

Report to society

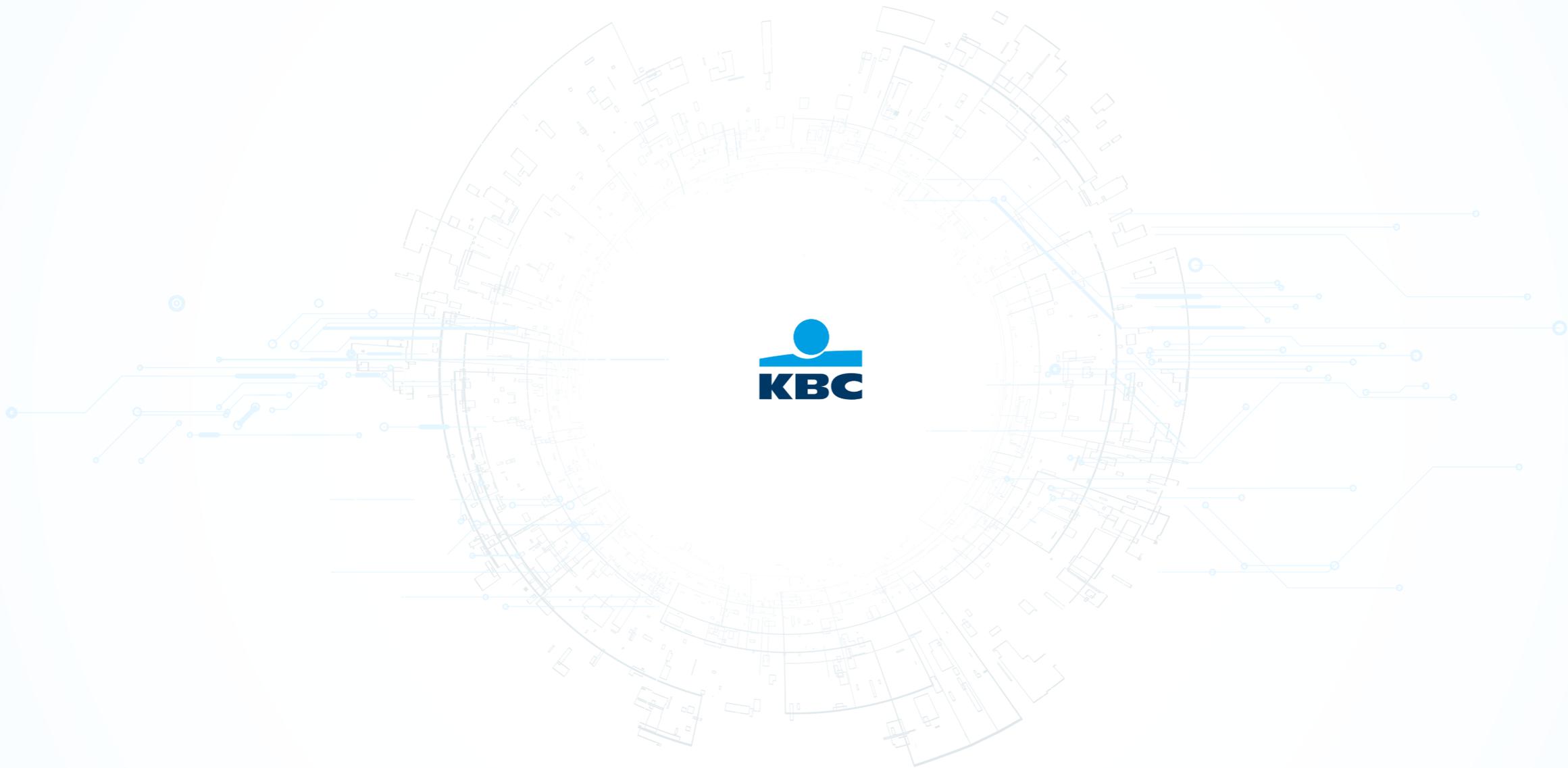
for 2020



Multiple challenges turned 2020 into a historic year.

‘Covid came as a global shock. Our staff and clients alike were badly hit. Some were actually taken ill, while others lost a relative, a friend or a colleague. 2020 was a year of job and income uncertainty. We did our very best at KBC not only to support our clients and employees, but also to provide the necessary oxygen to our economy during these difficult times.’

Johan Thijs, KBC Group CEO



WHO ARE WE?

KBC at a glance

KBC is an **integrated bank-insurer**, active in six core countries: Belgium, the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland.

Our **41 000 colleagues** work together as a single 'Team Blue' to help our **12 million clients** realise their dreams and projects.

Our **business culture** is summed up in the acronym **PEARL**:

Performance,
Empowerment,
Accountability,
Responsiveness,
Local embeddedness.

We added an extra dimension to this in 2020, a '+'. **PEARL+** means even greater attention to developing together and the smart copying of ideas within the group.



Our business culture is important to us. The bottom line counts as much as the way we get there.

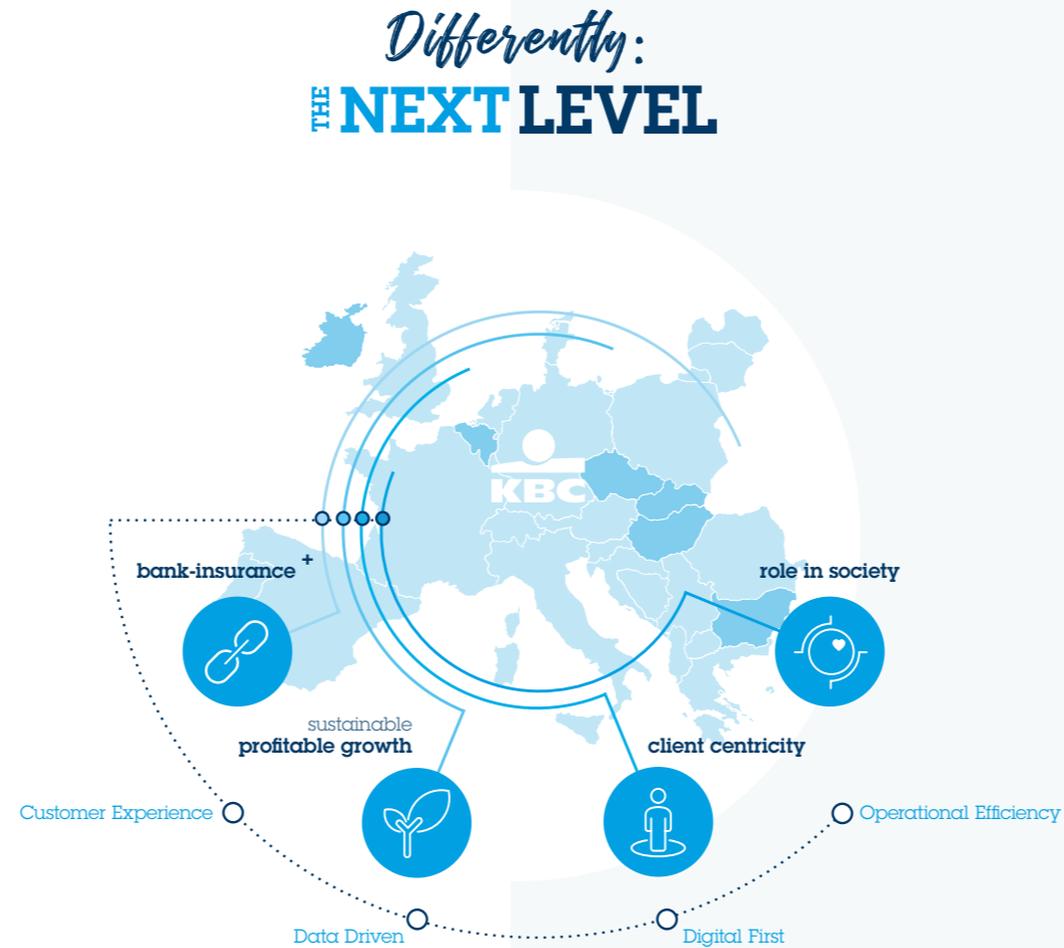


WHO ARE WE?

