Group (September 2016)
- » the energy policy of the K&H Brand Group and the local units in Hungary of KBC Group (September 2016)

the Group's anti-corruption programme has two main objectives:

- » to identify considerations and principles which help avoid conflict of interest
- » to identify a group-level solution in order to fully comply with all legal requirements

what kind of Sustainable Development Goals are we committed to?

The Sustainable Development Goals (SDGs) adopted by 193 countries in September 2015 identified global targets up until 2030.

Health and wellbeing



Quality education



Gender equality



Fair work and economic growth



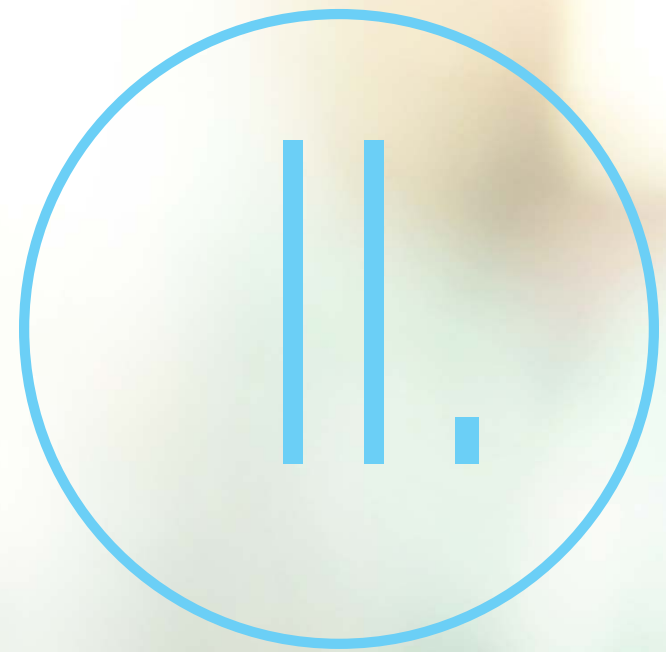
Reducing inequalities



Acting against climate change



sustainability
in business





sustainability in business



sustainability towards our customers



In 2018 we accelerated our digital transformation to make sure we can offer even simpler and smoother banking and insurance services to customers.

- » we have the largest cash-in ATM network in the country with 212 units
- » with 39 units, we also have the largest tellerless network in Hungary
- » more than 200 000 customers use mobile banking services actively, which represents 66% increase year-on-year
- » now every 4th customer has a biometric signature, allowing them to sign their documents in bank branches electronically
- » we have introduced the Okos client portal, allowing customers to perform key non-life transactions on-line

- » thanks to our co-operation with a fintech company, we introduced a pioneering, fully digital, AI-operated cash loan service, which disburses funds to non-K&H customers as well within half an hour



(figures as at 31 December 2018)

sustainability towards our customers



In 2018 we also contributed to the funding of the economy, and we also supported the transition to a green economy.

- » we provided businesses with loans worth HUF 250 billion
- » we approved credit applications worth HUF 50 billion for solar energy projects, thus creating 150 megawatts of new “green” capacity

- » we concluded a portfolio guarantee agreement worth HUF 9.6 billion with the European Investment Fund. The purpose of the portfolio guarantee is to be able to offer loans with more favourable conditions to high-value innovative SMEs and smaller midcorps



(figures as at 31 December 2018)



the same for all

– K&H's accessibility strategy

• 2006

The UN adopted the Convention on the Rights of Persons with Disabilities, which became effective in Hungary in 2008.

• 2015

In Hungary the National Assembly passed a resolution about the Disability Programme.

• 2017

- › we opened 2 new branches with easy accessibility (in the WestEnd and DunaPlaza shopping centres)
- › 74% of our branches offer partial or full accessibility to customers living with disabilities

• 2018

Using feedback about the customer experiences received we check and evaluate our complaints handling function and branches once every 6 months. In 2018 we did not receive any complaints about either. In fact, feedback was outstandingly positive.

