KB Group Sustainability Report 2022







Summary of information on ESG topics

Average FTE number in 2022

7,503 employees in the KB Group

6,553 employees in KB

We operate **152** branches and 776 ATMs that are barrier free.

In 2022, we reduced the equal pay gap to 4%. Our goal is a **zero** equal pay gap by 2025.

In 2022, **567** employees used the volunteering day.

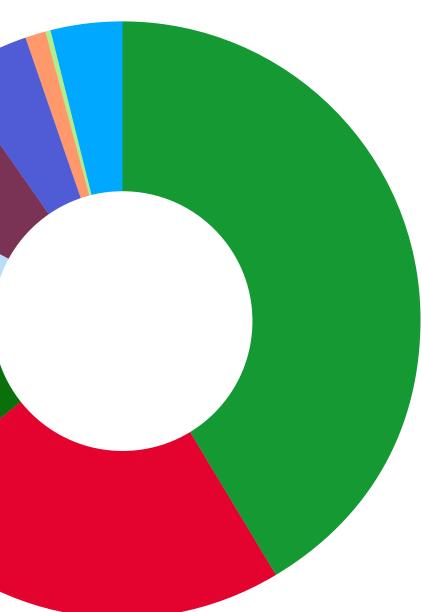
59% of our energy consumption originated from renewable sources in 2022.

Starting in 2019, we measure and audit our own carbon footprint and are headed towards carbon neutrality by 2026. In 2021, we reduced total emissions by **32.5%** compared with the base year 2019.

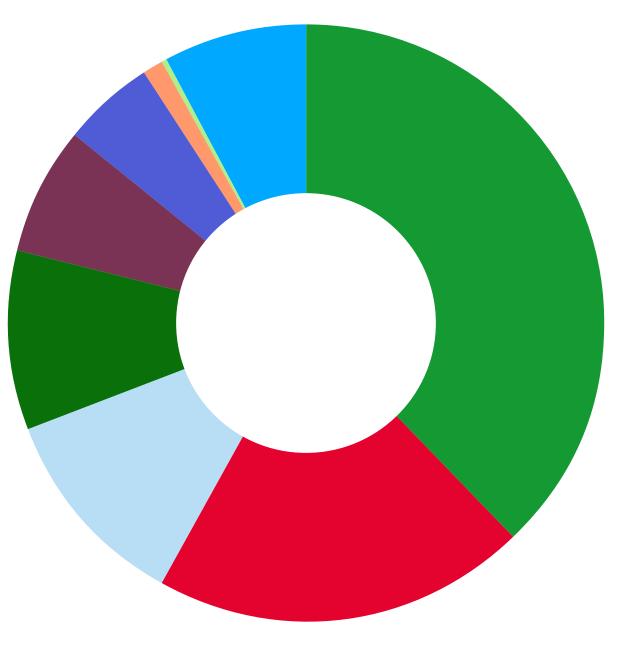
Emissions by activity (2021) KB Electricity (41.65%) Investments (22.79%) ■ Heat (10.79%) Employees commuting to work (7.82%) ■ Natural gas (7.48%) ■ Fuel for company cars (4.42%) Waste (0.94%) Air conditioning (0.29%) Other (3.82%)

Note: The results for 2022 will be available in April 2023. In this respect, KB Group means KB, MPSS and ESSOX. The other KB Group companies do not measure their carbon footprint at present.

For more information please visit KB's website.



KB Group



- Electricity (37.90%)
- Investments (20.38%)
- Employees commuting to work (11.08%)
- Heat (9.60%)
- Natural gas (7.08%)
- Fuel for company cars (5.07%)
- Waste (1.08%)
- Air conditioning (0.26%)
- Other (7.55%)



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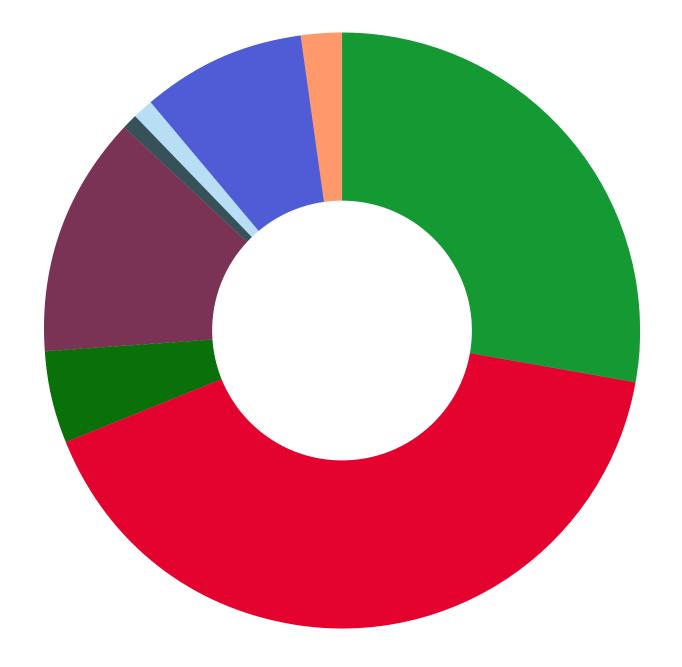
Summary of information on ESG topics

We have pledged to phase out financing of coal sector clients' activities completely by 2030.

In the MSCI ESG ratings, we climbed from BBB to **AA**. In the FTSE4Good index, we also improved in 2022: by 0.4 to **3.7** (of the 5 possible) points.

In 2022, we started to offer, in addition to the traditional investment loans for sustainable projects, the Green Loan and the Sustainability Linked Loan. In 2022, we signed new agreements on ESG investment loans totalling CZK 16 billion. 83% of them are environmentally positive and 17% are socially positive.

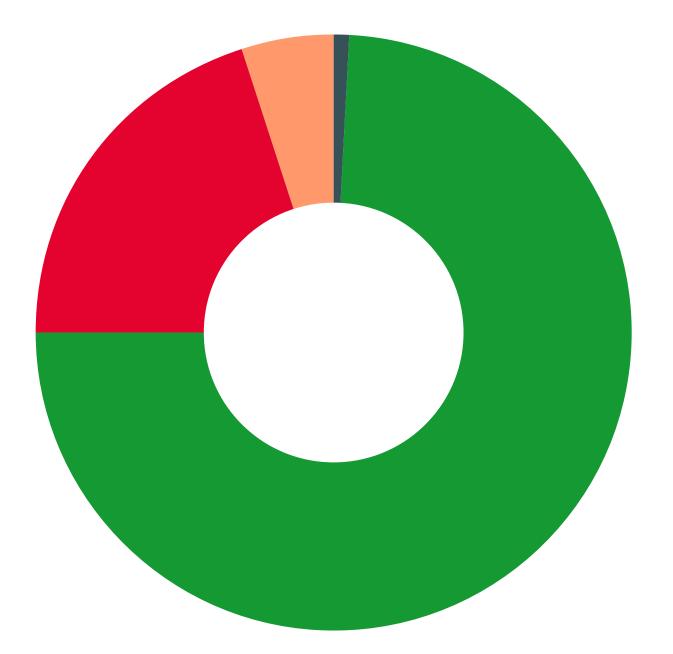
Purpose of environmental projects



- Energy efficient buildings (28%)
- Photovoltaics (41%)
- Wastewater management (5%)
- Renewable energy (13%)
- Circular economy (1%)
- Sustainable agriculture (1%)
- Other (9%)
- Sustainable forestry (2%)

For more information please visit <u>KB's website</u>.

Purpose of social projects



Public healthcare (74%)

Retirement homes (20%)

- Public education (5%)
- Social housing (1%)

We were placed first in **The MasterCard Bank of the Year 2022** competition. In addition to this main prize we also received recognition in The Corporate Bank of the Year and The Bank without Barriers categories.

By the end of 2022, we had issued **592,500** payment cards made 85% from recycled plastic.

For our project of ATM network sharing, we won the **Banking Innovator 2022** award. The *Hospodářské noviny* daily awards this recognition every year as part of The Visa Best Bank competition.

In 2022, KB's Jistota foundation distributed a record **CZK 28,911,006**. Of this amount, almost CZK 17.5 million was channelled into humanitarian relief for people hit by the war in Ukraine.





Introductory words by Jan Juchelka



A host of contradictions and paradoxes marked 2022. The tragic and unexpected war in Ukraine, question marks over energy supply, energy prices, inflation, rate hikes, Sberbank's collapse, and many other factors impacted on last year. Nevertheless, we also saw the very strong economic activity of households and companies following the two years of pandemic restrictions. Last year therefore confronted Komerční banka Group with many challenges and taxing assignments.

From the outbreak, KB Group sought to help the people fleeing the horrors of the war. This extreme crisis situation precipitated a huge wave of solidarity in Czech society. It was the same in our KB Group; together with our employees we donated almost CZK 18 million through Komerční banka's Jistota Foundation to help Ukraine. We also organised accommodation at our lodging facility in Prague and at other places for 100 Ukrainian mothers with children in a record short time. Also, from the very first days, we helped the refugees with banking services at our mobile branch in the Congress Centre in Prague.

Paying out Sberbank's clients was an important milestone last year. In a challenging and uncertain period, with only a few days for preparations, Komerční banka paid out CZK 19 billion, of which CZK 0.5 billion in cash, over the first five weeks. Cooperating with The Financial Market Guarantee System, we confirmed the fast response, stability, and dependability of the Czech banking market thanks to the commitment and professionalism of our people.

Besides tackling many challenges and demanding assignments, and implementing new and innovative solutions for clients, Komerční banka scored one brilliant success that rounded off its year: it became The Mastercard Bank of 2022. Huge thanks are due to all of KB Group's employees and its clients too – the award is appreciation for them. This award also vindicates our strategic objectives. Komerční banka will continue to pursue its role in energy transition and responsible business, as an attractive and responsible employer, and in promoting a culture of responsibility in line with its strategy.

Jan Juchelka

Chairman of the Board of Directors and Chief Executive Officer, KB Group



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Jan Juchelka says

"This extreme crisis situation precipitated a huge wave of solidarity in Czech society. It was the same in our KB Group; together with our employees we donated almost CZK 18 million through Komerční banka's Jistota **Foundation to help** Ukraine."



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Introductory words by Jitka Haubová



Komerční banka Group is very particular about responsible business, process digitalisation and optimisation, and cost efficiency. Komerční banka pursues carbon neutrality on a long-term basis and is meticulously carrying out its fiveyear sustainability strategic plan, the key objective of which is achieving carbon neutrality in own operations by 2026.

Last year 2022 has shown us that more than ever before, sustainability is a global challenge. This issue is stirring society, and all big banks in the Czech Republic already are becoming aware of its urgency. I am happy to see that the sustainability issue has united banks across the sector. Evidence of this is Komerční banka's initiative for ATM network sharing. When we started to share ATMs with MONETA Money Bank in June 2022 we were confident that other banks would join. And today we know that as of 1 February 2023, another two banks, Air Bank a.s. and UniCredit Bank Czech Republic and Slovakia, a.s., have expanded our initiative. We will see which of the other banks will join us going forward. The shared ATM network currently comprises more than 2,000 ATMs across the Czech Republic. Our clients can withdraw cash from those other three banks' ATMs on the same terms as from ours. The main purpose of ATM network sharing is enhancing ATM accessibility for our clients. A side effect is preventing unnecessary wastage of resources and energy. Actually only few people can imagine that the annual consumption of one ATM is in fact comparable with that of a family's house. ATM sharing also helps us to transfer the existing duplicate ATMs to where they are needed more. We have received very positive responses to our initiative from both clients and experts, including The Banking Innovator of 2022 recognition.

Especially in banking, sustainability is also about digitalisation, security, and innovative solutions. At Komerční banka, the whole of 2022 was marked by preparations for stepping into the New Era of Banking. We are turning into a bank built on our collective expertise and the latest state-of-the-art technology, the most current data, and AI in the service of relationship managers, on the clients at the centre of all developments and smart products and services, and on a new approach to our customer services and their development. The clients did not experience even minor outages in payments when we migrated them to a new card system in the autumn of 2022. The switch to the new card system also marks the first milestone in the New Era of Banking—New Era of Komerční banka, which will start in 2023.

Jitka Haubová Member of KB Board of D







Jitka Haubová says

"Komerční banka pursues carbon neutrality on a longterm basis and is meticulously carrying out its five-year sustainability strategic plan, the key objective of which is achieving carbon neutrality in own operations by 2026.