KBC at a glance

Our group strategy is based on several mutually reinforcing principles:

- We place our clients at the centre of everything we do.
- We look to offer our clients a unique bank-insurance experience.
- We focus on sustainable and profitable growth.
- We aim as a sustainable and responsible business to anticipate societal needs and expectations and to do so in a relevant, transparent and balanced way.
- Our PEARL+ business culture underpins all other principles.



We took the decision in 2020 to raise ease of use to an even higher level. And above all, to make life easier for our clients. We will achieve this by using data in an even more client-focused way, by exploiting the full potential of digitalisation and by further increasing our operational efficiency. Kate, our new digital assistant, will play a key role in this. For clients who so wish, Kate will proactively offer personalised solutions.



WHO ARE WE?

Sustainability policy

What does sustainability mean for KBC?

For KBC, sustainable business begins with responsible behaviour on the part of every employee. The essence of our sustainability policy is easy to sum up: we aim to limit our adverse impact of our operations on society and to increase the positive impact.

We limit our **adverse impact** through measures including stringent selection criteria for the businesses we include in investment funds and which we finance and insure.

We increase our **positive impact** by focusing on four areas in which we can make a real difference: environmental responsibility, entrepreneurship, financial literacy, and health and longevity.



How are we helping to achieve the UN's Sustainable Development Goals?

Our focus areas are closely aligned with several of the Sustainable Development Goals (SDGs) that the United Nations drew up in 2015:

- Good health and well-being
- Affordable and clean energy
- Decent work and economic growth
- Responsible consumption and production
- Climate action

While KBC is especially committed to these particular SDGs, we also contribute to the others.

Why is this important? The UN's 17 Sustainable Development Goals form the basis for a global action plan for governments, businesses and communities. The aim is to combat poverty, protect the planet and ensure prosperity for everyone. Financial institutions like KBC can play an important part in fulfilling it.



WHO ARE WE?

Sustainability policy

How do we achieve this?

Before we can increase our positive impact, we have to be financially resilient and to keep our risks under strict management. We consider it very important, therefore, that sustainability is integrated throughout our business operations and is backed by all our employees.

In this way, we can use the leverage of a major bank-insurer to stimulate the economy and society, not just today, but tomorrow too.



How do we track our sustainability performance?

KBC wants to make a long-term commitment to sustainability and has opted for some time now to involve every echelon of the organisation in achieving this. In this way, we ensure that the commitment is a focus of the highest decision-making bodies and that it is widely integrated among all our company's employees, driven by our Sustainability division. A sustainability coordinator was appointed in each of our core markets in 2020, to oversee uniform, smooth and rapid achievement of the goals.

The implementation of our sustainability strategy is evaluated twice a year by the Executive Committee and Board of Directors, based on measurable and verifiable parameters. The latter will be fully updated once again in 2021. We also have our policies monitored by external advisory boards.

HOW DIFFERENT WAS 2020?



‘Our health, welfare and prosperity all came under acute threat in 2020. At the same time, the urgent need for an ambitious climate approach also became crystal clear. KBC doesn’t only want to help the economy bounce back, therefore, but also to enhance sustainability.’

Koenraad Debackere,
Chairman of the Board of Directors

HOW **DIFFERENT** WAS 2020?

HOW DIFFERENT WAS 2020?

Covid pandemic

Remote advice

As an employer and service provider, KBC immediately did everything it could to safeguard the health of its workforce and clients. Because KBC had already invested heavily in digitalisation in recent years, the switch to mandatory working from home went relatively smoothly in most of our core countries and we were able to maintain the quality of service we offered our clients.

We continued to receive clients at our buildings in Belgium, but only by appointment and with strict observance of precautionary measures. At the same time, we encouraged clients to make maximum use of our online channels or to contact our staff at KBC Live – our virtual bank branch.

Digital boost

Because of all this, our digital channels inevitably saw a major increase in usage in 2020. At the same time, 2020 made us more aware than ever of the importance of digital literacy. We responded in various ways in Belgium, including the deployment of more DigiCoaches to help clients make the switch.

Unfortunately, the advance of digitalisation also creates more opportunities for phishing, where fraudsters use e-mail, texts, telephone calls or letters to fool clients into divulging their card details and security codes. We advised our clients to be extra careful. In Belgium, this included videos on our social media channels and a webinar for companies.

Contactless payments

The security and hygiene of paying with a card or smartphone led to a substantial drop in the number of cash withdrawals from ATMs. At the same time, there was a remarkable increase in contactless payments throughout Belgium (from 16% of card payments at the beginning of 2020 to 42% by the end of 2020).

We also encouraged our clients to shop securely with contactless payments via their digital wallets (e.g. Apple Pay™, Google Pay™ and Fitbit Pay™). KBC has also made it possible since mid-2020 to [pay contactlessly](#) with a [wearable](#): a watch, ring, keyring or bracelet equipped with the same technology as a bankcard.

HOW DIFFERENT WAS 2020?

Covid pandemic

Febelfin, the Belgian financial sector association, agreed constructive solutions with the government to address the grave economic crisis. As the organisation's chairman, KBC Group CEO Johan Thijs played a crucial role in this. Not only were loan repayments deferred for thousands of retail clients and companies – as occurred elsewhere in Europe too – a government-guaranteed credit facility was also set up for businesses.

Payment deferral and loans

KBC urged its clients to come forward in good time to explore solutions together in the face of this exceptional crisis. Many clients paused their loan repayments, while others requested new loans. Across the group, payment deferral was granted to a total volume of 13.4 billion euros in loans, and 3% more credit was provided than in 2019.

What this meant in Belgium was that payment deferral was granted in 2020 on 63 920 outstanding KBC loans to private individuals and businesses. KBC will also work closely with its clients when the situation ends in June 2021.

In addition, KBC issued 104 541 new loans in Belgium to individuals and businesses, for a total value of over 16 billion euros.

Other

The volume of savings at KBC Belgium rose by 3.6 billion euros in 2020, up 7% on 2019. There was also a sharp increase in the number of renovation, green and cycle loans. On the insurance side, there were fewer accidents and fewer fire and theft claims on the one hand, but more hospitalisations and deaths on the other.

In short, 2020 was a highly unusual year in every respect. KBC contributed substantially to the stabilisation of the economy, while also remaining stable itself and maintaining a strong liquidity position and a robust capital base. See also '[What does society expect of us?](#)'.

HOW DIFFERENT WAS 2020?

European Green Deal

Climate change and its consequences demand a far-reaching response. The European Union has opted to throw its weight behind a greener and cleaner economy in 2020 with its Green Deal. What does this entail precisely?

2 milestones

- By 2030, greenhouse gas emissions must be reduced by at least 55% relative to 1990 levels.
- By 2050, Europe should be the first continent to achieve climate neutrality.

7 challenges

- Clean, affordable and safe energy
- Sustainable and smart mobility
- Energy-efficient construction and renovation
- Clean and circular economy
- Fair, healthy and environmentally-friendly food system
- Clean and toxin-free environment
- Eco-systems and biodiversity

Key role

Major investments will be needed to tackle these challenges, which means the financial sector has a key role to play in this 'sustainable revolution'. KBC was already highly engaged with this, but shifted up another gear in 2020, even though Covid was busy reshaping the world. KBC has now committed not only to help reset the economy after the pandemic, but also to make it more sustainable. Our key focus in the first instance remains the climate approach.