• 2020

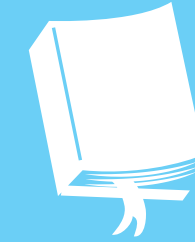
By 2020 we will complete the already started accessibility strategy both in terms of physical and online channels. We are committed to getting to know the needs of people living with disabilities to make sure each of our customers can use our products and services with dignity and ease.



responsibility towards our suppliers



2744
active
suppliers



in every new
contract:
code of
conduct



for high-value tenders:
social responsibility
questionnaire



the integration
of criteria representing
social, ethical and
environmental
protection aspects



the procurement
of products and services
with the lowest possible
environmental impact



co-operation with
suppliers who support
the steps K&H has taken
towards sustainable
development



co-operation with
suppliers who adopt
the principles contained
in the UN Global Compact



responsibility towards our employees

K&H Group considers its employees to be its key resources, and believes that it can only be successful with a satisfied and sufficiently motivated workforce with advanced professional knowledge. For this reason, in all areas of human resource management, we strive to create an environment which supports the expectations of employees and the needs of the company.

- » there are always opportunities here to develop
- » our colleagues can try themselves in a number of different areas and develop their skills
- » we allow our colleagues to broaden their horizons, doing what they are interested in and really good at, as this is the only way to move forward and become successful and satisfied in life





training

In K&H Group we encourage employees to develop and promote their careers within K&H by supporting professional training initiatives.

We offer and support different types of training, including traditional and electronic learning (e.g. e-learning and videos).

HUF 477 million
spent on training

839
different
types of
training

54
different
types of
e-learning

588
types of classroom
training

251
types of
e-learning

187
training
videos

- » informal presentations irrespectively of the position held
- » knowledge-sharing forums
- » programmes for boosting co-operation
- » free e-learning materials
- » professional training and development
- » training initiatives to improve skills
- » target group-specific training initiatives
- » support for those writing professional essays
- » management development
- » ICT training
- » custom-made, individual support
- » training packages relevant to the job

- » dilemma discussions

K&H's reliability is the result of the many different decisions and dilemmas we face day-by-day, affecting the behaviour of all of us. Our goal is to become even more sensitive to the identification and conscious and responsible resolution of dilemmas concerning ethical operation. Therefore, in 2018 1600 managers and employees participated in targeted dilemma discussions.

career planning and development

95 thousand
visitors to the career site

18 thousand
applicants

605 new
employees

280
generation 'Y'

47
generation 'Z'

K&H career start programme

It aims to identify talented and dynamic youngsters who see their future and career at K&H.

- » 240 applicants
- » 8 selected

internship

- » 146 interns

senior programme

We are convinced that the development of such a programme can contribute to finding a healthy work-life balance, and to boosting the number of happy and well-functioning families.

- » 340 employees





remuneration

As a leading financial institution in Hungary, K&H strives to establish and operate a competitive remuneration system on the local market. With this in mind, we regularly gather market information and compare our remuneration system to those of our competitors.

- average, differentiated annual salary rise: 3.5%
- social benefits worth HUF 45 million

We strive to complement our colleagues' lives with K&H employee benefits and discounts. Our Group offers social aid to employees and pensioners in financial need.

» programme for young mothers

We consider it important to update young mothers on long-term leave on current events taking place in K&H Group. On the other hand, we also wish to help them in order to encourage as many of them as possible to return to work eventually.

- K&H welcome back - 86% returned - 31% part-time
- HUF 40 000 worth of social aid – granted to 65 persons

» summer camps - HUF 6.5 million to 318 children

» grant for the IVF programme - HUF 600 000 to 4 people



excellent working conditions

High-quality work and on-going professional development can only be achieved under the right circumstances.

- » new parking area for bikes
- » a room for resting
- » health corner - 4 exercise bikes
- » In 2018 we took further steps to put in place technical and regulatory aspects allowing partial working from home, in jobs where it is possible to do so. This required large-scale infrastructural development, as working from home requires a secure IT channel. We also allowed all colleagues to replace their desktop computers with laptops, granting them access to their company e-mails and diary on their own mobile devices
- » laptops: **2 197**
- » remote access: **1 939**
- » bring your own device: **1 130**





healthier colleagues

2561

occupational health
checks in Budapest

1495

health checks
in the country

780

specialist eye
examinations; contribution

1353

specialist examinations

specialist examinations
by gynaecologists,
dermatologists,
rheumatologists and
otolaryngologists (ENT
specialists) made available
by our occupational
health-care services partner



safety at work, bank security

Employees' awareness with fire protection, labour safety and bank security rules is a key priority for K&H Group. Our staff can access all the relevant training materials on the company's servers in an electronic form.