Sustainability Report 2022 KB Group

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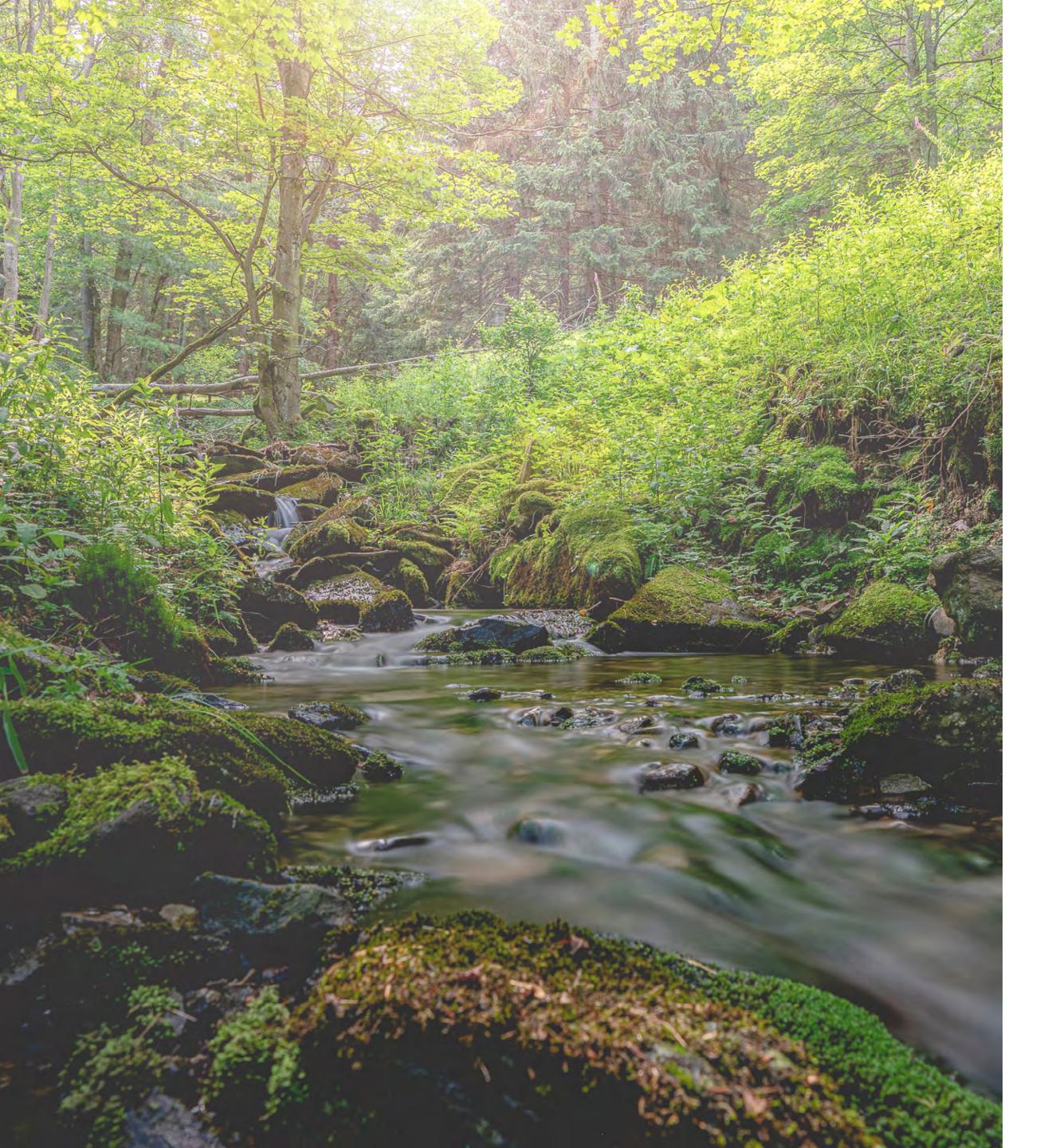
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The purpose of our existence, our raison d'être, is building together with our clients, a better and sustainable future through responsible and innovative financial solutions. Our vision is to be the leader in the New Banking Era for two million active clients and the bank with the heaviest emphasis on sustainability in the market. Development, responsiveness, and responsibility are the pillars of our strategy.

Russia's invasion of Ukraine derailed early 2022 and brought to Europe immeasurable suffering and negative impacts on the global, European and Czech economies. On behalf of the Deposit Insurance Fund of the Czech Republic, we started to pay out compensations to the clients of collapsed Sberbank CZ; in addition to providing financial support, we also made some other steps to help Ukrainian war refugees. Right at the beginning of the conflict, we arranged lodging for mothers with children in our Prague-Palmovka training centre, provided necessary assistance to them, and helped them with their integration within society. As early as March 2022, we offered war refugees from Ukraine privileged bank accounts that included a humanitarian contribution upon account opening, free payments to Ukraine, medical and psychological assistance services, and other benefits. More than 18,000 clients were using these accounts at the end of 2022.

Despite the above developments, KB Group continues with essential investments and changes in line with the KB 2025 strategic plan. At KB, this primarily entailed building the New Era of Banking, formerly NDB (New Digital Bank), and the related banking infrastructure. The pilot operation of the new platform had been launched by the end of 2022; more than 3,000 clients from the ranks of KB employees were taking part in that

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operation. In 2023, New Era development will reach a stage allowing the launch of the new digital bank in the Czech market and to acquire new clients together with the gradual migration of the current clients from the old system.

In June 2022, we started to share our ATM network with MONETA Money Bank. This move has helped to improve the accessibility of cash services for clients and advance our sustainability activities. The feat brought us recognition in the Banking Innovator category of *Hospodářské noviny's* Visa Best Bank of the Year 2022 awards. Air Bank a.s. and UniCredit Bank Czech Republic and Slovakia, a.s. joined this ATM sharing initiative in February 2023.

As early as 2021, we developed a new service provision and branch design model that is more favourable for advice provision and effective solution to clients' various financial needs. The first branch based on the new concept was opened in Prague-Dejvice in July 2021. In 2022, we continued to modernise additional branches and a total of eight of them had been remodelled to the new design by the end of 2022. We will continue to revamp our branch network.

We gradually extend and improve the range of our products and services whereby we support a sustainable future. These include, e.g., mutual funds (unit trusts) investing in companies running their business in accordance with a responsible approach to the environment, society, and corporate governance (ESG); advice on and funding for energy saving projects and renewable energy sources (RES); and payment cards made of recycled plastics. We want to contribute to climate protection by promoting a fair, green, and inclusive energy transition, taking into consideration that not all energy sources are equivalent for consumers in terms of costs, and that the energy sector represents thousands of jobs. In addition to launching new sustainable financing products whereby we support clients' sustainable operations, we have our own commitment to reduce our carbon footprint. We therefore carry on with activities aimed at achieving a carbon neutrality of our own operation by 2026. In 2021, the bank's total emissions declined by 32.5% compared with the base year to 23,903 metric tons of CO₂ equivalent, i.e. 14.7 kg per client. The Preferred by Nature non-profit organisation audits the measurements every year. When this report was being compiled, the results of measurements in 2022 were not yet known and they will be published in April 2023. Some of KB subsidiaries started to measure their own carbon footprint in 2022. The objective is that the entire KB Group progressively introduces its carbon footprint quantification.

We have received a number of awards for our sustainability activities. Above all, we have improved our position in international ratings. In the MSCI ESG ratings, we climbed from BBB to AA; in the FTSE4Good index, prepared by FTSE Russell, we also improved in 2022: by 0.4 to 3.7 (of the 5 possible) points from 2021. But we experienced many more successes in responsible business in 2022. In Visa Awards 2021, dedicated to innovative payment solutions, KB was named The #1 Sustainable Bank and Monika Truchlíková, the Payment Methods Tribe leader at KB, was named The #1 Woman in payment systems. In the Golden Crown competition, the KB Sustainable Technologies Loan won the Green Crown award. We were ranked one of the Top 10 large corporations in the independent ESG ratings from the Association for Social Responsibility. In the Top Responsible Company ratings from Business for Society, we received two awards, one in the Top Responsible Large Company category and one for sustainability reporting. Another recognition, which delighted us very much, is our first place in The Mastercard Bank of the Year 2022 competition. In addition to this main category we also received recognition in The Corporate Bank of the Year and The Bank without Barriers categories.

More information about the rewards and recognitions is available on <u>KB's website</u>.

Award

One of the recognitions that made us very happy is our first place in the Mastercard Bank of the Year 2022 competition.

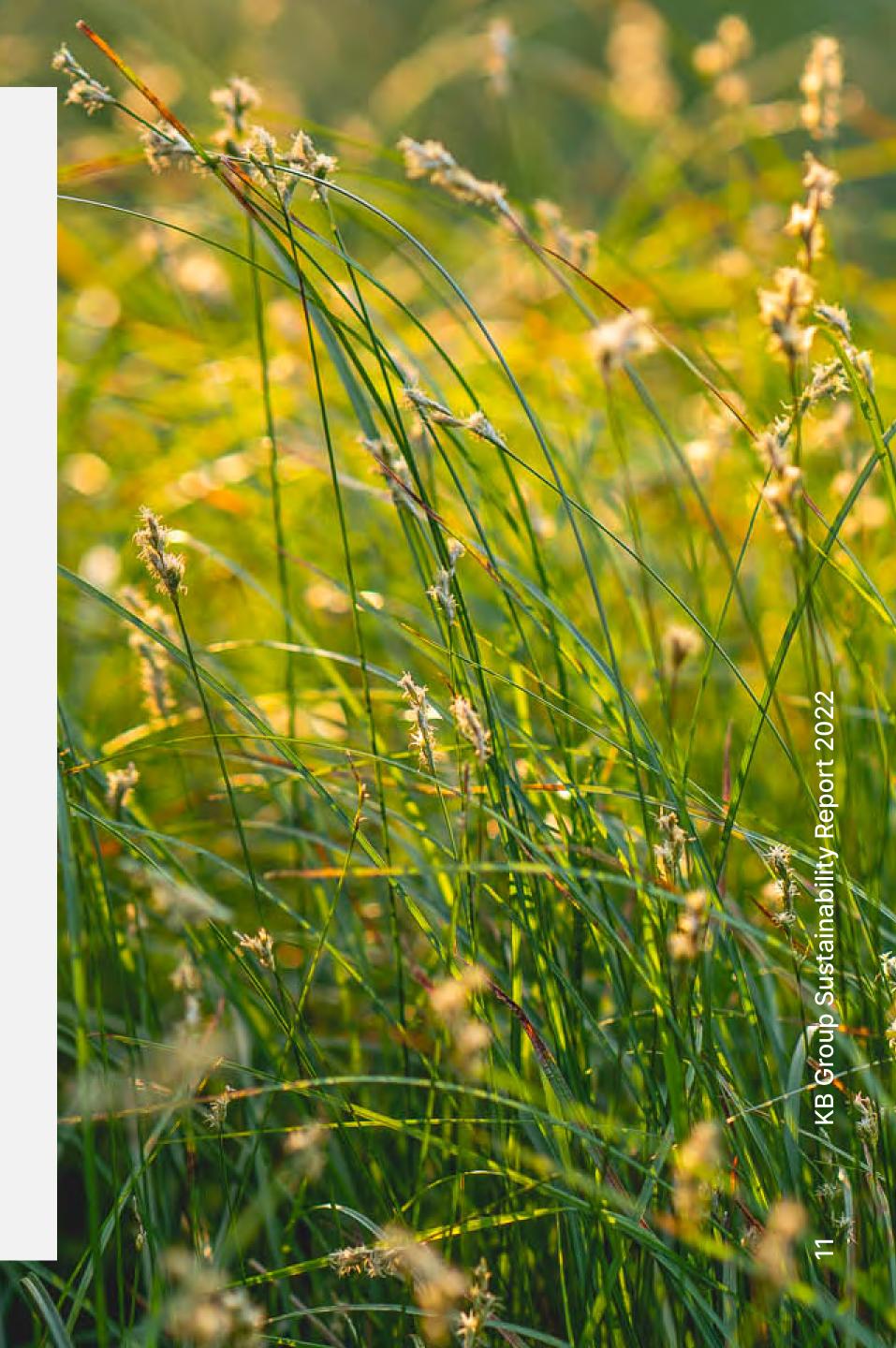




Komerční banka Group

Komerční banka, a.s. ('KB' or 'the Bank') is the parent company of Komerční banka Group ('KB Group') and is part of the Société Générale financial group ('SG Group'). Komerční banka is one of the leading banks in the Czech Republic and the Central and Eastern European region. It is a universal bank offering a broad range of services in retail, corporate, and investment banking. KB Group's companies provide additional specialised services, including personal pension schemes, building society savings, leasing, factoring, consumer finance, and insurance, which are available via KB's branch network, direct banking channels, and the respective companies' own distribution networks. KB also operates in Slovakia through a branch dedicated to corporate clients and through some subsidiaries.

This year, the Sustainability Report is consolidated at the KB Group level. The subsidiaries subscribe to the same values as parent KB, apply a responsible approach to their business as much as possible, and act proactively in social and environmental respects. The purpose of consolidating our non-financial disclosures is to enhance the transparency of KB Group's activities and to provide the audiences with a more comprehensive picture of our sustainability endeavours. This report includes information about companies that significantly contribute to KB Group's assets and results, i.e. Modrá pyramida stavební spořitelna (building society), KB Penzijní společnost (pension company), SGEF (equipment finance), ESSOX (lease), and Factoring KB. The other subsidiaries are currently not being consolidated because of their insignificant impact on our consolidated non-financial disclosures. Komerční pojišťovna, a.s. is an associated insurance company in which KB holds 49%, and as such is not included in the consolidated indicators for KB Group. The chapter on Komerční banka Group of KB's annual report contains a detailed description of KB Group's subsidiaries.



Strategic Approach to Sustainability



Challenge

As a bank, we have the potential to help to combat the climate change and support the transition to a carbon neutral society primarily through financing our clients' responsible activities and sustainable solutions. Climate change is regarded as a major threat for mankind, with immediate impacts on human health and prosperity. We see this risk dynamically shaping the approaches and conditions for the private and public sectors in relation to finance, investment and insurance already now. This is one of the reasons why we regard the climate change as a challenge for which we have to be prepared. It is crucial that we keep seeking innovations that will help us in our fight against the negative impacts. Mitigation and adaptation are frequently mentioned in connection with reducing the adverse impacts of climate change.

Mitigation is understood to be prevention, within the meaning of mitigating the root cause. We pursue a large number of mitigation activities in our business. We are reducing our carbon footprint, and energy and water consumption, and we care about process efficiency.

More information about these activities is available further in this report and <u>here</u>.

We support projects that mitigate the impacts of climate change. Examples include investments in more economical equipment, funding of installations for reducing pollutant release into the air, water, or soil, or funding of CHP retrofits.