Broad outlines

Our entire group is helping to make energy production greener and to reduce energy consumption by companies and individuals. We are stimulating sustainable mobility and have tightened our policies in areas like biodiversity. We also want to support cities and municipalities in their transition. We have been a partner of the 'Leuven Klimaatneutraal' initiative for some years now, for instance.

Own operations

We also continue our efforts to make our own operations more sustainable. Based on our policy principles, of course, but also applied in highly practical and focused ways. Rather than chemical products, our premises in Belgium are cleaned using natural organisms; we keep bees on the roof of the CBC head office in Namur; we use leftover food from our company restaurants for biofermentation as part of green electricity generation; and we donate surplus office furniture to charities, schools and thrift stores. To mention just a few examples.

HOW DIFFERENT WAS 2020?

First social bond for the Walloon Region

KBC took part as the only Benelux bank in the issue of the first social bond by the Walloon Region for 1 billion euros. The net proceeds will be used to tackle the Covid pandemic and its social repercussions in a sustainable way.

Also in 2020



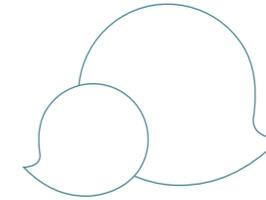
Koenraad Debackere succeeded Thomas Leysen as Chairman of the Board of Directors.



In Belgium, KBC sold the iconic Boerentoren building in Antwerp to Katoen Natie, which will turn it into a 'culture tower'.



In Slovakia, KBC acquired the medium sized OTP Banka Slovensko.



To enable KBC to play its societal role to optimum effect, we maintain a dialogue in all our core countries with clients, employees, investors and suppliers. And also with governments, NGOs and representatives of society. We pursue this dialogue continuously, but we also organise a more structured survey every two years, in which our stakeholders can indicate which themes they consider important. They did so once again in 2020. The themes and KBC's responses to them form the backbone of this report.

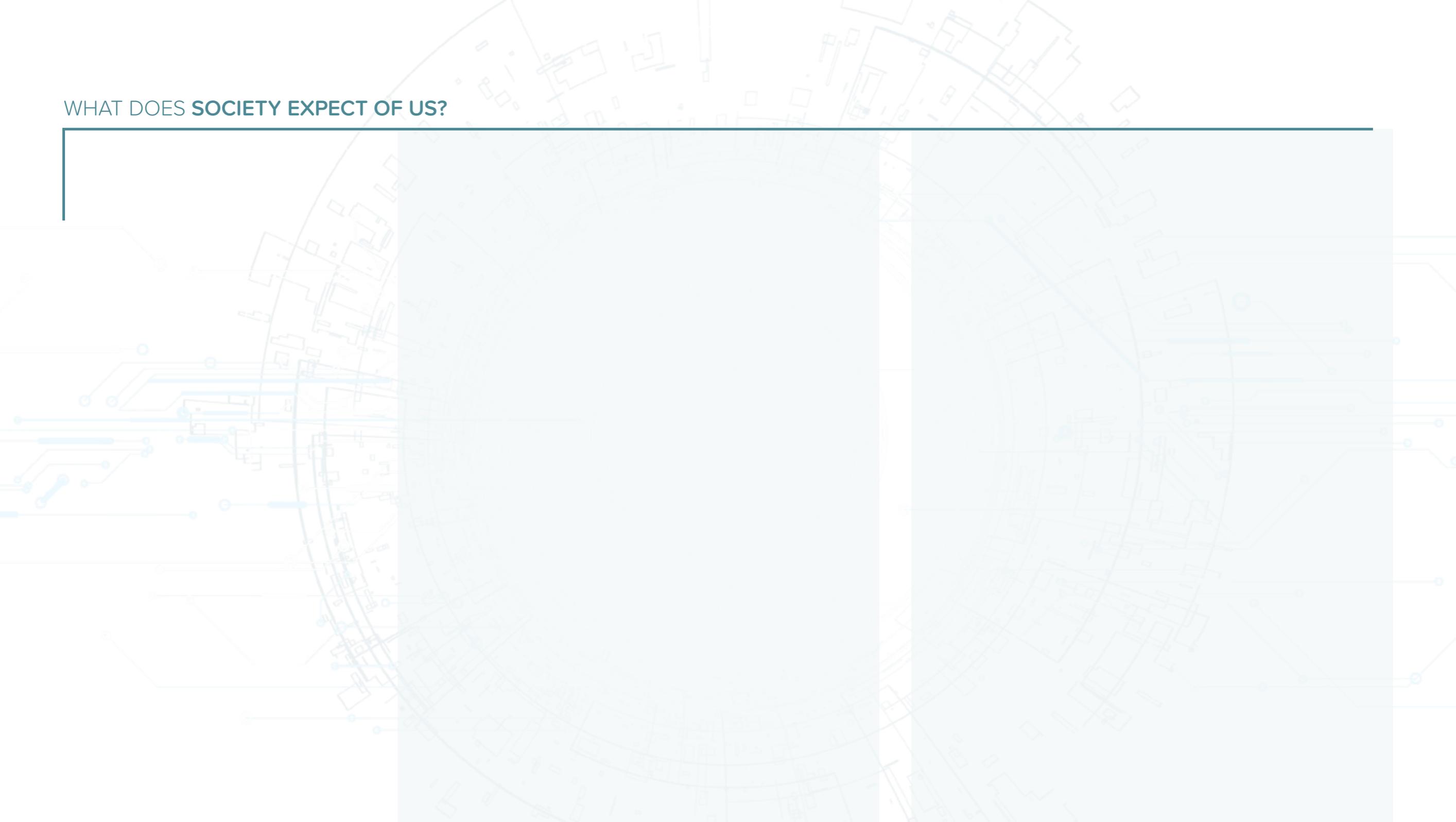
WHAT DOES **SOCIETY EXPECT OF US?**



‘KBC is a stable company, firmly anchored and with a vision geared towards the long term. We think it’s important to be transparent about this.’

Koenraad Debackere,
Chairman of the Board of Directors

WHAT DOES **SOCIETY EXPECT OF US?**



WHAT DOES SOCIETY EXPECT OF US?

Annual figures 2020

KBC Group closed 2020 with earnings of 1.4 billion euros. In terms of the resources we deploy that represents a return on equity of 8%. We maintain a robust capital base of 21.5 billion euros and our cost/income ratio stood at 60%.

Our most important capital ratio* amounted to a robust 17.60% on 31 December 2020, substantially higher than the 10.45% required by the regulator. It means that we hold 17.60 euros of capital for every 100 euros of risk-weighted assets.

The Solvency II ratio of 222% ranks KBC Insurance amongst the best-capitalised companies in the European insurance industry.

Focus on the long term

KBC has a group of core shareholders, including Cera, MRBB and other core shareholders (families), which held just over 40% of our shares at the end of 2020. Our core shareholders provide KBC with a solid anchor and enable us to pursue a strategy focused on the long term.

Eyes fixed on the world

At the same time, it is important to take account of major societal challenges, such as climate change or longevity, and to analyse and manage the associated risks thoroughly.

Let us zoom in for a moment on climate change, by way of example. This entails two types of risk for our group:

- Transitional risks arising from the move towards a low-carbon economy could affect the creditworthiness of our clients and the stability of our portfolios in the short to medium term.
- Physical risks, such as heat waves, drought or rising sea levels could have a major impact in the medium and long-term for private property and the functioning of businesses, and hence also for KBC.