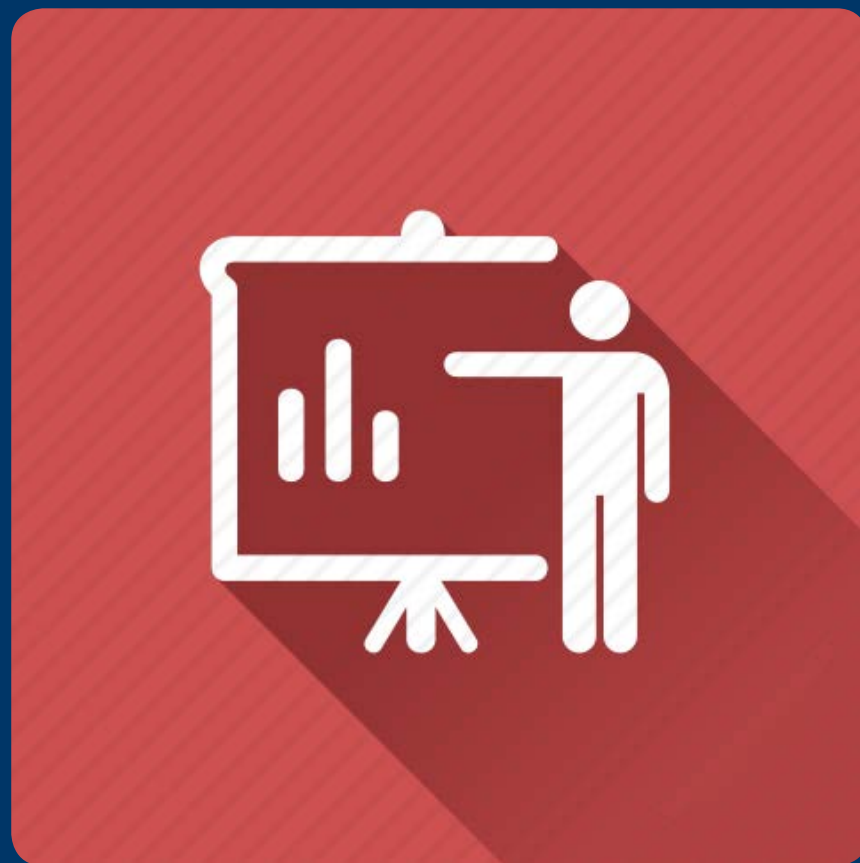
In 2018, the number of accidents at work was again minimal: only 6 cases were reported. 19 of our people were involved in accidents on their way to or from work, typically due to tripping or slipping. In order to prevent similar accidents happening in the future we investigated all the cases without an exception.





III. CSR focus areas





**financial
education**



**environment
protection**



**stimulating
entrepreneurship**



health

financial education

» K&H trend monitor

we help you see what is behind the economic news: analyses and opinions about market trends, investment options and personal finances

» K&H investment club

we explore economic and money-market information in depth to provide retail investors with insights to support their investment decisions

» K&H e-portfolio

we provide our customers with a 360-degree overview of their personal savings and investment portfolios based on up-to-date information

» K&H analysts' club

we help our audiences understand the domestic and international economic trends and the connections in a simple and easy-to-digest form

» financial education with vloggers

we asked YouTube vloggers to talk about some basic financial topics in a simple and easy-to-understand form

» K&H student cup

In 2018, we invited college and university students to participate in the K&H student cup competition, a nationwide online bank-simulation contest, for the tenth time. The 3-member teams were comprised of students interested in banking and ready to test their knowledge at a nationwide competition. We received applications from all over Hungary and even beyond the country's borders! The number of participants over the past ten years totalled nearly 7 000.



financial education

» K&H Ready, steady, money! financial competition

After running successfully for eight years, the K&H Ready, steady, money! financial competition was revamped. Enhanced with up-to-date, trendy and exciting visual and professional contents and a matching framework, the contest was opened to secondary-school students. In designing the vlog series dubbed ready#CaSh and the accompanying mobile application, we followed the content-consumption habits of generations Z and Alpha to make the financials-learning experience attractive, exciting and effortless for our young participants.