More information about these activities is available further in this report and <u>here</u>.

Adaptation serves as coping with the impacts of the changing climate. It therefore means changes and adjustments that help to reduce vulnerability to climate change impacts. We fund projects geared towards expanding greenery in municipal and other areas, improving biodiversity, or supporting farming, thereby helping to adjust to the already ongoing changes.

Our approach to climate change

This Sustainability Report describes KB Group's ESG (Environment, Social, and Governance) activities. KB Group acts responsibly in its relationships with clients, employees, shareholders, and other stakeholders and partners. We are convinced that responsible business is in accordance with the interests and expectations of the stakeholders as well as with applicable regulations. Responsibility is the basis of every partnership, and it is also a precondition for KB's and KB Group's sustainability and long-term success. We have put in place a number of goals related to sustainability and interlinked them with our corporate strategy. We regularly monitor and evaluate the meeting of the various targets. KB Group's environmental, social and governance (ESG) strategy is based on a materiality assessment that identifies the ESG factors most important to the Group's stakeholders, as well as for the Group's growth and risks. We published KB Group's ESG Strategy in 2022 and it is fully aligned with KB's mission, vision, and strategy as formulated in the KB 2025 plan.

As a bank, we have the potential to help to combat the climate change and support the transition to a carbon neutral society primarily through financing our clients' responsible activities and sustainable solutions. We are aware of this and are therefore continuously broadening the range of our products and services that will help to achieve these objectives.

We are gradually increasing our ability to collect, measure, and disclose ESG data so that they reflect the regulatory requirements and other initiatives. One of KB's basic objectives is to apply a holistic approach to ESG regulation and to further embed ESG impacts into its core operations and policies (in all relevant respects, such as client onboarding, transaction/ financing verification etc.). In 2022, SG Group took part in the first climate risk stress tests organised by the European Central Bank for major banks in the euro area. KB Group contributed its data to these stress tests.

KB Group Sustainability Report 2022



Governance at KB Group

The main owner of the sustainability concept at Komerční banka is Jan Juchelka, Chairman and CEO, and the sponsor is Jitka Haubová, member of the Board of Directors and Chief Operations Officer. The sustainability activities are coordinated by the Sustainability Working Group managed by Executive Director for Brand Strategy and Communication. The Working Group also includes members of other key parts of the bank (Brand Strategy and Communication, Strategy and Finance, HR, Compliance, Facility Management, Risk, and Retail and Corporate Banking representatives), who help to develop the individual pillars of the strategy and achieve internal OKR (Objective Key Results, former KPI). We have included certain sustainability goals (measured by OKR) into the incentive system for senior management and responsible employees. The updates of the strategy and information on its practical implementation are regularly presented to the Board of Directors for review. By the same token, this Sustainability Report was laid before the Board of Directors and SEC (Strategic Executive Committee) before publication, and they therefore had an opportunity to raise comments; they subsequently also approved the Sustainability Report.

KB Group has subscribed to SG Group's CSR ambitions so that together, they both boost their positive impact. Société Générale pursues its ESG ambitions in four strategic pillars:

- Environmental transition
- Positive local impact
- Responsible employer
- Culture of responsibility

The transition is being effectuated through ESG integration within processes and operations and the monitoring of the meeting of environmental and social commitments. The practical realisation of SG Group's ESG ambitions is being steered using the ESG by Design programme, which we describe in more detail in Governance.

Stakeholders

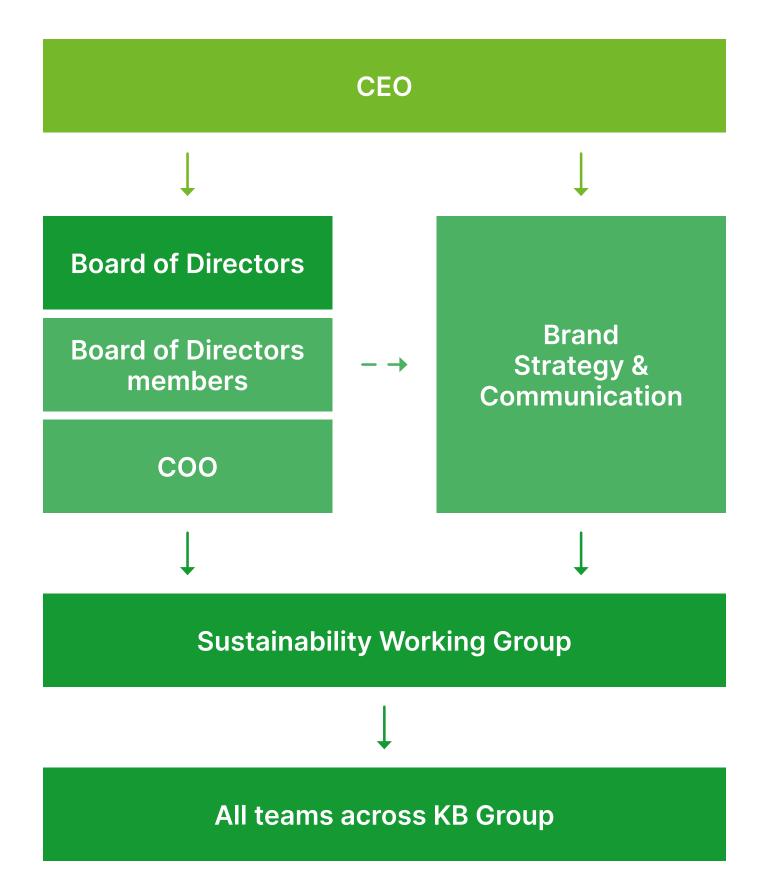
Komerční banka and its subsidiaries act responsibly in their relationships with clients, employees, shareholders, and other stakeholders and partners. KB perceives that responsible business is in accordance with the interests and expectations of the main stakeholders as well as with applicable regulations. Responsibility is the basis of every partnership and a prerequisite for KB's and KB Group's sustainability and long-term success.

KB has identified the following stakeholder groups on whose interests KB Group's activities are impacting considerably, and KB Group therefore respects such interests in all its activities:

- Individual clients (consumers)
- Shareholders
- Financial markets, including rating agencies and bond investors
- **Regulatory authorities**
- The public, including future generations
- Employees and other staff
- Trade partners, including suppliers

KB Group seeks to understand the interests and needs of its stakeholders by directly engaging with them and by continuously building and developing the body of expert knowledge of its various experts.

Business and corporate clients, including municipalities



KB Group Sustainability Report 2022



Engagement with stakeholders

	Dimension	Business Model and Innovation	The Environment	Human Capital	Leadership and Governance	Social Capital
	Topics	 Digitalisation Resilience of the business model Sustainable financial products Product design and lifecycle management Physical impact of climate change Procurement practices and their efficacy Supply chain management 	 Energy management GHG emissions Environmental impacts Water and effluent management Disposal of waste and hazardous materials Air quality 	 Employee engagement, diversity, and inclusion Health and safety of employees Labour practices 	 Management of the legal and regulatory environment Business ethics Financial crime Management of the critical incident risk Management of environmental and social risks Competitive behaviour Systemic risk management 	 Data security Protection of customers' personal data Approach to finances and affordability Product quality and safety Marketing practices and product labelling Customer care Human rights and engagement with the community
Stakeholders	Communication/Engagement					
Individual clients (consumers)	Regular satisfaction surveys and measurements					•
Business clients and corporations, including municipalities	Feedback Commercial communication The Together Sustainably website: newsletters, webinars	•	•		•	•
Shareholders	General meetings	•			•	
Financial markets, including rating agencies and bond investors	Events and meetings with investors/shareholders Studies and analyses Regular discussions with financial analysts	٠	•	•	•	•
Regulatory bodies including CBA	Close cooperation with regulatory bodies Regular CBA meetings Dialogues in working groups					
The public, including future generations	Public opinion polls Marketing campaigns Commercial communication Support of the non-profit sector		•			•
Employees and other workers	Regular satisfaction surveys Feedback Regular internal communication			•		•
Trade partners, including suppliers	Implementation of a responsible procurement policy	•	•		•	

KB Group Sustainability Report 2022

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Determining topic materiality

KB Group relies on the general topics structured in dimensions by the SASB (Sustainability Accounting Standards Board) standards developed by Value **<u>Reporting Foundation</u>** for determining the materiality of the various topics for each group of stakeholders and for its prospects for growth, costs, and risks. This list identifies the material topics that are reasonably likely to impact on the financial condition or operating performance of companies and are therefore important for investors. In the subsequent internal discussion, the Group may further extend the range of the topics.

In the next step, the Group nominates representatives of the various stakeholder groups from the ranks of its management and employees and/or external experts with a view to identifying and ranking the topics by their actual and potential impacts on the stakeholders' interests. In this evaluation process, the representatives are not limited to choice by solely the SASB topics. The justification of the selected topics is subject to these representatives' round-table discussions. At the same time, a panel of KB Group's managers responsible for business, operating, financial, and risk management assess the same set of topics. These managers evaluate the short-term and long-term actual and potential impacts of the topics on KB Group's business prospects, financial outlook, and risk profile. These evaluations are revised annually, along with a review of the list of stakeholders.

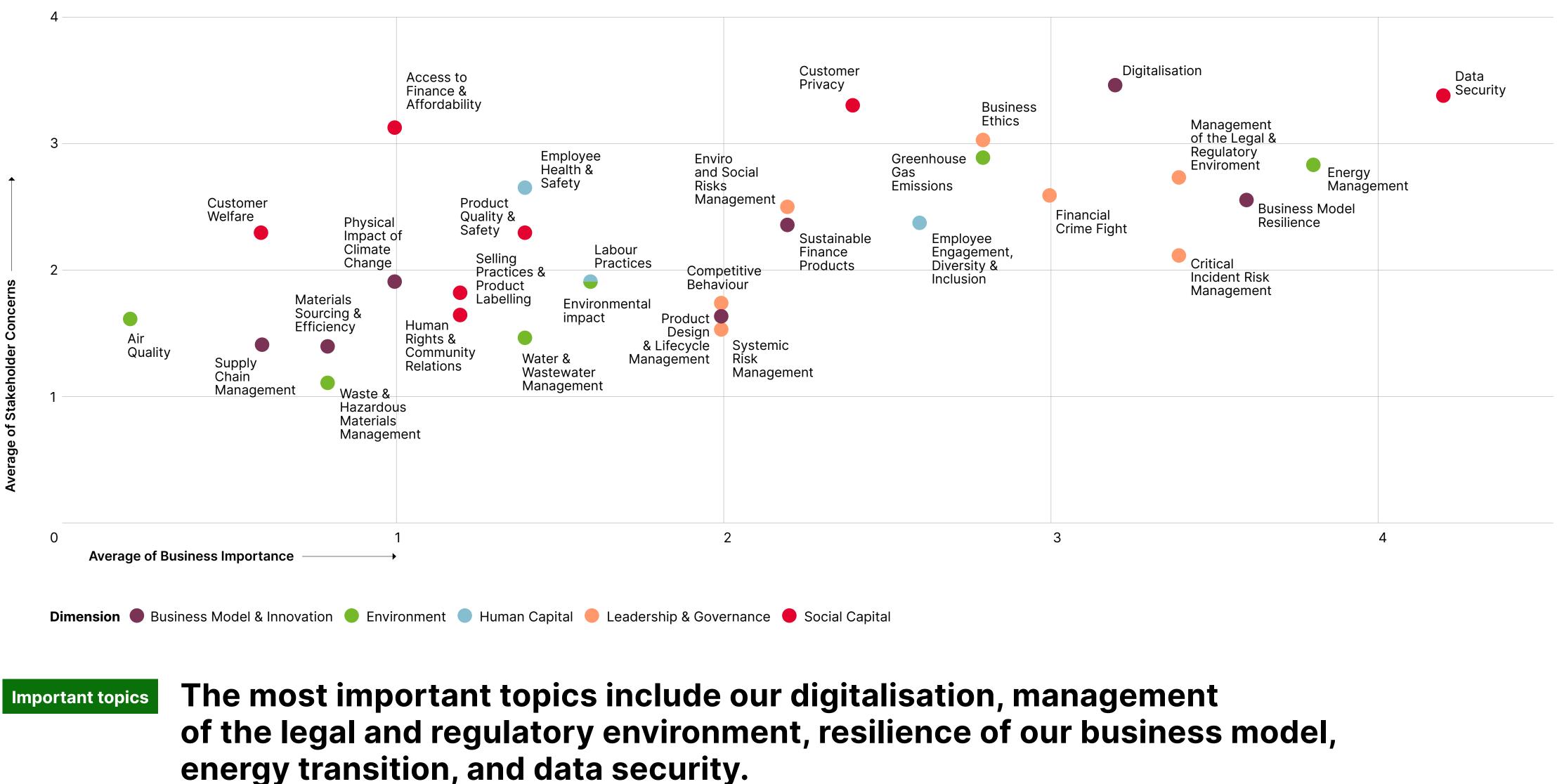
The outcome of materiality analysis is visualised in a scatter diagram with the importance of a topic for stakeholders shown along the vertical axis and that for the Group's financial, business and risk prospects shown on the horizontal axis.

Our materiality analysis also takes into account the data from various surveys covering sustainability. We describe, as an example, a 2022 survey dedicated to sustainability perception in the Czech public in Chapter 3 Social Sustainability.