A resilient company detects risks of this kind in good time and seeks solutions to the associated challenges, no matter how big they might seem. You can read how we approach this in concrete terms in the section [‘How green are we?’](#).

* Group common equity ratio (Basel III, fully loaded according to the Danish compromise method)

WHAT DOES SOCIETY EXPECT OF US?

Laws and policies

Doing business ethically begins with complete adherence to laws and regulations. With the strict application of anti-money-laundering and anti-corruption policies. Not doing business with companies from controversial sectors and countries. Paying all taxes owing. And enforcing a clear code of conduct.

All policies are regularly updated, as occurred in 2020 with the code of conduct. The Corporate Compliance division is there to ensure that the policies are observed.

As part of the battle against money-laundering practices, KBC, three other major Belgian banks and Isabel Group collaborated in 2020 on the KUBE block chain application. Smaller banks are due to join the scheme in 2022.

Responsible behaviour

Responsible behaviour goes beyond laws and regulations: it also means that we place our clients and their needs at the centre of what we do. That we design correct products and services and advise on them responsibly. And that we act honestly, correctly, transparently, discreetly and in a risk-aware manner.

As we perform our everyday tasks, we are confronted with dilemmas or with questions that we experience as dilemmas: situations that require us to carefully balance different interests. It is crucial that we make a conscious effort to think about these things and that we share our thinking with each other. At the end of 2020, all employees in Belgium received mandatory training in this area and the same is now occurring in the rest of the group.

WHAT DOES SOCIETY EXPECT OF US?

Taxes and levies paid in 2020

(In euros)	Income tax	Non-recoverable VAT and other miscellaneous taxes	Bank levies and deposit protection fund	Total
Belgium	242 130 000	110 910 000	290 620 000	643 660 000
Czech Republic	101 150 000	53 660 000	41 180 000	195 990 000
Hungary	23 520 000	34 340 000	102 960 000	160 820 000
Slovakia	20 410 000	22 240 000	20 250 000	62 900 000
Bulgaria	6 100 000	7 680 000	15 770 000	29 550 000
Ireland	14 160 000	13 860 000	31 550 000	59 570 000
Total	407 470 000	242 690 000	502 330 000	1 152 490 000

HOW DO WE SUPPORT **OUR CLIENTS?**

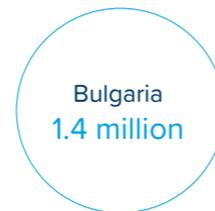
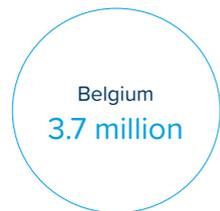
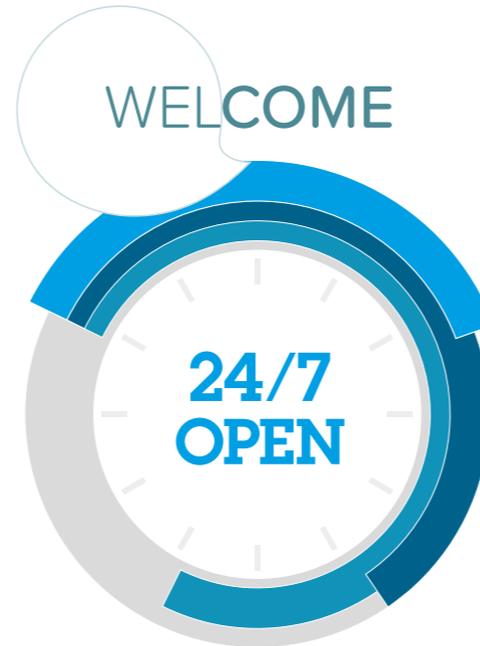


‘Clients want the same thing today as they did in the past: a banker or insurer they can trust. And which offers them solutions they themselves might not have thought of immediately. And, more so than in the past, they’d like it right away, personalised and – increasingly – delivered digitally.’

Johan Thijs, KBC Group CEO

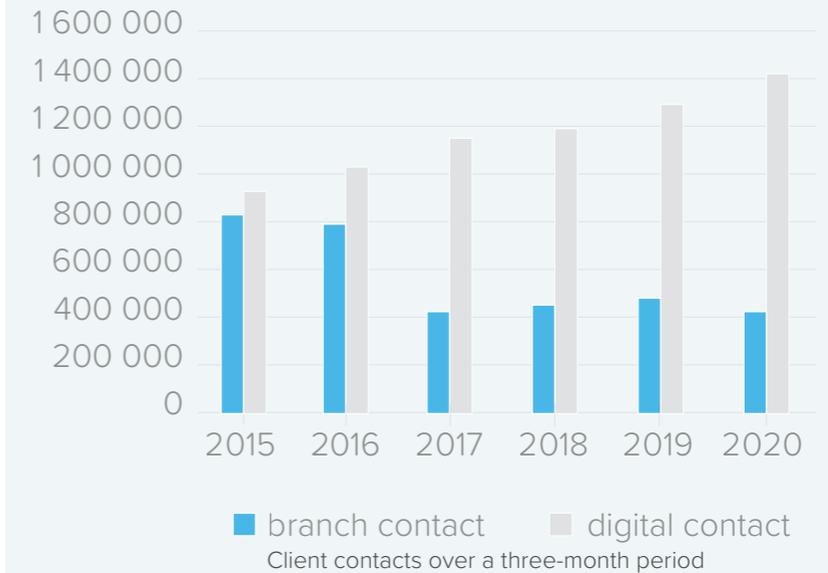
HOW DO WE SUPPORT OUR CLIENTS?

Lots of clients like to ask their questions digitally, while others prefer specialist advice by phone or video chat. Some of them still want to be advised at their bank branch or insurance agency. Or else they might choose a mixture of channels. All are possible at KBC.



Evolution in branch visits versus digital contact

Number of clients(KBC Belgium)



Number of clients (KBC Groep)

HOW DO WE SUPPORT OUR CLIENTS?

By appointment at your bank branch

Our experts are happy to help you in person with your banking and insurance needs.

At your insurance agent

Your insurance agent will protect what's precious to you. If things go wrong and you need to call on your insurance, we'll settle your claim quickly.



KBC Touch

Manage your banking and insurance [easily](#) on your computer or tablet.



KBC Mobile

Our [handy smartphone app](#) lets you do far more than you might imagine. Take care of your banking tasks, report an accident or hospitalisation, or buy tickets for public transport or even the cinema. Add accounts at other banks, store documents securely in your digital vault and receive discounts at selected retailers. Not to mention consulting Kate, our brand-new digital assistant.



Kate is a personal, fully digital assistant, who has been supporting our Mobile clients since the end of 2020. She is still in her infancy right now, but Kate uses artificial intelligence and will quickly get smarter. All she needs is a little time to get to know each client and their preferences, after which she can be a truly useful companion.

