



## KBC GROUP POLICY ON BLACKLISTED COMPANIES

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As part of its Sustainability commitments, KBC group has been applying stringent ethical restrictions related to companies involved in controversial weapon systems and companies considered “worst offenders of UN Global Compact Principles (UNGCP)”. No KBC group entity may initiate or conduct any business with any company listed on the KBC Blacklist.

The Blacklist is drawn up based on the following criteria:

1. controversial weapon systems cover both weapon systems which are prohibited by international (and national) law and those for which there is a broad consensus that they should be banned; these weapon systems include: nuclear weapons, cluster bombs and sub-munitions, chemical or biological weapons, anti-personnel mines (including Claymore mines), weapons containing depleted uranium and white phosphorus (used in incendiary munitions and weapons).
2. UN Global Compact Worst Offenders: this blacklist is based on the so-called four eye principle: internal research sources AND confirmation by the exclusion list of the Norwegian Pension Fund (for reasons that are linked to the UNGC Principles).

The policy does not refer to countries.

When a company is assessed to be involved within the scope of the Blacklist, its majority shareholders will also be banned automatically from our business activities according to the procedures of the specific Zero Tolerance framework. So the parent company – towards the level of the ultimate parent – will be excluded and added to the Blacklist. If involved parties (Corporate Sustainability Department, business) agree, a majority shareholder can be excluded from the blacklist (exception). If there’s no agreement, the file will be brought to the ExCo.

The KBC Blacklist strictly applies to all business activities which require / involve a direct relationship with a (potential) counterparty / customer on this KBC Blacklist, for instance:

- all forms of lending, including trade finance and bank guarantees;
- all deposits, including opening of accounts on behalf of new customers;
- all forms of leasing, including real estate;
- all investments, including in insurance and proprietary investments as well as investments in third party funds, providing with regard to the latter that their own investments in companies listed on the KBC Blacklist exceed 5% of their total assets;
- all market activities;
- all insurance activities;
- all procurement activities.

Only the following exceptions are excluded from the above principles:

- execution only: transactions in financial instruments of blacklisted companies made on the initiative of the client; transactions in this sense means „execution only“ client buy and sell orders in financial instruments issued by blacklisted companies or the keeping of such positions in client securities accounts;
- index-linked investments funds: investment funds whose investment policy in accordance with their statutes or administrative regulations, aims to follow the composition of a particular stock or bond index; only KBC Asset Management can define which index-linked investments funds are allowed<sup>1</sup>;
- it will not be possible to enforce a blacklist to hedge funds or to institutional mandates.

KBC continues processing payments from and to black-listed companies.

The KBC blacklist is published on [www.kbc.com](http://www.kbc.com).

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#### Version

June 2020

#### Publisher

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#### Translation

This policy is available in English, Dutch and French. The English version is the original; the other language versions are unofficial translations. We have made every reasonable effort to avoid any discrepancies between the different language versions. However, should such discrepancies exist, the English version will take precedence.

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<sup>1</sup> As of 1 March 2019, KBC Asset Management has become a signatory to the “Open letter to global index providers”, initiated by Swiss Sustainable Finance and asking global index providers to exclude controversial weapons from mainstream indices. For more information, please refer to [www.sustainablefinance.ch](http://www.sustainablefinance.ch).