Materiality analysis outcome and justification in 2022





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SDGs – Sustainable Development Goals

SDGs or Sustainable Development Goals were adopted by all UN member states in 2015 and serve as guidance to ensure prosperity and peace for all, build partnerships, provide for a dignified life without poverty and inequality, or protect the environment. We consider each of the 17 SDGs to be very important, and we believe that we are at least partially helping to meet all of them. In 2020, we worked with SDGs for the first time and sought to select the goals that we believed were the most important for us and our stakeholders and that could have a truly positive impact on the society in which we do business. We considered the selection of the most important SDGs with regard to KB's strategic plan.

KB's management discussed the final priorities for each of the SDGs so that the selection of SDGs matched our actual activities and future plans as closely as possible.

As a bank, we have the potential to positively influence society in two ways: first, by the manner we manage finances, treat resources, and deal with stakeholders, and second, through the projects that we finance and support. This division helps us to find our way around the SDGs better and to determine the goals that are the most important for KB. We did not just settle with a general association with the selected goals, but we have also linked our activities to the level of the SDG targets. In this way, we are able to focus our efforts more specifically on the goals that we are able and capable of influencing as a bank. In 2022, we have extended the range of our goals linked to the SDG targets, and so improved our ability to quantify the results of our effort. We continuously seek to design data collection so that the results are quantifiable and can be presented in this report. We are working hard on this also in connection with the new EU Regulations.

Comment on the Monitored Goals table

Based on inputs collected from our stakeholders we have determined the following ESG goals and targets that we want to achieve by 2025. These ESG goals have primarily been set for Komerční banka but are based on KB Group's ESG Strategy. KB's subsidiaries follow and develop these goals and targets adequately to the extent and nature of their activities.

As early as 2020, we began building a new bank information infrastructure and redesigning all bank processes. We call this transformation a New Era of Banking (formerly NDB or New Digital Bank) and it is part of the KB 2025 strategy. The end of 2022 saw the pilot operation of a new platform in our mobile app, online banking, and relationship managers' dashboards. Some 3,000 clients from the ranks of KB employees were taking part in that operation. In 2023, New Era development will reach a stage allowing the launch of a new digital bank in the Czech market and to acquire new clients together with the gradual migration of the current clients from the old system.

In 2022, the share of products sold digitally accounted for 23.4% of total sales in the individuals segment. We plan to increase this share in the retail segments to 50% by 2025.

Communication with clients will be completely rid of paper documents and productivity will increase. As early as 2021, we stopped releasing printed promotional leaflets and seek to extend digitalisation (for more details see the other chapters).

To improve the information value, in 2022 we started to monitor the percentage of new contracts for investment loans in the corporate segment (instead of the outstandings in the balance sheet, disclosed before that), which meet the ESG parameters (SPIF, Sustainable and Positive Impact Finance, by SG's methodology). In 2022, these new ESG investment loans accounted for 38.7% of the total new production of corporate investment loans. Due to this change, we have restated some data for the past periods. The chapter <u>Sustainable financing</u> offers more details about our approach to sustainable financing.

We are gradually extending and improving our range of sustainable financing products. The ESG designation system helps us to take qualified decisions on whether or not we will offer softer rates to clients.

At KB, we have developed an environmental and social risk management system (ESRM) that helps to identify and assess risks of the bank's corporate clients from the perspective of the potential origination of serious damage or adverse impacts of their activities on the environment and human health and safety, and human rights and fundamental freedoms. We are progressively expanding the share of corporate counterparties screened from the perspective of these ESG risks.

KB Group Sustainability Report 2022



Since 2021, we have been employing the Know Your Supplier (KYS) methodology for identifying and evaluating information about suppliers and potential suppliers to prevent cooperation with those who violate the applicable rules in the specified areas.

In the FTSE4Good index, prepared by FTSE Russell, we also improved in 2022: by 0.4 to 3.7 (of the 5 possible) points from 2021.

In the MSCI ESG ratings, we climbed from BBB to AA.

In 2022, the Jistota foundation distributed CZK 28,911,006 for non-profits' projects, thereby considerably exceeding the amount distributed in preceding years. They were mainly contributions to humanitarian aid for Ukraine. A total of 567 KB employees used the volunteering day, i.e. 9% of all employees, in 2022.

Compared with the base year 2019, in 2021 KB reduced its carbon footprint significantly: by 32.5% overall. Every year, we obtain the results of our carbon footprint measurements only following the publication of this report and post the current results on the website in April.

Overall energy consumption in 2022 was lower primarily due to the reduced use of offices in the Václavské náměstí building and transfer of activities to the head office building in Prague-Stodůlky. We substantially increased the share of bought renewable energy to 59% in 2022. The reason for this increase was the planned gradual reduction of our carbon footprint.

Unlike last year's report, we accepted the share of women in managerial positions from our ESG Strategy, thereby aligning this indicator also with our Annual Report. We now monitor the share of women in managerial positions at KB (the parent bank, the Board of Directors, and B-1 positions) aiming at 30% by 2025. We started to monitor this indicator in 2019 when the share was 19%.

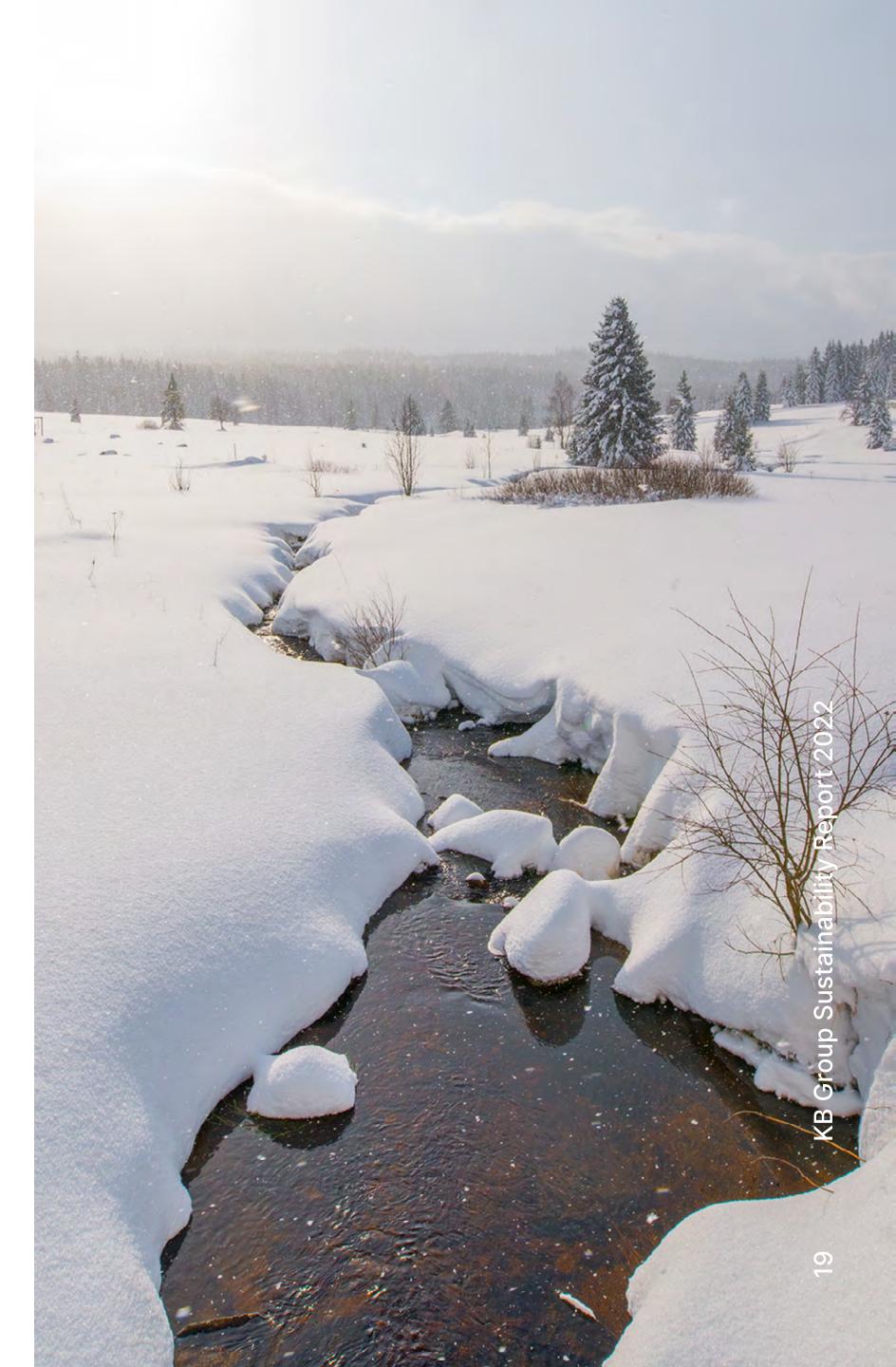
Equal remuneration is the fundamental pillar of the diversity strategy at KB Group. Its objective is a zero equal pay gap (formerly gender pay gap) by 2025. In 2022 equal pay gap was reduced to 4% from 4.2% in 2021.

We are increasing the share of part-time jobs in total employment to provide employees with flexible working conditions. In 2022, part-time jobs accounted for 7% of total employment and we want to almost double this percentage by 2025.

We allow employees to work from home on a regular basis thanks to our smart office scheme, which also offers flexible distribution of the working hours.

Tracked targets

Based on inputs collected from our stakeholders we have determined the following ESG goals and targets that we want to achieve by 2025.



Goals pursued

Dimension		Objectives	2019	2020	2021	2022	Target 2025	SDG targets
	Promote innovation and digitalisation	Create new digital bank where clients and employees will desire to live within KB world and services		We began building a new bank information infrastructure and redesigning all bank processes		The end of 2022 saw the pilot operation of a new platform in our mobile app, online banking, and relationship managers' dashboards. Some 3,000 clients from the ranks of KB employees were taking part in that operation.	Marketable level of maturity reached in retail as well as corporate banking	8.2 8.10
		Share of digital sales				23.40%	50%	8.2 8.10
		Communication with clients			Paper leaflets abolished, switch to digital leaflets		Fully paperless communication	12.2 12.5
		Share of investment loans meeting ESG parameters to corporate clients		20.8%	37.2%	38.70%	50%	9.4
Business model and Innovation	Finance sustainable development	Introduce the new advantageous retail financing solutions for projects with positive environmental impact			We put in place a system of ESG designation to screen our loan portfolio in terms of meeting the strategic sustainability goals, which also provides the data for our bank's and SG Group's reports. We thus determine whether a transaction meets the criteria for E&S positive financing. This process allows us to make an informed decision on its eligibility in terms of supporting the client by way of a softer interest rate, which is subsidised from our own resources, specifically our internal ESG subsidy allocation.	We extended its range to include sustainable financing products. In addition to the traditional investment loans for sustainable projects, we also offered Green Loan and the Sustainability Linked Loan.	Standardised offer of financing solutions for sustainable housing, energy generation and savings, waste treatment	8.3 12.6





Goals pursued

Dimension		Objectives	2019	2020	2021	2022
Leadership and Governance		% of corporate clients screened for ESG risks				
	Manage ESG risks	Know Your Supplier screening	Basic screening of suppliers with contract with KB or selected subsidiaries	Progressive implementation of the Know Your Supplier (KYS) methodology	We make full use of the Know Your Supplier (KYS) methodology for identifying and evaluating information about suppliers and potential suppliers to prevent cooperation with those who violate the applicable rules of taxation, of fight against money laundering and terrorism financing, or corruption, or may be involved in other illegal activities.	
	Improve our	FTSE4Good Index Series score		3.3	3.3	3.7
	ESG rating	MSCI ESG index score		A	BBB	AA

Target 2025	SDG targets
100%	12.6 17.16
Screening of all suppliers against to defined risk and volume criteria	12.6
4+	16.6
AA	16.6

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Goals pursued

Dimension		Objectives	2019	2020	2021	2022
Social	Support the	Volume of grants by KB Jistota Foundation	CZK 10,418,012	CZK 11,065,943	CZK 19,652,913	CZK 28,911,006
Social Capital	Support the community	Number of employees involved in corporate volunteering	537 (7%)	219 (3%)	394 (6%)	567 (9%)
Environment Reduce our carbon footprint	Carbon footprint reduction since beginning of emission measurement (Scopes 1 & 2)		30%	32.5%	*	
		Total energy consumption (MWh per year)	54,660	48,619	48,635	40,112
		Share of electricity consumption from renewable sources		0%	10%	59%
		Share of women in senior management of KB (parent bank, Board of Directors plus B-1 positions)	19%	26%	26%	27%
Human	Be a responsible	Gender pay gap		4.8%	4.2%	4.0%
	employer	Share of part-time jobs in total employment	6%	6%	6%	7%
		Smart Office concept		The covid-19 pandemic has accelerated the transition to Smart Office		

* The resulting carbon footprint for 2022 will be known by April 2023 and posted here

Target 2025	SDG targets
CZK 14,000,000	17.17
1,000 (18%)	13.3
80%	12.4 13.1
	8.4 12.2
100%	7.2
30%	5.5 10.3
0.0%	8.5 10.4
12%	8.8 10.3
Adaptive and effective environment with agile spirit, prepared for the digital future	10.3 10.4





SDGs – KB direct influence

SDG Goal

6 CLEAN WATER	Drinking water and sanitation
AND SANITATION	We systematically reduce water consumption, and by default, we install water saving accessories wher
8 DECENT WORK AND	Decent work and economic growth
ECONOMIC GROWTH	We use resources for our growth so that the environment is not degraded. We provide safe and stable employees.
10 REDUCED	Reduced inequalities
INEQUALITIES	At KB, we tolerate no form of discrimination and integrate all not only in employment, but also in provid
12 RESPONSIBLE	Responsible production and consumption
CONSUMPTION	We use natural resources economically and manage waste responsibly. Our ambition is to gradually rec
AND PRODUCTION	minimise the impacts of our activities on the environment.
13 CLIMATE ACTION	Climate action At KB, we make efforts to mitigate the impact of climate change, and actively search for appropriate so reduce corporate CO ₂ emissions that we already started to measure.
16 PEACE, JUSTICE	Peace, justice and strong institutions
AND STRONG	We respect the law and legislation, we have measures in place to fight against money laundering and c
INSTITUTIONS	make sure that we are seen as a transparent and responsible company.
17 PARTNERSHIPS FOR THE GOALS	Partnership for the goals We are convinced that through partnership with other entities, sustainable development goals can be k knowledge and expertise, and provide financing to meaningful projects.