WELCOME

24/7
OPEN

KBCLive

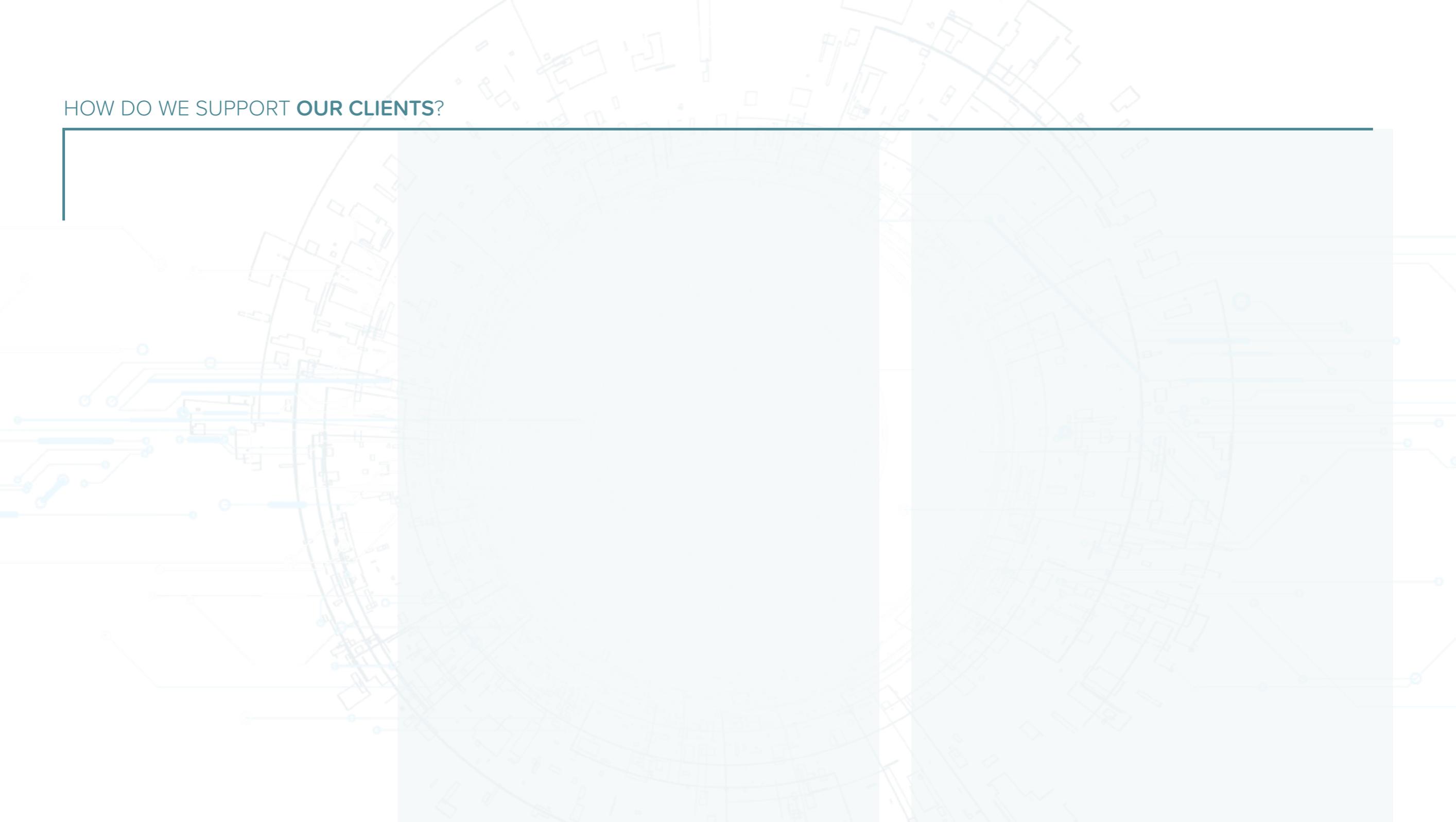
Do you prefer to handle your finances from home? Are our opening hours not convenient for you? Or can't you come in person? In that case, contact the experts at our [remote bank branch](#) and make an appointment for a video chat. They're available from 8 a.m. to 10 p.m. on weekdays and 9 a.m. to 5 p.m. on Saturdays.

At the ATM

You can withdraw or deposit cash at our ATMs from 6 a.m. to 11 p.m.

Clients can already ask Kate questions about standard financial transactions such as transferring money or reporting an insurance claim. Meanwhile, Kate can also suggest solutions and propositions to the client. KBC deliberately decided to begin with a limited number of applications in Belgium and the Czech Republic. But week by week, Kate will be able to do more and will soon be making life easier for clients in our other core countries too.

HOW DO WE SUPPORT **OUR CLIENTS?**



HOW DO WE SUPPORT OUR CLIENTS?

Digitalisation

Clients expect a fast, simple, proactive and personal offering, preferably without having to make a special journey. For that reason, KBC has chosen to expand its services throughout the group via digital channels as a matter of priority, while listening to the wishes of clients who prefer a more traditional, analogue way of working.

Zooming in for a moment on our Belgian clients:

- 77% use our services digitally.
- 62% already prefer fully digital contact.

DigiCoaching

We've been supporting clients who want [to get started digitally](#) for some time now. At the beginning of 2020, this was still being done through initiatives like DigiWise and Digital Tuesdays. When Covid intervened, we started assisting these clients by phone. We will build on this approach in 2021 and will offer clients access to a DigiCoach.

- 1 in 3 KBC clients aged over 80 uses a digital channel to contact KBC.
- More than half of KBC clients aged 65-80 use digital channels.
- The fastest growing group of digitally active clients is the over-55s.

HOW DO WE SUPPORT OUR CLIENTS?

Branch network

It has been apparent to us for some time that clients are both visiting bank branches and withdrawing cash less frequently. We have adjusted our network accordingly in recent years. In 2020, KBC decided to convert a further 34 staffed branches in Flanders, German-speaking Belgium and Brussels into self-service branches and to close 17 bank branches and 25 self-service branches. Certain insurance agencies, meanwhile, have been merged. All the same, we still have a dense network:

- At the end of 2020, KBC had 370 staffed bank branches, 193 self-service branches and 284 insurance agencies in Flanders, German-speaking Belgium and Brussels.
- In Wallonia, there are 106 staffed CBC bank branches, 1 self-service branch and 52 agencies.

KBC Live, our remote bank branch, has meanwhile been developing strongly.

KBC Live combines expert advice with extended opening hours and immense convenience.

KBC is currently cooperating with other major banks on a network of shared, bank-neutral ATMs to ensure optimum distribution (Batopin project).

HOW DO WE SUPPORT OUR CLIENTS?

Financial literacy

We aim to communicate clearly and transparently, while also acknowledging that financial information can be complicated at times. We do our best to demystify it for you and to combine information in an accessible way that can be useful at key stages in life. Examples include our 'Housing Guide' and our checklist 'What to do in the event of a death?'. What's more, we also run a number of special initiatives in Belgium.

Get-a-Teacher

At the beginning of 2017, KBC developed an initiative to teach young people between the ages of 12 and 24 how to handle money practically and to think critically about loans, insurance, phishing, etc. Since then, Get-a-Teacher has become an increasingly established part of education. Secondary schools of all types, higher-education colleges and universities can invite a KBC instructor, free of charge, to help students learn about handling money, managing budgets, and so on. Since 2019, the service has been extended from Flanders to the German-speaking region of Belgium. We were able to reach over 12 000 pupils in the first quarter of 2020, but the lessons then had to be suspended in mid-March because of the pandemic.

Hoedoekda?!

It's not only in the classroom that we teach young Flemish people between 16 and 24 how to handle money. Our 'Hoedoekda?!' (See How?!) platform addresses themes like payments, safety and security, working, housing, mobility and travel. And, more specifically, co-housing, study finance or starting a business with friends: See How!

Cijfers en centen

Through 'Cijfers en centen' (Numbers and Cents), our KBC experts worked hard in 2020 to improve financial literacy among the not-so-young with a desire to learn. They created a series of short videos to explain financial terms in an understandable way and to answer questions like 'Is it best to buy or rent your home?' 'How can we make sure pensions are still affordable?' and 'What's a cryptocurrency?'

HOW DO WE SUPPORT OUR CLIENTS?

62% of clients already want personalised information, while 22% have yet to choose.