- number of downloads: so far more than 8 500
- number of entrants:
 - 2035 teams
 - 8100 students
 - 467 schools
 - 288 settlements
 - in 8 years, a total of more than 38 thousand students
- bank-branch mentoring programme: in 8 years, more than 3 780 teams and 220 bank branches





environment protection

While helping our customers to make smart decisions, we also feel responsible for the community and the environment our retail and business clients and our own employees live and work in. As a financial intermediary, we indeed have a great impact on the environment of our society. For that reason, it is very important for us to properly react to society's environmental needs and help enable its members to live a full life, today and in the future.

Since 2015, we have reduced:

- » our per-capita carbon-dioxide emission by 47%
- » our water consumption by 26%
- » our total energy consumption by 16%, and
- » the amount of waste ending up at disposal sites or incinerators by 6%

'K&H for sustainable agriculture' scholarship application scheme

Scholarship is awarded to students committed to the long-term healthy and sustainable growth of agriculture to support them in their studies and research.

- » 64 applications
- » 8 young agricultural professionals
- » HUF 1.2 million



stimulating entrepreneurship

In Hungary, some 70% of all businesses are family-owned small and medium sized enterprises. These companies generate more than half of the country's GDP and employ more than half of Hungarian jobholders. K&H Group is committed to help align and connect demand from the general public with what these businesses have to offer.

» K&H: gap in the market

The K&H: gap in the market programme provides free market research to SMEs by pointing out local demand for products and services and displaying it on the www.uzletetide.hu website. K&H also offers a toolkit for entrepreneurs to develop their business.

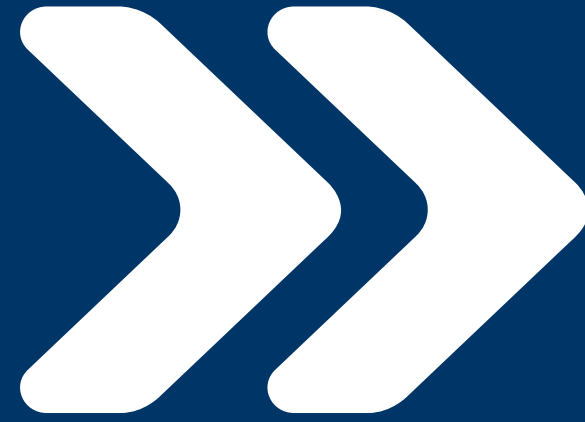
- business ideas: **19 094**
- votes: **56 160**
- expressions of interest by SMEs: **10 593**

» K&H family-owned businesses (FOB) excellence award

The K&H family-owned businesses (FOB) excellence award guarantees considerable media coverage for the winners in order to support their contributions to the country's economy and to the job market and boost their commitment to the local community.

- 3 categories
- 19 applications
- a total of 6 winners (2 in each category)





» **Next Generation roundtable discussions**

K&H's FOB events are addressed to the owners of family-owned enterprises and the next generation of family members to succeed them: they are aimed to support these businesses' future growth and sustainability.

» **Start it @K&H**

Start it @K&H provides local startups with the kind of help that can give them the biggest push at the moment of their launch. In 2018 we added new areas to our already broad portfolio, such as e-sport, fintechs or HR technology. With the involvement of new teams we have practically doubled the capacity of our incubator facility, thus becoming a leading corporate accelerator on the domestic market in just one year, based on the number of new startups.

- currently we have 25 active startups representing 15 different industries
- the previous wave exceeded all of our expectations: the 13 teams growing under our wings at the time have won 10 domestic and international awards, also receiving market capital investments worth more than HUF 600 million
- a community space of close to 300 square metres in the heart of the inner city
- an experienced professional mentoring team with over 30 mentors and specialists from different industries
- gaining international experience
- the average incubation period has grown from 6 months to 12-18 months



health

Our long-term commitment to the preservation of good health and the promotion of a healthy lifestyle is reflected in our K&H go! sports program and our K&H MediMagic child healthcare program, both of which look back at a history of 15 years now. In the framework of these complex programmes, we take action to promote prevention and a wholesome lifestyle while also supporting treatment and recovery in order to help foster a full and happier life.

» **K&H MediMagic child healthcare program**

Proof of our local embeddedness and long-term commitment, the K&H MediMagic paediatric health-care programme has been around to listen and respond to the needs of the Hungarian health-care system for the last fifteen years.



» **nationwide equipment-grant applications scheme**

We launched the K&H MediMagic equipment-grant applications scheme right at the start to enable doctors and nurses to make smart decisions faster and easier with the help of the medical equipment and accurate diagnostic tools awarded to the winners so their little patients can return to their family and friends and live a full life again as soon as possible.