	SDG target	Placement in this report
en refurbishing our premises.	6.4	<u>Ch.2</u> : Water consumption
e working environment for our	8.2 8.3 8.4 8.5 8.8 8.10	<u>Ch.2</u> : CO ₂ emissions <u>Ch.3</u> : Diversity and inclusion, Remuneration <u>Ch.5</u> : Digitalisation and innovation, Investment loans with a positive impact
iding our services.	5.5 10.2 10.3 10.4	<u>Ch.3</u> : Service accessibility for disadvantaged clients, Diversity and inclusion, Remuneration <u>Ch.6</u> : Jistota Foundation
educe generated waste, thus	12.2 12.4 12.5 12.6	$\underline{Ch.2}$: Energy consumption, Waste management, CO_2 emissions
solutions. Our ambition is to	13.1 13.3	<u>Ch. 2</u> : Energy consumption, CO ₂ emissions <u>Ch. 4</u> : Relations with suppliers, ESRM <u>Ch. 5</u> : Beginning of the chapter <u>Ch. 6</u> : Jistota Foundation – volunteering
corruption, and we take care to	16.3 16.4 16.5 16.6 16.10	Introduction Ch. 4: Code of Conduct, Whistleblowing, AML
e better achieved. We share our	17.16 17.17	<u>Ch. 4</u> : Table of external initiatives <u>Ch. 3</u> : Financial education and literacy <u>Ch. 5</u> : Loans supported by European institutions <u>Ch. 6</u> : Jistota Foundation





SDGs – KB influence through financing

	SDG Goal
6 PITNĂ VODA,	Drinking water and sewage
KANALIZACE	We support projects focusing on water quality improvement and its efficient use.
7 DOSTUPNÉ	Accessible and clean energy
A CISTE ENERGIE	We finance investment in energy saving measures and gradually increase the use of renewable energy.
9 PRÚMYSL, INOVACE	Industry, innovations, and infrastructure
AINFRASTRUKTURA	We support the society in which we carry on business by building high-quality infrastructure and impro
11 UDRŽITELNA	Sustainable cities and municipalities
MESTA A OBCE	We work in favour of cultural heritage protection and promote municipal and regional development.
12 ODPOVEDNA	Responsible production and consumption
VÝROBA	We use natural resources economically and manage waste responsibly. Our ambition is to gradually rec
A SPOTŘEBA	thus minimising the impacts of our activities on the environment.

Our mission

financial solutions.

	SDG target	Placement in this report
	6.3	<u>Ch. 5</u> : Investment loans with a positive impact
у.	7.2	<u>Ch. 5</u> : Investment loans with a positive impact
roving the quality of life.	9.1 9.3 9.4	<u>Ch. 5</u> : Investment loans with a positive impact, KB SmartSolutions and promoting start-ups
	11.3 11.4	<u>Ch. 5</u> : Investment loans with a positive impact <u>Ch. 6</u> : Jistota Foundation
educe generated waste,	12.2 12.5	<u>Ch. 5</u> : Investment loans with a positive impact

The purpose of our existence, our raison d'être, is building together with our clients, a better and sustainable future through responsible and innovative







Environmental Sustainability



KB Group takes care to minimise its environmental impacts and to use natural resources and energy economically. In addition, KB Group accompanies its clients in their own environmental transition. As early as 2020, KB set a goal of significantly reducing its own emissions by 2025 and achieving carbon neutrality in own operations by 2026. Last year was marked by an energy crisis, but we successfully continued in our trend of carbon footprint reduction. Additional KB Group companies are starting to measure their carbon footprint. In 2022, Modrá pyramida and ESSOX joined the scheme and so began monitoring the impacts of their activities.

Energy consumption

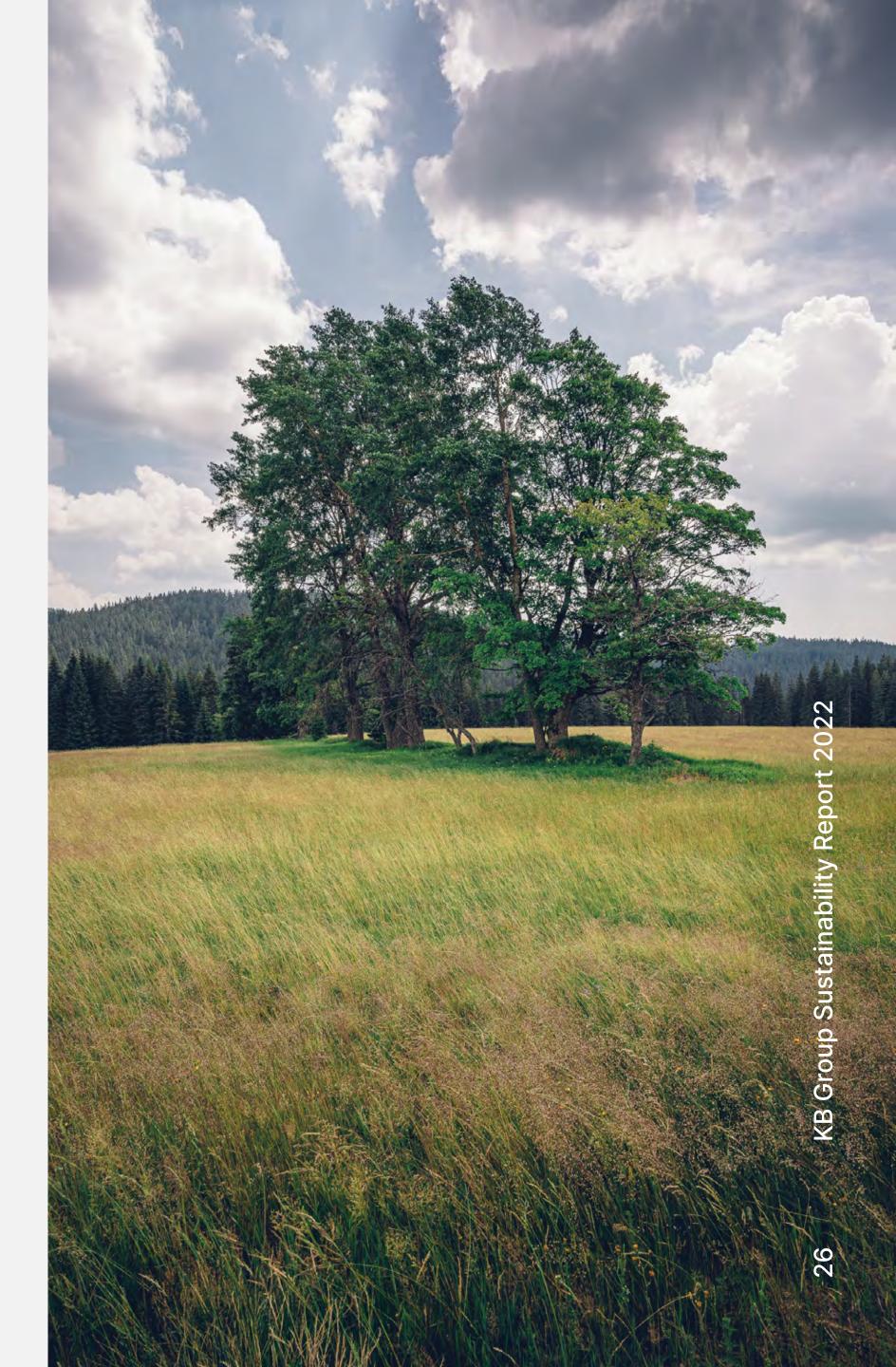
We measure and monitor our consumption of electricity, gas, heat, and water at the supply points that are equipped with billing and secondary meters. In the case of unmetered premises, we pay for energy under a contractual agreement; e.g., by a ratio determined based on the usable area and number of employees. We regularly compare our energy consumption data every month to determine year-on-year changes in consumption between the various periods. We are planning the installation of a rooftop PV panel system on the head office building in Prague-Stodůlky in the first half of 2023. This 94.5 kWh photovoltaic power plant with an average annual electricity production of 91.2 MWh is the result of cooperation between KB, SGEF and ČEZ ESCO under the *Photovoltaic* for One Koruna scheme. We are also preparing the installation of ten rooftop PV systems on KB buildings, with a total capacity of 436.8 kWp, which we expect to complete by 2023/2024.

For 2022, we bought 10,000 MWh of green energy with guarantees of origin from ČEZ ESCO. We also took 2,567 MWh of green electricity from T-Mobile as part of its data centre service.

Energy consumption outside the organisation is measured by secondary meters. We deduct the energy provided to other entities from the consumption read on KB's main meter. In the case of rented unmetered premises, we proceed in a similar way, i.e. by applying the floor area ratio (it is a minimum number of cases).

KB complies with its obligation under Act No 406/2000 on Energy Management and the relevant implementing regulation. Under this legislation, KB has obtained an energy audit. Enerfis, an energy consultancy, prepared the energy audit for KB in 2020 (the validity of the audit is four years). Complying with the energy legislation as currently in force, we have also obtained Building Energy Performance Certificates (BEPC) for all our buildings with a usable area of more than 1,500 m² and those with a treated floor area of more than 500 m² in which we rent our vacant premises. Our two office buildings in Prague-Stodůlky have obtained BREEAM (Very Good) and LEED (Gold) energy certificates.

We are reducing our energy consumption in many ways. During refurbishments and major repairs, we install new energy saving equipment; e.g., for lighting, we install LED lighting fixtures, and we replace atmospheric gas boilers with high efficiency condensing boilers. We take a similar approach to other installations, such as HVAC and cooling. All new equipment is designed with high efficiency and continuous control, which in turn brings energy savings. In 2019, we started to use the Enectiva project, a system that compares energy consumption data with technical parameters of buildings, including building use, number of occupants, climatic conditions, etc. We evaluate the data in a software package and determine the values that we should achieve. Based on that, we produce evaluations and conduct detailed checks of the sites with abovelimit energy demand. Enectiva is conclusively bringing us energy savings in each year of operation. We evaluate our load profiles and booked power input on a regular basis.



Energy consumption

	КВ			KB Subsidiaries	KB Group
	2022	2021	2020	2022	2022
Electricity (kWh)	21,442,324	23,932,914	25,565,816	1,276,130	22,698,454
of which electricity from renewable sources (kWh)	12,566,960	2,304,800			12,566,960
Gas (kWh)	7,244,982	8,955,726	8,942,129	686,804	7,931,786
Heat (kWh)	11,387,261	15,630,225	14,000,628	416,050	11,803,311
Cooling (kWh)	47,988	115,664	111,237	7,685	55,673
Total kWh/year	40,122,555	48,634,529	48,619 810	2,386,669	42,489,224
Diesel (I)	955	1,275	1,942	289	1,244
Water (m ³)	40,645	40,103	46,298	4,892	45,537

Based on the metered values, we make adjustments to the load profiles in respect of the items subject to a charge.

We have been able to report savings achieved by our energy reporting and adjustments to the buildings' control system every year since we put in place the reporting. In addition to the above measures, in 2022 we used the Smart Office mode much more and so significantly reduced the premises used in the head office buildings; we rented the vacant space to other companies in our financial group or to third-party entities. In 2022, we also sold the NONET Building at Náměstí OSN in Prague, which had no longer been used. These measures helped us to reduce KB's overall electricity consumption by 9% yearon-year.

Water consumption

As with other utilities, we record and compare water consumption against the number of occupants present and the usable area of buildings (Enectiva). By default, we install water-saving accessories, such as taps with aerators or toilets with water flushing control on the occasion of branch refurbishments. We do not use waste water and drain it directly into the sewage system. Nor do we use rainfall water.

The first stage of the project for remote reading of a large portion of electricity and water meters will be put into operation in the first half of 2023. The second stage of this project is being prepared now; it will complete remote reading of all electricity and water meters in KB. The project will help us to increase electricity savings and reduce water consumption.

Renewable electricity

We substantially increased the share of bought renewable energy to 59% in 2022.

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Carbon footprint

Compared with the base year 2019, in 2021 KB reduced its carbon footprint significantly: by 32.5% overall and by 31.3% per client. It reduced its emissions in all respects, except investment where they rose by 4.4%, and business trips where they rose by 154.7%.

The most visible reduction in its carbon footprint relates to employees' commuting to work. In 2019, employees covered almost 55 million kilometres, while in 2021 it was only 8.71 million kilometres. Another factor that influenced the carbon footprint from employees' commuting was better data collection: data was obtained from over 2,000 employees (in 2019 from only 600), and a better picture of their commuting in various periods was made. Not least, emission factors were lowered for 2020, which also contributed to the carbon footprint reduction. The emission factors originated from the same database, but they were reduced, and mainly by greener transport (more electric buses, engines with a smaller emission footprint, bio-fuel blending, etc.).

In respect of electrical energy, the carbon footprint declined by 28.1% and consumption was 3,882,477 kWh less than in 2019. The drop in emissions is therefore due to lower consumption of electricity and the transition, to an extent, to RES (10% of energy came from RES in 2021).