Robust IT systems

Stable and secure IT systems are the starting point for the entire KBC group. The more our operations are digitalised, however, the more exposed they are to cyber attacks. What's more, cyber criminals are increasingly experienced and better organised. We closely track this risk across the entire group, evaluate our systems regularly and also make use of ethical hackers.

Cyber awareness and attention to phishing

Cyber security is not only a question of robust systems, however, but also of human vigilance. Throughout the group, we heighten the cyber awareness of our employees through training, simulated phishing tests and campaigns like 'Cyber Security Month'. It is equally important to raise the cyber awareness of our retail and SME clients, and to keep them informed of the latest real-life phishing scenarios. We do this in Belgium via information sessions, social media, our website (www.kbc.be/secure4u), KBC Touch and KBC Mobile. The contact point for reporting suspicious activities, Secure4u, is well known and is frequently used by clients.

Personalised information

Digitalisation in general and the growing number of clients using digital technologies in particular, give us the opportunity to collect an increasing amount of data. The better we know our clients, the more effectively we can advise them. With the support of artificial intelligence and smart data analysis, we can also offer them proactive solutions and make their lives easier. But not every client is comfortable with this and so we clearly inform them about how their details are used and allow them to decide for themselves whether they wish to receive general or personalised information. Any choice they make can be easily adjusted at any moment.

HOW DO WE SUPPORT OUR CLIENTS?

Privacy

Protecting data and using it the way clients expect is crucial. For that reason, we strictly comply with the General Data Protection Regulation (GDPR) across our entire group: we do not collect more data than required, we only use the data for the purpose for which it was collected and we communicate about this transparently. The central idea behind the GDPR is that every consumer should be able to decide which of their personal information can be used for which purpose. This translates into nine specific privacy rights. The three most requested at KBC Belgium are: the right of refusal (of a particular processing of personal data, such as direct marketing), the right of inspection and the right to 'be forgotten'. Any individual may exercise their privacy rights via mypersonaldata@kbc.be, their bank branch or their agency.

Technology and ethics

Automation and artificial intelligence (AI) prompt ethical questions. Algorithms might seem neutral, but they are trained by data, in which prejudices can lurk. Where this is the case, algorithms can end up taking decisions that are biased. We want to be alert to this possibility throughout the entire KBC group, to which end we drew up a risk framework in 2020 that we will also apply in Belgium in 2021. At the same time, it is extremely important that AI decisions can be explained at any time – precisely as the GDPR specifies, in fact.

HOW GREEN ARE WE?



‘Climate change is indisputably one of the 21st century’s biggest challenges. KBC group continued to work hard in 2020 to give shape to its commitment to the Paris Agreement and the UN’s Collective Commitment to Climate Action.’

Johan Thijs, KBC Group CEO

HOW **GREEN** ARE WE?



HOW GREEN ARE WE?

We're
constantly
raising
the bar

By 2030

we want our entire group to:

emit **80% less greenhouse gases** than in 2015. The figure at the end of 2020 was 56% for the entire group, including commuter travel. In Belgium's case it was 22%, but KBC had already reduced its emissions in that country by 51% between 2007 and 2015.

use **100% green energy**. The group achieved 87% last year. KBC has used 100% green energy in Belgium since as early as 2009, with the exception of a few smaller subsidiaries, which will also switch in 2021.

KBC will nevertheless be a climate-neutral business in 2021, as we will offset our remaining emissions.

Our group's CO₂ emissions are primarily attributable to energy consumption and staff mobility. These emissions were exceptionally low in 2020 due to large-scale working from home.

Energy

KBC is working to reduce the energy consumption of its own premises, through measures like improved building fabric and more efficient climate-control systems. ICT infrastructure is a significant source of energy consumption, which we tackle by choosing more energy-efficient laptops and printers and heat-resistant servers.

KBC is also committed to renewable energy and increasing its own energy production. Solar panels have already been installed at 47 of our buildings in Belgium, to which a large system was added in 2020 at the head office near Leuven station. Together, these generate 1 107 MWh – equal to the consumption of 316 households or 208 tonnes of avoided CO₂. Solar panels will also be installed at the other head office in Leuven in 2021. Other systems, heat networks and a wind turbine are likewise being studied.

Mobility

At the same time, KBC is pursuing an increasingly green mobility policy. This encourages travel by bike and public transport, and offers electric lease cycles and cars. A total of 242 charging points for electric bikes have already been installed as well as nine charging points for electric cars at the head offices.

HOW GREEN ARE WE?

Policy

We have a restrictive policy on lending to, advising and insuring companies from controversial sectors and countries. This relates to animal welfare standards as well as socially sensitive activities like tobacco and gambling. Businesses that seriously violate human rights or are involved with controversial weapons and white phosphorus are excluded and placed on the public blacklist.

We use internal and external monitoring to constantly verify the efficacy of this list. Every two years, moreover, we evaluate our policies. In 2020, for instance, we tightened our coal policy once again and focused on factors that reduce biodiversity. We took the decision in February 2021 to make our coal policy even stricter.

Loss of biodiversity

Building on earlier initiatives, KBC introduced a more broadly developed policy on biodiversity in 2020. Certain activities (e.g. deforestation and unconventional oil and gas extraction) were ruled out completely, while others (such as the cultivation of soy and palm oil) were curbed.

Coal

KBC is reducing the remainder of its direct funding of coal-fired electricity and heat production to zero by 2021. Other types of funding for companies involved in coal-related activities are subject to stringent restrictions and conditions. Funding companies engaged in any such activities will end altogether by no later than 2030.

[Find out more.](#)

HOW GREEN ARE WE?

Coal

- We have already stopped financing or insuring projects like coal-fired power stations and coal mines. Up to now, we have made an exception for the Czech Republic, where coal still accounts for a substantial proportion of power and heating generation. Here too, however, the direct financing of energy based on coal and lignite will be halted completely by the end of 2021.
- Energy companies that still source part of their production capacity from coal cannot become clients of ours. Energy companies that are already clients can only remain so if no more than 25% of their production capacity derives from coal, and this until no later than 2030. Limited exceptions will be made for a few Czech projects of an ecological or societal character.
- Additional conditions will come into effect on 1 April 2021 for companies from all sectors. Clients must undertake not to add any new coal capacity and must submit a transition plan showing how they will withdraw from coal entirely by 2030 at the latest.

HOW GREEN ARE WE?

In 2018, KBC became the first Belgian financial institution to issue a green bond for institutional and professional investors. A second green bond worth 500 million euros followed in 2020.

KBC

Energy sector

KBC can make a genuine difference through its targeted financing of the energy sector. In 2020, the KBC group as a whole lent 1.8 billion euros to the renewable energy and biofuel sector: 61% of our energy loan portfolio. That figure has to be 65% by 2030.

What does this mean in Belgium? In 2020, KBC Belgium reached the landmark of 1 billion euros in investments in renewable energy projects: 50% offshore wind farms, 40% onshore wind farms and 10% solar, biomass and ESCOs (Energy Saving Companies).

KBC is involved in seven out of the eight offshore wind farms. By way of comparison, the amount invested by KBC Belgium in 2016 was 400 million euros.

Asset management

KBC works constantly to make its funds more sustainable. In this way, we encourage companies to set the bar a little higher. At the same time, KBC is inviting every client to consider opting for sustainable investments, and in so doing to support sectors like renewable energy, energy efficiency, waste management and water purification.

Clear communication on the benefits and low-threshold access (e.g. via KBC Mobile, the online trading platform Bolero and the option of investing your small change) is having a clear impact. In 2016, KBC managed 2.8 billion euros of investments in SRI funds. By 2020, this had already risen to 16.8 billion and our ambition is to raise the total to 30 billion by 2025.