➤ **story-telling doctors**

We believe that the spiritual wellbeing of children also contributes to their healing, in 2013 we brought to life the K&H MediMagic Story-Telling Doctors programme, which has, since then, grown into the country's largest voluntary initiative, with over 50 thousand registered story-tellers and 17 000 story-telling sessions.

➤ **K&H MediMagic regional application scheme**

At the same time we have also found that expensive, modern equipment is not all: many times it is precisely the smallest devices or a child-friendly environment that may be missing and that can make a real difference in attending to and treating our children. An addition to our equipment-grant applications scheme, in 2018 we announced the K&H MediMagic regional applications programme for the third time and invited institutions providing care for children to apply not only for equipment grant but also the creation of a pleasant, child-friendly environment conducive to recovery. In the final round, the winners were chosen by the local communities casting their ballots online and in K&H bank branches.

➤ **K&H MediMagic: the story of my child's magic recovery initiative**

The fifteenth anniversary of K&H MediMagic was a milestone in the history of the programme. We decided to celebrate it with the K&H MediMagic: the story of my child's magic recovery initiative. Our dream was to give even more this time: something beyond the new and modern equipment. This time, we wanted to give faith and hope to parents struggling to keep up the difficult fight for their children's recovery. Our initiative won the support of our media partners, who helped us spread the word all over the country providing an opportunity for parents to send us their stories and say thank you to the staff of the institutions they owe their kids' recovery

➤➤ **donations by our employees**

During the fifteen years of K&H MediMagic, our clients and partners and our own colleagues joined forces to help promote children's health themselves on several occasions.

➤ **1% of the personal income tax** is regularly offered to the programme by a growing number of people.

In 2018, the ambulance unit of Mezőkövesd and Dr. Bugyi István Hospital in Szentes received equipment worth almost HUF 1 million.

➤ **christmas fair**

Our colleagues started yet another charity in 2016: they organised a christmas fair, where they sold sweets made by themselves as well as hand-made jewellery and other objects of their own creation, and donated the proceeds to K&H MediMagic.

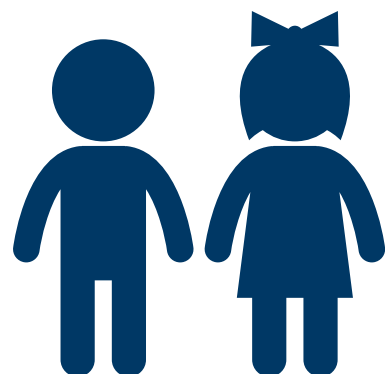
In 2018, the Hospital of Mohács received support in the amount of HUF 850 000.



K&H MediMagic:
the story of my
child's magic
recovery initiative



Support in
the amount of
HUF 6 million



15
years



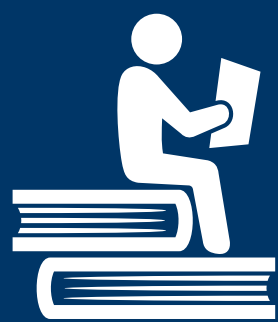
K&H
MediMagic
equipment-grant
applications



430 occasions,
support in the
amount of
HUF 646 million



5
years



K&H
MediMagic
story-telling
doctors programme



~50 000
registered volunteers



47 hospitals offering
the story-telling
doctors programme



730 videos with
stories for children

2
years



K&H
MediMagic
regional applications
scheme



49 beneficiary
institutions,
support in the
amount of approx.
HUF 15 million



other
donations

1%

1% of personal income
tax: 9 times, more than
HUF 10 million



Christmas donations:
13 occasions, more than
HUF 8.5 million



donations by partners:
more than
HUF 4 million



» **K&H go!**

In K&H's life, dedication, determination and excellence are of key importance. We realised that those qualities call for extensive and long-term sponsorship for sports and games.

» **paralympic card programme**

We have sponsored the Hungarian Paralympic Committee and the Paralympic team for the past twelve years. Through the K&H go! paralympic card programme we also assist individual athletes and their helpers directly.

- 19 athletes
- 3 helpers
- support in the amount of more than HUF 17 million

The winners in 2018:

Adult category



Róbert Suba
Paralympic silver
medallist

Young talent



Evelin Száraz
swimmer

Helper category



Tamás Forró
helper of the national boccia
team and of László Hegedűs

» **grass-root sports events**

We have organised K&H go! events every year since 2003 and involved a total of more than 260 thousand people in our running and cycling days and lake-crossing events.