As regards capital projects, the company changed the methodology by breaking down the ongoing work to construction activity, furniture purchase, and repairs. Total capital expenditure rose by around 13%, and so the carbon footprint rose by 4.4%.

Quite significant carbon footprint reductions were achieved in respect of space heating (6.1%), air conditioning (91.1%), and natural gas (13.4%). This is mainly attributable to the pandemic year, which closed down a number of offices. We will monitor these values in detail in the coming years to identify whether they are also influenced by other factors and the carbon footprint reduction is sustained.

In 2021, the carbon footprint scheme was extended to include Slovakia-based Komerční banka, a.s., pobočka zahraničnej banky, with two offices. Since this involves a relatively insignificant value in terms of carbon footprint (0.17% of the company's overall carbon footprint), it was decided that this company would be placed under the certificate of parent Komerční banka, a.s. and would not be reported separately. ESSOX calculated their carbon footprint in 2019 and declares a reduction in 2021 by 32%. MPSS first calculated its footprint for 2021.

The resulting carbon footprint for 2022 will be known by April 2023 and posted <u>here</u>.

Carbon footprint reducing

Compared with the base year 2019, in 2021 KB reduced its carbon footprint significantly: by 32.5%.





Detailed distribution of emissions

	2021 KB (kgCO2e)	Share of total footprint (%)	Total KB of each Scope for 2021 (kgCO2e)	Total KB Scope 1+2 for 2021 (kgCO2e)	2020 (kgCO2e)	2019** (kgCO2e)	2021 MPSS + ESSOX (kgCO2e)	Share of total footprint (%)	Total Scope of MPSS +ESSOX 2021 (kgCO2e)	Total Scope 1+2 MPSS+ESSOX for 2021 (kgCO2e)
Natural gas (Scope 1)	1,787,420	7.48		1,732,534	2,063,585	139,400	4.23			
Fuel for company cars (Scope 1)	1,056,968	4.42	2,914,333		1,091,188	1,482,279	321,498	9.75	- *	845,076
Air conditioning (Scope 1)	69,945	0.29		15,449,804	392,728	782,653	0	0.00		
Electricity (Scope 2)	9,956,484	41.65	12,535,471		11,531,881	13,817,490	351,904	10.68	204 170	
Heat (Scope 2)	2,578,987	10.79			2,358,927	2,746,533	32,274	0.98	384,178	
Investments (Scope 3)	5,448,069	22.79			5,131,417	5,218,529	95,753	2.91		
Employee transport (Scope 3)	1,868,186	7.82	8,452,979		1,571,498	7,098,189	1 144,192	34.72		
Waste (Scope 3)	223,991	0.94			268,861	435,843	70,588	2.14	2,450,650 —	
Other (Scope 3)	912,733	3.82			970,004	712,843	1,140,117	34.59		
Total	23,902,783				25,049,038	35,388,682	3,295,726			

KB

				KB Group*
	2021 KB Group* (kgCO2e)	Share of total footprint (%)	Total KB Group* Scope for 2021 (kgCO2e)	Total KB Group* Scope 1+2 for 2021 (kgCO2e)
Natural gas (Scope 1)	1,926,820	7.08		
Fuel for company cars (Scope 1)	1,378,466	5.07	3,375,231	
Air conditioning (Scope 1)	69,945	0.26		16,294,880
Electricity (Scope 2)	10,308,388	37.90	12 010 640	
Heat (Scope 2)	2,611,261	9.60	12,919,649	
Investments (Scope 3)	5,543,822	20.38		
Employee transport (Scope 3)	3,012,378	11.08	10 002 620	
Waste (Scope 3)	294,579	1.08	10,903,629	
Other (Scope 3)	2,052,850	7.55		
Total	27,198,509			

KB Subsidiaries (MPSS and ESSOX)

The emissions in the base year have been restated. The reason is the switch from the electricity emission factor intended for the whole Czech Republic to the emission factor directly from the supplier. With a view to preserving consistency between the base year and subsequent years, the value of emissions for electricity was restated also for the base year.

* KB Group here means KB, MPSS and ESSOX. Other KB subsidiaries do not yet measure their carbon footprint **Numbers differ from those presented in previous non-financial reports due to a change in emission factors, you can find more details in the document Carbon Footprint Management Plan 2022.





Waste management

We could see a continuing trend of waste production declining in almost all sorts of waste in 2022. The only increase was in waste from branch refurbishments: bulk waste, wood and metals. The remaining disinfectants, abundantly used in the covid period, after their expiration date constituted hazardous organic waste for disposal. In the head office buildings we collect, for example, old mobile phones and send them for further processing. We give still serviceable furniture and laptops that we no longer use to a furniture bank or non-profit organisations.

Electric mobility

This is another area that enjoyed boom across KB Group last year. We earlier committed to convert our vehicle fleet from IC engines to electric vehicles. In 2022, we received 66 of the 131 Škoda ENYAQ iV electric cars that we had ordered. KB employees drove almost 600,000 km in them. They use these electric vehicles for business and can borrow them for personal use. We are also building new charging points for this new vehicle fleet. We currently have 210 points in operation, of which 194 are our own and 16 are rented. For example, SGEF also frequently uses electric bicycles for meetings with trade partners.

Waste

	KB and subsidiaries in KB's buildings and branches		KB Group		
	2022	2021	2020	2022	
Type of waste				Metric tons	
Paper and paperboard	122.85	145.67	177.41	123.88	Recycling
Plastics	34.62	34.55	28.73	35.73	
Composite packaging	0.01	0.15	0.32	0.01	
Glass	4.53	4.34	5.51	4.85	
Iron and steel	2.01	0.28	0.40	2.01	
Waste printer toner	0.01	0.00	0.00	0.01	
Electrical devices	0.00	0.00	0.02	0.00	
Mixed construction and demolition waste	0.39	0.00	0.00	0.39	
Wood	4.82	0.54	32.26	4.82	Composting
Biodegradable waste	1.17	1.10	2.66	1.17	
Bulk waste	8.62	3.34	28.48	8.62	Landfilling and incineration
Mixed municipal waste	491.60	489.17	568.26	495.77	(unknown ratio)*
Grease and oil mixture from fat separators containing only edible oils and fats	0.00	12.00	16.20	0.00	Incineration
Hazardous waste (sludge from oil separators)	0.00	0.00	6.00	0.00	
Organic waste with hazardous substances	0.10	0.00	0.00	0.10	
Hazardous waste (WEEE)	0.00	0.00	0.02	0.00	Take back/return
Total	670.72	691.14	866.27	677.35	

*The percentage of waste incineration in the Czech Republic is increasing, especially in larger cities. Unfortunately, the exact number or percentage is not available to us.

Kilometres covered

IC engine vehicles Electric vehicles

Total

KB Group	KB Subsidiaries			КВ	
2022	2022	2020	2021	2022	
7,234,555	2,732,820	4,159,621	4,423,405	4,501,735	
621,932	28,723	26,612	28,692	593,209	
7,856,487	2,761,543	4,186,233	4,452,097	5,094,944	





Other activities

One of the most important moves whereby we prove that we are very serious about sustainable operation was the start of ATM sharing with other banks. In early 2023, Air Bank and UniCredit Bank joined MONETA Money Bank, with which we had been sharing our ATM network since June 2022. Thus, the number of shared ATMs rose to over 2,000. The objectives of this initiative include enhanced comfort for clients and improved accessibility of our services together with a more sustainable operation of the ATM network. For this innovative approach in ATM network sharing, we won the prestigious Banking Innovator 2022 award last year. The *Hospodářské noviny* daily awards this recognition every year as part of The Visa Best Bank competition. The public voted on the winner in the Banking Innovator category in an online poll.

KB designed the Sustainable E-shop scheme together with Visa, Heureka, and Association of Social Responsibility. The purpose of this joint project is to highlight the e-shops that are very particular about their sustainable operation, ethical approach to employees and customers, and minimising the impacts of their business, and that generally run their business with regard to society and the environment. We launched the project in November 2021 and have seen great interest on the part of e-shops to join it since the very beginning.

Approximately 1,000 e-shops have applied for the green leaf symbol, the signage of e-shops successfully passing comprehensive evaluation, and some 200 of them have received it. In 2022, we organised events when clients shopping from any of the green-leaf Sustainable E-shops using a KB Visa card had an opportunity to recoup some of the money spent on the purchase. The purpose was to enhance awareness of e-shops conscious of the impacts of their business. In 2022, the entire KB Group again reduced unnecessary document printing and digitised additional client documents, and increased KB Klíč use for electronic signing. Whenever the supplier's stock allowed, we took only 100% recycled paper. For example, KB Penzijní společnost promotes contract conclusion via a mobile app by a bonus of CZK 1,000.

We continue with branch refurbishments in line with the sustainability principles. In 2022, we completed five of them and plan to complete a further eight in 2023.

Despite the adverse situation caused by the conflict in Ukraine, we were able to launch several new projects. We opened a co-working bistro, called VEGEt, in the head office building in Prague, in which we insist on genuinely green operation. In addition to strictly vegan dishes, the bistro offers several different composters and the entire premises have been furnished with regard to sustainability using, e.g., recycled materials or second-hand furniture. You will not find any unnecessary packaging in the bistro. A collecting tube for discarded mobiles and batteries is available there, and a 'recycling' library was moved there for book sharing.

In the spirit of sustainability, not only VEGEt but other KB premises collect coffee grounds. The Václavské náměstí building's coffee grounds are continuously being used as a fertiliser in the reKáva project's community garden. As part of a pilot project, in cooperation with the Zemanka organic bakery we had coffee biscuits made from a part of the coffee grounds, and we transformed another part into natural soaps.

We partnered a longitudinal documentary *Let There Be Water!* on the unique Czech S.A.W.E.R. (Solar-Air-Water-Earth-Resource) invention, which can distil drinking water from the air at the driest places on the planet. The system won the first prize for innovation at EXPO 2020 in Dubai. Our long tradition dictates that we, as the entire KB Group, bike to work, and not only as part of the Biking to Work challenge in May. This helps to spare the environment and we do something for our health. Moreover, our event has charitable overtones. In 2022, we set a new record in mileage covered. A total of 260 participants signed up, and in 87 teams we logged 86,475 kilometres between us in 20 towns and cities across the country. We gave the same amount in crowns to a project supporting single parents organised by our Nadace KB Jistota foundation.

To celebrate our successful cooperation while promoting biodiversity around our head office building in Prague-Stodůlky, together with our clients we planted 20 fruit trees. We also carry on our beekeeping. We had the honey produced by ESSOX bees tested by the accredited QSI laboratory in Bremen, Germany. Thanks to the excellent results, it retained its ORGANIC designation and also won a gold medal in the Czech Honey 2022 competition.

We have successfully completed the *Green Heroes* project that has presented today's heroes living in line with sustainability principles or running sustainable business to the public. We offered the stories of 12 personalities in certain shows aired by Nova TV (*Snídaně s Novou* (*Breakfast with Nova*), *Rady ptáka Loskutáka* (*Advice of Loskuták the Bird*), *Víkend (Weekend*), and *Život ve hvězdách* (*Life in Stars*), and afternoon and evening *Television Newscast*). Over the years, the audiences learned more about, e.g., renewable energy sources, green buildings, and water management, and also received instructions on how to build a bumblebee hive or how they can grasp sustainability in art.

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Social Sustainability

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We include a responsible approach to, in particular, our most numerous groups of stakeholders, i.e. clients and employees, in the area of social responsibility. We describe our relationships with other groups in the following chapters.

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Responsible approach to clients

Client satisfaction

The development and growth of our customers (personal and that of their business), our responsiveness to them, and responsibility are the three value pillars of the KB brand. They express the manner in which we want to be perceived in the market and what values we profess. In clients' awareness, we want to be a bank that through its responsiveness, responsibility, and emphasis on sustainability significantly contributes to their personal and business development. Thus, client satisfaction constitutes one of our top priorities at KB and within KB Group.

The natural sources of information about client satisfaction are the trends in their numbers and in sales, and the use of the various products and services. But to know clients' expectations and preferences much better we poll them on regular basis and monitor each stage of their customer journey, and based on their feedback modify and design our offers so that they are as user-friendly for them as possible. Conversations with clients, known as user testing, are part of the development of new products and services. We ask about their satisfaction following the purchase of a product, wanting to know whether the client has received all that they should have received and at the right time, and whether they understand everything, or whether they need help with its settings. We also monitor the rating of each of the service channels, such as branches, the contact centre, and mobile and online banking. All of these measurements are running continuously throughout the year.







In addition to these individual interactions, we also measure NPS (Net Promoter Score) in all KB Group companies. This indicator shows us clients' affinity to our brand over time. Polling also yields a large number of valuable comments from clients.

Clients	NPS 2022
Individuals	38
Small businesses	31
Medium-sized enterprises	42
Municipalities	67
Large corporates	59
International companies	80
KB Slovakia	70
Modrá pyramida	40
ESSOX	56
Factoring KB	80
SGEF	82

The measurements in 2022 have confirmed the great importance that retail clients attach to the bank's security and stability. In this respect, KB is one of the strongest banking institutions. Clients were most positive about mobile banking. Clients also appreciated ATM network sharing between KB and Moneta and later the news that Air Bank and UniCredit Bank would join the scheme too.

Traditionally, KB and its subsidiaries received excellent ratings from corporate clients. In their responses they primarily appreciated the professional nature of the services provided by relationship managers, security, including unfavourable periods of time, delivery on promises, and the ability to tailor financial solutions to each client's needs.