Europe now intends to clarify the meaning of sustainable investment labels, and so KBC will examine the impact of this on its SRI funds in 2021.

The KBC Pension Plan (which manages the supplementary pensions of KBC employees) has already switched to sustainable investments.

HOW GREEN ARE WE?



CLIENTS

Businesses

KBC mapped out the climate challenges of several sectors in 2020: agriculture, commercial real estate and energy. These were followed by food production, construction and building, metals, chemicals, the car industry and transport. The questions were the same in each case: what challenges are there and what green solutions can be found? For farmers and horticulturalists, for instance, drought in recent years is an important theme. KBC responded in 2020 by launching its 'Brede Weersverzekering' (Broad Weather Insurance policy), which already helped many growers last summer.

CO₂ emissions from commuter travel, meanwhile, are a challenge for virtually every business. KBC Autolease in Belgium has included electric cars and cycles in its offering for some years now. In the meantime, 55 000 electric or hybrid cars have been leased, as well as 20 000 bikes. KBC Bicycle Leasing works to this end with over 500 local dealers. Companies that still aren't sure, can borrow a number of electric bikes from KBC or have CBC perform a rapid business scan for them. KBC Insurance, lastly, can help prevent accidents on the way to or from work.



Private persons

At the same time, KBC also analysed the climate risks of products like home loans, car leasing and car loans. It investigated, for instance, whether the Flemish housing market is threatened by the increasing risk of flooding. Roughly 5% of our housing portfolio is currently located in a risk zone. By 2050, it will be 10%.

A green loan, fire insurance with green cover and a renovation loan for co-owners of apartment buildings have long featured in our offering. But these too raise questions: is it still acceptable to provide a loan to purchase an old dwelling, if there will not be sufficient budget remaining to thoroughly renovate it? Can we still justify financing the purchase of a polluting diesel vehicle when some cities no longer allow them to enter? Doesn't that amount in both cases to financing CO₂? And how can insurance encourage greener transport and multi-mobility? One example is offering cycle insurance and 'limited driving' insurance for people who drive less than 10 000 km per year.

HOW GREEN ARE WE?

KBC

Rapid technical evolution enables the transition to a sustainable future, while simultaneously making it pretty complicated. Businesses and individuals alike are wondering which steps they can take right now, what is the most ecological choice and what support is the government offering?

KBC will inform its clients quickly and clearly, so they can go greener themselves. We gather useful information on our website, for instance, and organise webinars.

We also advise large enterprises on the importance of a timely transition and point out to SMEs the opportunities presented by change. Kate, our digital assistant, will also offer important support in this area.

In the Czech Republic ČSOB offers its clients a green mortgage loan on favourable terms for properties with energy label A or B.

In Hungary K&H is cooperating with ČSOB on the construction of seven new photovoltaic power stations.

In Bulgaria UBB Interlease has launched Cosme Green – finance for electric and hybrid cars and/or renewable energy equipment for SMEs.

In Slovakia ČSOB Poist'ovňa offers apartment owners an ecobonus in the wake of a disaster of up to 10 000 euros for ecological renovation solutions.

In Ireland KBC Ireland is halting sales of conventional investments in 2021 and will only offer SRI funds in future.

HOW GREEN ARE WE?



CLIENTS

Businesses

The Green Deal means that companies are now obliged to become more sustainable. How can a bank-insurer help them achieve this? Here are a few examples.

At the beginning of 2020, KBC, CBC and the European Investment Bank (EIB) jointly made 300 million euros in sustainable loans available to Belgian SMEs. Over 100 loans have since been issued. Companies looking to become greener can get a significantly lower interest rate thanks to EIB support.

In the meantime, other product-service combinations are also being investigated. Examples include the supply and financing of LED lighting for agriculture and horticulture, solar panels for companies and Energy as a Service. KBC Belgium recently formed a partnership with Encon, an independent organisation that supports medium-sized and large enterprises in their transition to greater sustainability. The goal is to lower the barrier to investing in energy-efficient processes and to support the production of renewable energy.



Private persons

The Green Deal is also having an impact on private individuals. In Belgium, more than 2.7 million homes need to be renovated if the country is to meet its climate targets. Anyone interested in energy-friendly renovation knows how complex that can be. For that reason, KBC worked with two companies between June and December 2020 on a trial to provide advice, make life easier and simplify the red tape associated with sustainable renovations. A follow-up project is being launched in 2021 (solely in Flanders at first).

When a house has to be rebuilt in the wake of severe damage, strict new building standards have to be respected. KBC includes the extra costs of this in its fire insurance. Green investments like solar panels, heat pumps and charging points are also covered.

KBC Insurance has been using a sustainable garage network for years now to carry out its vehicle repairs. KBC Autolease, meanwhile, is investigating the service offering needed for community sharing: a car you share with family or friends.

WHAT ROLE DO WE PLAY **LOCALLY**?



‘A difficult economic and societal recovery lies ahead of us. Consumer confidence has to grow and businesses need to get their productivity back on track. Companies are going to have to be innovative. KBC will play its part in this, strengthening not only the economic but also the societal fabric.’

Koenraad Debackere,
Chairman of the Board of Directors

WHAT ROLE DO WE PLAY **LOCALLY**?

We **finance** the local economy

How much do we invest?

Of every 100 euros in the savings accounts of our Belgian clients, we reinvested 73 euros in the economy in 2020 via loans to private individuals and companies and government projects.

Plus another 6 euros in Belgian government bonds, making a total of 79 euros.



Insurance plays a crucial economic role as well. In Belgium last year, we paid out 521 million euros in non-life claims and 811 million euros in life insurance. We managed 25.9 billion euros in life insurance reserves, including 15.6 billion in investment-type insurance.

On top of this, we advise and guide social-profit organisations and local government in areas like payments, asset management and financing solutions. In 2020, KBC Belgium invested 5.7 billion euros in hospitals and care homes. It also insured 465 care homes and 193 hospitals.

WHAT ROLE DO WE PLAY **LOCALLY?**

We **finance** the local economy

KBC structurally supports individuals and businesses through well-founded lending, tailored insurance and fast claims settlement. It also stimulates entrepreneurship.

KBC itself contributes to the employment and purchasing power of almost 41 000 households, 16 200 of them in Belgium.

Start it @KBC

In 2013, we launched [Start it @KBC](#) – a business accelerator that provides start-up founders with accommodation and above all with free support and advice.

Since then it has grown into Belgium's largest accelerator with hubs in Antwerp, Brussels, Ghent, Hasselt, Leuven and Kortrijk, and international branches in Budapest, Győr and Prague and pieds-à-terre in London and New York. We have provided guidance to over 1 000 start-ups to date, of which 66% are still active. We have made an effort in recent years to attract and coach more women entrepreneurs, the number of whom in the programme has risen by 20% since 2017. At the same time, we are working on diversity, inclusion, well-being and internationalisation.

A lot of people suddenly found themselves with more time in 2020 to focus on their own business ideas, with the result that a record number of starters registered with Start it @KBC, 132 of whom were accepted.

Start it X

Building on the experience gained through Start it @KBC, [Start it X](#) was launched in July 2019 – a programme tailored to large enterprises and organisations that are committed to sustainable innovation. The basic principle is simple: giving employees the space to develop their own ideas. Staff at KBC itself also get to be 'intrapreneurs'.

KBC Vindr

It is not easy for a small, local entrepreneur to keep up with everything in your professional field, financial management, staff management, digitality, trends and so on. Our unique KBC Vindr platform helps entrepreneurs to expand their network, share experiences and above all learn from each other.