K&H go! cycling days	K&H go! Velence lake-crossing events	K&H go! marathon and semi marathon relays	K&H go! Balaton marathon and semi marathon events
2126	3028	6239	6216

» **support for top-class sports**

K&H is the name-giving sponsor of the spring and fall seasons of the Hungarian Handball League.



➤ **K&H e-sports**

As digitalisation is gaining ground at an enormous speed, we face considerable changes and brand-new trends emerging in all areas of our lives day by day. Today's young generations demand up-to-date, digital solutions everywhere and we are experiencing the same trends in the world of sports and games. That prompted us to enter a most recent and innovative field in 2018 as far as our sports sponsorship is concerned: we decided to extend our support for grass-root sports, para sports and competitive sport to include the e-sport segment. In 2018, we already had an opportunity to sponsor the FIFA 19's first official competition in Hungary, the 'K&H e-cup FIFA 19' championship.

102
contestants

131
matches

4
professional
e-athletes

8
consoles

10
hours of
FIFA activity





our recognitions in 2018



- › **Business Ethics Award – K&H Insurance**
- › **Mastercard – Sustainable Bank of the Year 2018 – 1st place**
- › **Mastercard – Retail Loan Product of the Year 2018 – 3rd place**
- › **Mastercard – Socially Responsible Bank of the Year 2018 – 3rd place**
- › **HRKOMM Award – silver**
- › **HRKOMM Award – bronze**
- › **Family-friendly Company 2018 – Mentor Organisation**
- › **German-Hungarian Chamber of Industry and Commerce – Reliable Employer Award**
- › **Data & Marketing Association Echo Awards – silver, Financial & Insurance category**



GRI-G4 index

general standard data reporting			page number
strategy and analysis			
G4-1	foreword		3
G4-2	key impacts, risks and opportunities		11-13
G4-3	the organisation's name		1
G4-4	brands, products and services		4, 11-12
G4-9	the organisation's size		9
G4-10	employee structure		4
G4-12	introducing the organisation's supply chain		14
G4-13	significant changes in the subject period		11-12
G4-15	supported initiatives		11-20, 24-33
G4-18	identifying the report's contents		2
G4-19	key considerations		2-4, 6-9, 11-15
involving stakeholders			
G4-24	stakeholder grs to which the organisation is committed		11-15, 25-29, 32-33
G4-25	principles guiding the relationship with stakeholder groups		3-4, 6-9
G4-26	stakeholder management system		5
report profile			
G4-28	reporting period		1
G4-32	compliance level		36
governance			
G4-35	delegation of economic, environmental protection and social rights		5

ethics and integrity			
G4-56	the organisation's values, principles, standards and expected norms of behaviour		6-9
category: economy			
economic performance			
G4-DMA	general reporting about management style		3
indirect economic impacts			
G4-DMA	general reporting about management style		3
G4-EC7	the development and impact of supported infrastructural investments and services		11-13, 27-28
G4-EC8	significant indirect social impacts, including their extent		11-12, 27-28
category: environmental protection			
energy			
G4-DMA	general reporting about management style		3, 26
G4-EN6	cutting back on energy consumption		26
water			
G4-DMA	general reporting about management style		3.26
emission			
G4-DMA	general reporting about management style		3, 26
G4-EN19	reducing greenhouse gas emissions		26
sewage and waste			
G4-DMA	general reporting about management style		3, 26

category: society			
subcategory: HR practice and fair conduct at work			
employment			
G4-DMA	general reporting about management style		3, 15-18,
G4-DMA	general reporting about management style		21
training and education			
G4-DMA	general reporting about management style		3, 15
G4-LA10	programmes aimed at the development of skills and life-long learning, which help the on-going employment of colleagues and the closing of their careers		16-17
subcategory: human rights			
G4-DMA	general reporting about management style		8-9
G4-HR3	the number of cases where negative discrimination was used and measures aimed at their elimination		13
subcategory: society			
local communities			
G4-DMA	general reporting about management style		3, 6-7
G4-SO1	the proportion activities impacting local communities, their effects and development programmes		30-31
evaluation of suppliers in terms of social impact			
G4-DMA	general reporting about management style		14