In the light of the results of the survey we will continue our digitalisation. A large portion of our clients want to attend to the largest possible number of their requirements online, providing, however, that the option is preserved to visit a branch for advice at any time or arrange online meetings with our experts.

As part of NPS measurement, KB's retail banking received more than 150,000 feedbacks in 2022. We employ two methods for working with feedback. First of all, we approach each of the clients to ask about the specific reasons for their dissatisfaction, and then seek to tackle the issue to improve the client's satisfaction. The most frequent solution is adjusting the product, informing about new products and additional product options, or recommending a different, more advantageous service. Where the issues cannot be resolved immediately and we need to make more adjustments to or develop the service, a suggestion for improvement is escalated through the customer experience team. Clients' suggestions therefore help us to adjust and develop our products and services in line with clients' needs. Based on feedback from clients, KB's retail banking put in place more than 200 improvements in 2022. Just a few examples:

- KB clients can withdraw cash from shared ATMs on the same terms as from KB's ATMs. Since June 2022, they can use MONETA Money Bank's ATMs and since February 2023 also Air Bank's and UniCredit Bank's ATMs.
- The Mobilní banka app is available for clients also in Ukrainian.
- Separate limits for card payments over the internet and in brick-and-mortar shops can be easily set in mobile or online banking.
- Confirmation that the client owns a bank account is available directly in online banking.
- Requests for early repayment of consumer loans and for extraordinary instalments can be submitted easily via MojeBanka online banking in three minutes. Within five business days, the client is then notified of the final amount for payment.
- Clients can easily fill in their tax residence in Mobilní banka without the need to visit a branch.
- On the alert for the clients: if three days before the next automatic repayment of credit on a credit card the account does not hold sufficient funds, we text this information to the clients. They thus have time to add funds to the account and use the period of grace.
- We warn clients of unexpected situations: suspect payments, submission of duplicated payments or incorrect variable symbol, or insufficient balances for direct debits and standing orders.





Their perception of the costs of our services strongly influences our clients' satisfaction. We have long sought to provide our clients with services on a value for money basis. Our prices are fair and transparent, and also very competitive compared with other banks in the market. Our pricing approach takes into account also sustainability. The pricing of our services is intended to motivate them to primarily use electronic and digital services that are more environmentally friendly and better priced for clients.

While in 2021 our clients responded in the circumstances of pandemic restrictions, in 2022 primarily the impacts of the war in Ukraine and high inflation affected the atmosphere in society. The external factors and economic development had caused clients' sensitivity to prices to increase, which could also be felt in their perception of value for money. In that period we therefore dealt with pricing changes. Answering our clients' wishes, we changed the method of charging the fee for providing a card that is not part of their bank account keeping. Clients in the Individuals segment who own multiple cards are now paying lower amounts for a card every month rather than the original one-off annual fee. Previously, we also introduced the notion of an extraordinary delinquent as an accommodating step when we waive the payment for sending the first notice. This covers cases where the client cannot honour their obligations on time due to an unexpected situation but we at the bank know that the client was making payments as due until then.

To find their way around the fees and charges, clients can visit KB's <u>Price lists</u> website to find all current information about the prices of products and services. In addition, we proactively provide clients with advice on their financial situation. Clients can receive a number of services free of charge and can set up all services effectively, and so save. An overview of the benefits and services that are free of charge is available for clients in the KB Price List and also on KB's <u>website</u>. We design transparent and simple terms and conditions for products and services. KB clients also have a unique opportunity to use a product for a trial period (Quality Guarantee, a trial period of 12 months) in the case of the most widespread products.

Clients' trouble-free multi-channel experience should help us to achieve a clientele of 1,850,000 by 2025 through organic growth. At 31 December 2022, KB served 1,652,000 clients.

Clients' view of sustainability

In addition to measuring satisfaction and improving our services accordingly, we run a number of surveys to gauge clients' attitudes and needs in various areas, including CSR and sustainability. We carried out an extensive poll on this issue in 2022. It revealed the areas on which companies should focus in their CSR activities. The most frequent responses included nature conservation, benefits for society, and fair treatment of employees.

Priorities differ by sector; the conclusions of the poll indicate that companies should compensate for the areas on which they have an adverse impact. Thus, industry should mainly focus on the environment while services should deal more with society and customer relationships. Some 44% of consumers claim that CSR is important for them (women and young people more frequently) in their shopping decisions, and 57% of them are willing to pay a little more for CSR. The consumers for whom CSR is important demand that companies offer greener products and services, switch to green energy, and prefer sustainable suppliers and input materials, much more often than others. Most of them regard digitalisation (paperless) positively as a modern and environmentally friendly solution, highlighting also banks' activities in education and in enhancing financial literacy in society. Specifically for KB, they highly positively regard the projects sponsored by the Nadace KB Jistota foundation.

Complaints

Where despite all the effort our clients are not satisfied with any of KB's services, they can make a request, through the <u>Quality Guarantee</u> scheme, in the case of the most common services for fee refund for up to one year from the time they set up the service.

Komerční banka has developed a complaint treatment system in accordance with regulation and standards. Complaint handling is subject to the Claims Rules and the rules for handling complaints, which are available on <u>KB's website</u>. Clients have several options for communicating their complaints: online, over the telephone, or in person at any branch and, naturally, also in writing, i.e. a letter.

Complaints can be handled at up to three levels: at a branch, in the Quality and Customer Experience unit, and by KB Group's ombudsman/woman. Internal regulations also require the person in charge of the complaint to notify the relevant Compliance, Operating Risk or Data Protection unit, depending on the subject matter. Annual reports on complaint resolution are laid before the Board of Directors and Supervisory Board.





Ombudsman/woman

We started to work with an ombudsman as early as 2004. An independent ombudsman/woman examines complaints received from clients of KB Group's companies in the Czech Republic and Slovakia and is subject to the Ombudsman Charter. Clients can approach the ombudsman/woman in the case of their dissatisfaction with the outcome of their complaint at the second instance level (in the case of KB clients, the Quality and Customer Experience Unit). The ombudsman/ woman's decision is not legally binding on any of the parties but we have committed to respect it as part of a conciliatory procedure.

5 January 2022 saw the inauguration of KB Group's ombudswoman Professor Marie Karfíková, a solicitor with a long career, one of the country's preeminent experts in financial law, head of the Department of Financial Law and Financial Science of Charles University's Faculty of Law. In this position, Professor Marie Karfíková replaced Joseph Franciscus Vedlich, LLM, who had held this position from December 2009. Under the SG Code, the ombudsman/woman's mandate has recently been limited to no more than five years, which enhances his/her independence and impartiality.

Marketing and communication

Our advertising and our transparent communication on products and services are subject to supervision by the Council for Radio and Television Broadcasting. If the recipients of our advertising have any doubts, they can contact the Council. For 2022, we have not registered any complaints received from this regulator, nor did the Czech Advertising Standards Council address any complaints related to KB Group. The marketing of our products and services meets requirements that comply with Czech and European regulation and that are specifically reflected in business and product terms and conditions. If complaints about product and service names are raised, they are recorded and handled. This may include clients' direct complaints or those through regulatory authorities. We did not register any complaint regarding the marketing of our products and services in 2022.

Services accessible for disadvantaged clients

We have long strived to make our products and services friendly in many ways. We consider it to be very important that disabled clients are included and have access to our services. At the end of 2022, KB had 152 out of the total number of 216 branches in the barrier-free mode, and out of 850 ATMs 776 were accessible without any barriers.

KB's hearing-impaired clients can use the eScribe service, thanks to which the conversation between the client and the relationship manager in a branch is transcribed on a monitor screen in real time. The hearing-impaired clients can thus communicate with their relationship manager easily and independently. The client requests their relationship manager to provide transcript of spoken word, and the relationship manager calls a transcriber. The client can then follow the verbatim transcript of the conversation on the PC monitor and can therefore ask questions at any time and immediately respond to the information provided. This gives both parties the certainty that there will be no misunderstanding and that all the information has actually been conveyed. The service is provided in cooperation with the Transkript online social enterprise, a successful employer of blind speedwriters.

Another example of products that we seek to redesign to render their use as comfortable as possible for clients with disabilities is the Mobilní banka application. It features, for example, talkback for the blind on both mobile platforms (iOS and Android). Visually impaired users can enlarge the font in the app by the settings in their phone or select the high contrast mode. Users with insensitive fingers can use haptics.

Financial education and literacy

The consequences of the covid pandemic and the rising energy prices kept the need of financial education and prevention of debt traps high on the notional list of priorities. We continued our cooperation with the Institute for Economic Education and again supported the Economics Olympiad, an international competition for secondary school students, which tests their knowledge of economic indicators as well as general understanding of finance and banking.

The Bankers to Schools event, which we have been supporting since 2014, continued to be a popular project amongst schools and our employees. As part of this cooperation with the Czech Banking Association, every year we send out dozens of speakers from the ranks of KB branch managers, IT specialist, or most senior management to schools. We regard financial literacy and cybersecurity as an irreplaceable part of education at primary and secondary schools.

We have long supported the operation of the Financial Distress Advisory Centre (*Poradna při finanční tísni*) nonprofit organisation that provides advisory services to people in debt. We notify clients who are in arrears with their payments by way of an early warning system (text messages, e-mails, phone calls), and we also refer them to our websites <u>here</u> and <u>here</u>, which provide complete information about the issue of (non)payment, and we may also refer them to the above Advisory Centre.





Support for clients and facilitated access to financial services

Assistance to clients in financial distress

The first quarter of 2022 saw the conclusion of the Merciful Summer initiative that KB Group had joined in 2021; we offered to help the clients who were experiencing enforcement proceedings because in preceding years, they had landed in difficulties with paying their debts and had been unable to resolve them by then. Although the legislation on the Merciful Summer initiative was geared solely towards debts being recovered by public sector entities in enforcement proceedings, KB Group provided this opportunity to all its clients – individuals – in enforcement proceedings. We thereby helped 136 clients (104 clients of Komerční banka, 3 clients of Modrá pyramida stavební sporitelna, and 29 clients of ESSOX): following the payment of the principal amount of their debts, we waived for them the incidentals amounting CZK 17.7 million and costs of proceedings amounting to another almost CZK 4.5 million.

We have not joined the Merciful Summer II initiative. Such extraordinary schemes should be only very exceptional. Using them on a regular basis might cause disequilibrium in loan repayments amongst KB Group's clients and the mistaken idea that debts will be waived in the future. Moreover, we normally offer assistance to clients in dire straits and always help to find a suitable solution for all clients who actively want to address their situation.

The methods of addressing problems with repayment are posted on the websites of KB Group's various companies. At KB, they are available on <u>this website</u>, where clients are guided non-stop by an on-line assistant right to the best offer of help. In the case of arrears, we warn the clients free of charge and on time via text messages and e-mail, granting them time to make the payment, to prevent a notice from being sent to them, which is subject to a charge. Teams of debt specialists work for clients. They are available over the telephone and via e-mail, and they also can join on-line to attend meetings of relationship managers and clients in branches to find the best solution together. Clients can easily request instalment deferment or reduction on the <u>website</u>.

Clients of failed Sberbank CZ

On behalf of the Deposit Insurance Fund of the Czech Republic, Komerčni banka has been paying out compensation to clients of the failed Sberbank CZ. As of 31 December 2022, KB had paid out CZK 25.3 billion to 66,350 of the failed bank's entitled depositors. This amount represented 97% of the total volume of compensations to be paid, according to the Financial Market Guarantee System. KB will be paying compensation to the former clients of Sberbank CZ until 10 March 2025.

Support for war refugees from Ukraine

In addition to humanitarian relief, as early as March 2022 KB offered war refugees from Ukraine privileged bank accounts that included a humanitarian contribution upon account opening, free payments to Ukraine, medical and psychological assistance services, and other benefits. More than 18,000 clients were using these accounts at the end of 2022.

Information about additional forms of client support (COVID programmes, and schemes to support projects and businesses having a positive impact on society and the environment) is available in KB Group's Annual Report for 2022.

Client data security

KB Group fully respects the protection of our clients' personal data and of data that are subject to banking secrecy. Transparent data treatment and the maximum security thereof are the fundamental prerequisites for complying with the relevant regulatory obligations and for maintaining responsible business operations and longterm relationships with clients.

We have a set of internal rules and policies in place for all data processing entities, clients, employees, and suppliers, which ensure personal data protection. All information about personal data processing is transparently set out in several documents available on KB's website, including a fundamental document titled Information for Clients on Personal Data Processing. The clients and third parties whose personal data we process or may process are informed by this second document about the legal reasons for personal data processing and for what purposes they are used, what personal data we process in the bank, where we obtain personal data, who the processors and recipients of personal data are, for how long we store personal data, what legal rights clients have in terms of personal data processing, and what legislation we follow in personal data processing. This is information required by the GDPR. The same site offers a set of documents with additional relevant information about personal data protection (consents, credit registers, etc.).

In respect of our suppliers, KB has in place a system that protects personal data and data subject to banking secrecy along the whole chain from supplier selection to contract documents containing the relevant provisions to a mechanism of reviewing the performance of each supplier's obligations. Our suppliers have all the information on personal data treatment in the contract clauses that contain GDPR provisions and are available on the <u>website</u>.

Compliance with the rules for personal data protection is systematically supervised at KB and its subsidiaries, which report to the same Data Protection Officer (DPO). The DPO continuously and independently monitors compliance with personal data protection principles, warns of any non-compliance with GDPR, and recommends possible remedial actions. The DPO is also responsible for consulting and communicating with the Office for Personal Data Protection (UOOU).

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Security

We guard online payments 7/24 in real time using the latest technology, such as artificial intelligence.