The need for this is greater than ever in the Covid era and so KBC worked hard in 2020 to introduce more entrepreneurs to Vindr. Questions like 'How do I encourage employees working from home?' and 'How do I use social media to maximum effect?' were answered there by fellow businesspeople (only in Dutch for the time being).

WHAT ROLE DO WE PLAY **LOCALLY**?

Financial assistance and the efforts of volunteers enable lots of socially valuable projects to continue, which is why KBC supports the local community in each of our core countries. How does this work in Belgium?

HOW DO WE ENCOURAGE **OUR EMPLOYEES?**



‘The world is changing very fast right now. To help shape these changes, we encourage our employees to be resilient, flexible and innovative. And we work together as a single Team Blue.’

Johan Thijs, KBC Group CEO

HOW DO WE ENCOURAGE **OUR EMPLOYEES?**



employees by country

HOW DO WE ENCOURAGE OUR EMPLOYEES?

Well-being

KBC pays a lot of attention to a safe and healthy working environment. The Workplace Health & Safety Committee draws up a general plan and monitors its implementation. Potential problems are swiftly detected thanks to a health and safety management system (ISO 45001-certified in Belgium).

Physical well-being

We encourage our staff to be more aware of healthy eating and provide sport and exercise opportunities in our buildings. We organise health and safety training, offer medical examinations and first-aid training, provide information on cancer prevention and fund preventative cancer screening.

Mental health

We also try to detect and address stressful factors promptly. In the pandemic year of 2020, in which working from home became the norm wherever possible, it was more important to us than ever to keep track of our employees' well-being and promote connection between colleagues. Our survey showed that 95% of our Belgian staff considered working from home to be highly effective, while 92% were positive about the attention KBC showed for their well-being.

HOW DO WE ENCOURAGE OUR EMPLOYEES?

Digital transformation

The financial sector is undergoing a fundamental transformation. Data, technology, artificial intelligence and machine learning are crucially important in our profession too and also require us to redefine our internal functioning.

Optimisation

We began to optimise our operational efficiency and customer service in 2019. In Belgium, this will result in a workforce reduction of 1 400 employees in the period 2019–2022, which we will achieve entirely through natural staff turnover.

Shape your future

We defined a series of skills in 2020 that each KBC group employee will need for the digital transformation. StiPPLE – our new digital (AI-led) platform – helps employees pick up the necessary ‘hot skills’. But StiPPLE isn’t just a learning platform: we also use it in our progression management and as a job-matching site, where supply and demand can come together. The platform is structured in such a way that each employee is in the driving seat and is able to learn and grow continuously.

HOW DO WE ENCOURAGE OUR EMPLOYEES?

24+, KBC Belgium's customer service department, received the Gold Award for Employee Engagement. Its motto is that no one sees more opportunities for improvement than employees in the workplace.

Creativity

Our HR policy is based on our PEARL+ business culture, in which the 'E' stands for the empowerment of talent. To intensify our group-wide cooperation in 2020, we added an extra dimension to PEARL – that plus sign. It means that we also make the fullest possible use of local talent and skills throughout the group.

Innovation

We organise regular trend presentations and innovation days. They offer our employees an accessible opportunity to keep up with a rapidly changing society. We also like to invite our colleagues to come up with future possibilities for KBC, with cross-fertilisation within the group as a major added value.

Engagement

It's always KBC's ambition to be an attractive employer, for which it has also won international recognition. KBC Belgium, for instance, holds the title of 'Top Employer 2021'. Our staff also see KBC as a great place to work, as demonstrated by the employee engagement survey carried out across the group in 2020. The result varied from country to country and amounted in Belgium to 74% (with a 57% response rate). 80% of Belgian staff said they were proud to work for KBC. The main reasons given were the company's image, forward-looking vision and innovative approach. 72% of employees saw themselves still working at KBC in three years' time, while 69% said they felt motivated in their job.

HOW DO WE ENCOURAGE OUR EMPLOYEES?

Corporate culture

We're committed to a business culture at KBC where everyone feels able to be themselves and to express their opinion. Our preference is for diversely composed teams, which tend to have richer ideas and to take better balanced decisions. We organise cross-border collaboration and learn from each other's ideas.

Keeping an open mind is an important principle in this regard. All staff responsible for recruitment followed unconscious bias training in 2019 and an e-learning package on the same theme was introduced in Belgium in 2020. Video scenarios are used to encourage staff to reflect on their own behaviour and to learn strategies to combat prejudices.

Age

Minerva

KBC continues to offer its Minerva Plan to employees aged over 55 in Flanders and Brussels. The initiative enables them to think about what they like to do and gives them the opportunity to put their experience to work outside KBC. Some 60 KBC employees are currently active via Minerva at over 42 different organisations in the non-profit and social profit sector, with a total of 94 colleagues taking the step since Minerva launched.

Young talent

Our group also gives young colleagues and recent graduates the opportunity to develop their talents. KBC recently intensified its efforts in Belgium to seek out talent. Together with other businesses, we launched KUBIC – a non-profit initiative that brings companies, students and universities together and encourages knowledge-sharing and networking. It offers students an insight into business challenges for which they can also earn course credits.

HOW DO WE ENCOURAGE OUR EMPLOYEES?

Gender

Gender is one of the sustainability parameters that the Executive Committee and Board of Directors (16 members, of whom six are women) track closely. One specific focus is increasing gender diversity in management and IT.

Charter

In 2019, KBC and other Belgian financial players signed a Charter for Gender Diversity in the Financial Sector.



Proportion of women
at KBC Belgium:

- 50% of workforce
- 35% of line management
- 18% of senior management

Women at the top

At present, 18% of senior managers at KBC Belgium are women. KBC wants this to change in the near future and is therefore making efforts to facilitate the professional advancement of women. An increase in the number of women managers will result in turn in more female senior executives. We aim to have at least one female and one male candidate when filling every new senior management vacancy.

Women in IT

The more the world digitalises, the more important it is to ensure that enough women are working in IT. At KBC Belgium, 24% of staff and 28% of managers in IT are women. We are working to retain talented women in IT positions and encouraging them to pursue management roles.

Targets have also been set in each of our core countries for the development of a gender-balanced talent pool. Progress in this regard is reported every six months.

WHAT CHALLENGES DOES THE **FUTURE** HOLD FOR US?



‘Although it’s hard to predict the future, it’s perfectly clear already how crucial it is to choose sustainability. Digitalisation and innovation are important levers to achieve our sustainability goals.’

Johan Thijs, KBC Group CEO

WHAT CHALLENGES DOES THE **FUTURE** HOLD FOR US?

The big challenge that faces us is the recovery of the economy after the pandemic. KBC accepts the societal challenge and is backing the transition to a green and digital economy.

Green transition

- Our employees will over a short time scale gain the climate knowledge needed to motivate our retail clients, SMEs and corporations.
- We are committed to greening the generation of energy and the renovation of buildings.
- We will also continue to support the protection of biodiversity and innovation in the circular economy in the future.
- KBC will pursue further partnerships to create the leverage to boost its sustainability ambitions.

Digital transition

- Digital opportunities are coming thick and fast. We will therefore support our employees in the new way of working and continuously refine their digital skills.
- We want to guide our clients digitally even better in the future, with particular attention to elderly people and vulnerable groups.
- We will continue to develop Kate, our digital assistant, so that she can make the lives of many clients even easier.
- As we do all this, the security of our systems and the privacy of our clients will be paramount.
- Throughout the waves of technological evolution and revolution, we have always attached great importance to our human approach. We therefore remain committed to an effective mix of bank branches and self-service terminals.

How big will the green and the digital transition be? We look forward to telling you all about it in our report for 2021!

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