A breach of the personal data protection principles by a bank employee may result in a sanction in the form of, say, a letter of reprimand. The personal data protection principles are also part of the regular internal audit plan. In 2022, KB received a total of 57 questions or complaints concerning **personal data protection;** of those, we received two questions indirectly from the Office for Personal Data Protection. No sanction or remedial action was imposed on us by the Office in 2022.

A phenomenon of the past few years is clearly the new types of fraudulent attacks that are keeping busy not only our experts in the Payment Fraud Prevention unit but also their colleagues in the Card Fraud unit and in many other parts of the bank, such as specialists at the Contact Centre. These attacks include primarily various forms of vishing and phishing, i.e. fraudulent actions intended to obtain, through various deceptive narratives, from clients their login data and the authorisation of their operations, such as logging into the online banking app and subsequent authorisation of fraudulent transactions, or the pairing of the hacker's device. We also come across fraudulent investments in cryptocurrencies when the hackers aim at less experienced clients and, pretending to help them with the management of their investments, cajole them into executing fraudulent transactions, the hackers' accounts being the destination for the money. We are relentless in this respect, and continuously warn clients and upgrade our detection system to be able to better respond to the latest hacking trends.

We guard online payments 7/24 in real time using the latest technology, such as artificial intelligence. In 2022, KB intercepted over 532 fraudulent payments, thereby salvaging more than CZK 104 million for the clients. Internet hackers most often use phishing, which made up one whole third of the attempts at stealing sensitive personal data. Clients can find detailed information about the most frequent types of fraud in the context of online payments on a dedicated <u>website</u>.

With a view to mitigating the risks to client security, KB continues to support the use of IBM's Trusteer Rapport security tool that protects against specific threats, such

as harmful websites (phishing), malware, and attempts to detect passwords (keylogger). The clients can install this software in their computers or smart phones completely free of charge and in a couple of minutes. At the end of 2022, more than 301,000 clients had Trusteer Rapport installed, and 2,849 potential frauds have been prevented since its launch.

We have also extended the employment of the KB Klíč method for secure authentication. The secure two-factor authentication via KB Klíč has long been the dominant authentication method used by clients. More than one million clients now have an active KB Klíč. We also actively promote the use of Bank ID and contribute to other improvements in the security, use and support of this method.

We are continuously improving the Mobilní banka app with a view to keeping our clients' finances in absolute security. For example, the app can check whether the client has enabled Google Play Protect in their smart phone, and features biometric login, screen lock, screen checks for overlay attacks, or whether IBM Trusteer Rapport works correctly. KB's fraud detection system has helped many clients to save money by detecting and blocking suspect payments made by these clients in response to fraudulent requests.

We support clients via a dedicated <u>security website</u>, which we are continuously updating, in their tackling of the security aspects of digital banking. The website describes the key procedures and functions of secure behaviour, which should help clients to stay secure in the cyberspace. It offers recommendations on how to protect clients' devices and information about the current threats and active fraudulent schemes.

More information about cyber and information security is available in KB Group's Annual Report for 2022.



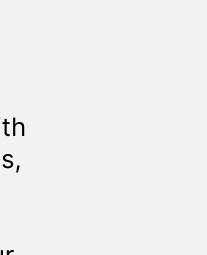




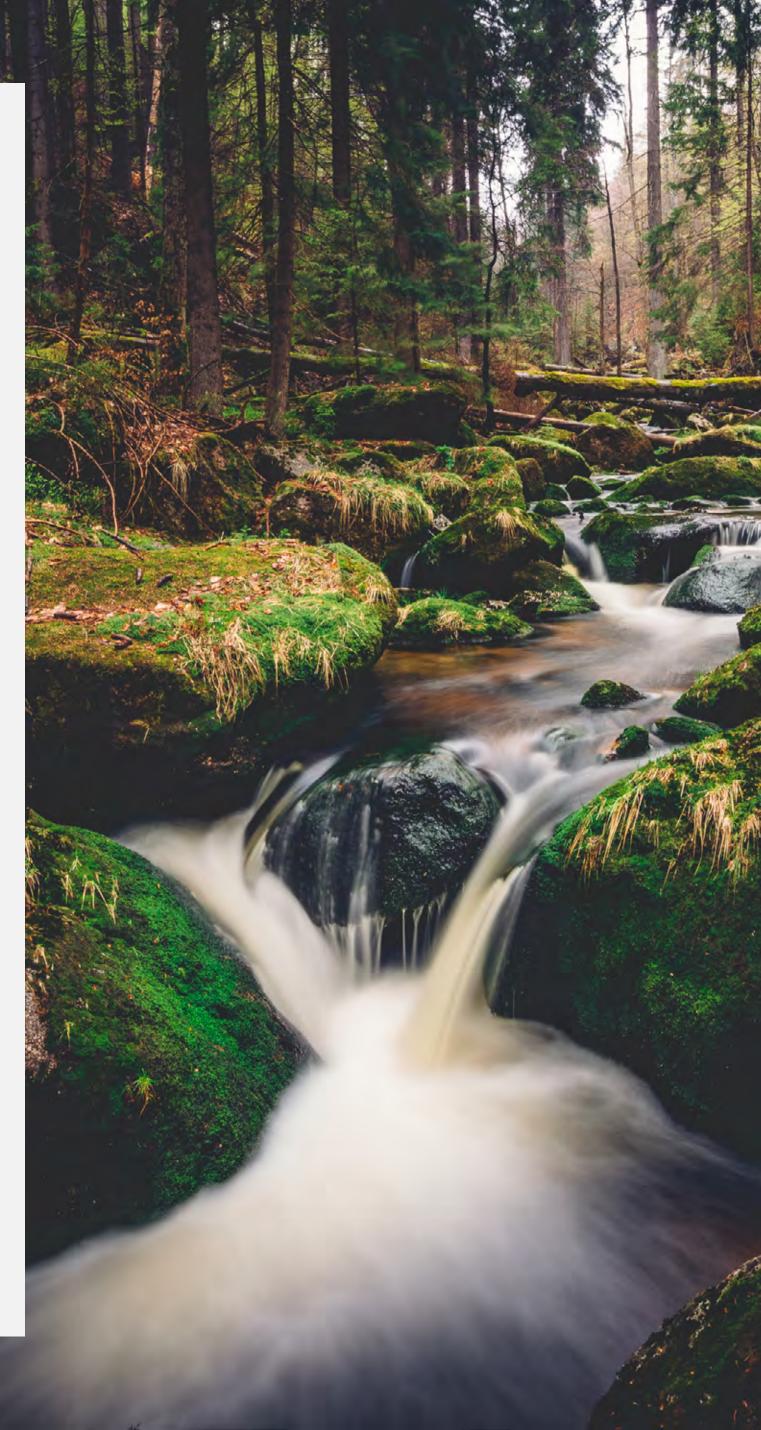
Responsible approach to employees

Vision, corporate culture, and values

Our strategic vision in Human Resources is to create a professional relationship with the employees based on trust, respect, mutual communication, equal opportunities, and an offer of attractive professional and career growth. We create an inspiring and stimulating environment where people enjoy working, are successful, and quite naturally become KB brand ambassadors. Our cooperation is founded on four core values, or principles of conduct, i.e., **team spirit, innovation, commitment, and responsibility**. These values together form the basis of our corporate culture on which we are building our future, and are an integral part of our mission, which expresses our *raison d'être*, and the way we want to be perceived as a bank by the market.



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Team spirit

Our clients want a bank that will be a responsible, trustworthy, and modern partner for them. Our employees meet the clients' needs as a team whose priority is an obliging approach underpinned by expertise. We are a bank focused on relationships with clients. Teamwork and inter-team cooperation, opportunity to openly express views, listening to the other person, appreciation of mutual benefits, and jointly experiencing all successes and failures are important for us all at KB.

Innovation

Innovation has become an integral part of KB's DNA. Priorities in recent years have included technology innovation and cooperation with startups. The objective is to enhance customer experience and continuous offering of the best customer solutions. Our employees are therefore changing their working methods accordingly, infusing them with unconventional approaches, and they support idea sharing and are learning from their achievements and failures.

Commitment

Our employees continuously seek lasting client satisfaction. They seek the best solutions for clients and take care of relationships based on mutual trust and respect both inside and outside the bank. For them, their clients' success means their own success, precipitates in them a feeling of pride of their profession, and reinforces their relationship to KB Group.

Responsibility

Bankers contribute to the economic, social, sustainable, and green development of both countries and economies in which we have a presence. They take a responsible approach to pursuing clients' visions and projects, acting in accordance with the investors' long-term interests, while on the alert for risk in all its aspects. They comply with the rules of the profession and the Code of Conduct. They dedicate the same attention to results and the avenues for achieving them.





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Average FTE number of employees

2022

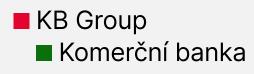
7,503	
6,553	
6,553 6,511	
4,021	2,490

2021

7,687	
6,736	
6,694	
4,043	2,650

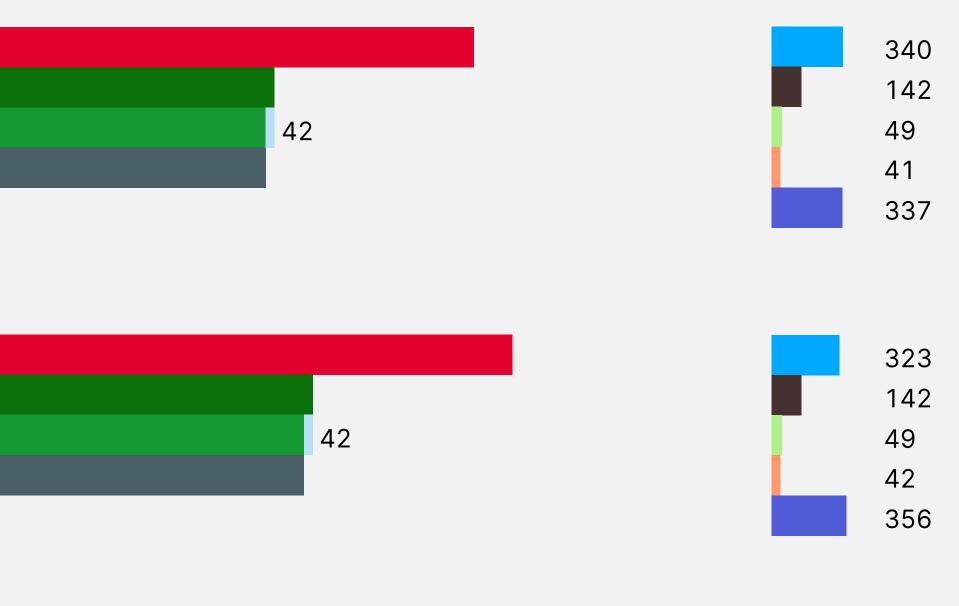
2020

8,061	
7,104	
7,062	
4,173	2,889



of whom in the Czech Republic of whom in Slovakia

of whom at the head office of whom in the distribution network







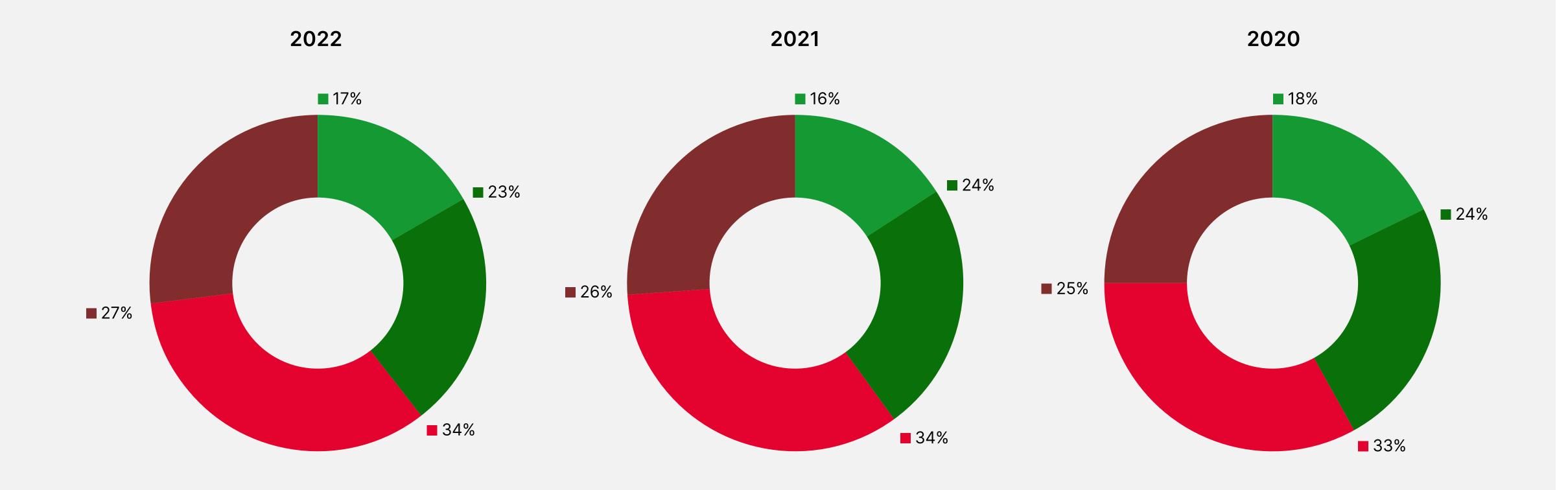
Modrá pyramida stavební spořitelna, a.s. ■ SG Equipment Finance Czech Republic, s.r.o. KB Penzijní společnost Factoring KB

ESSOX





Employee age structure at KB at year end



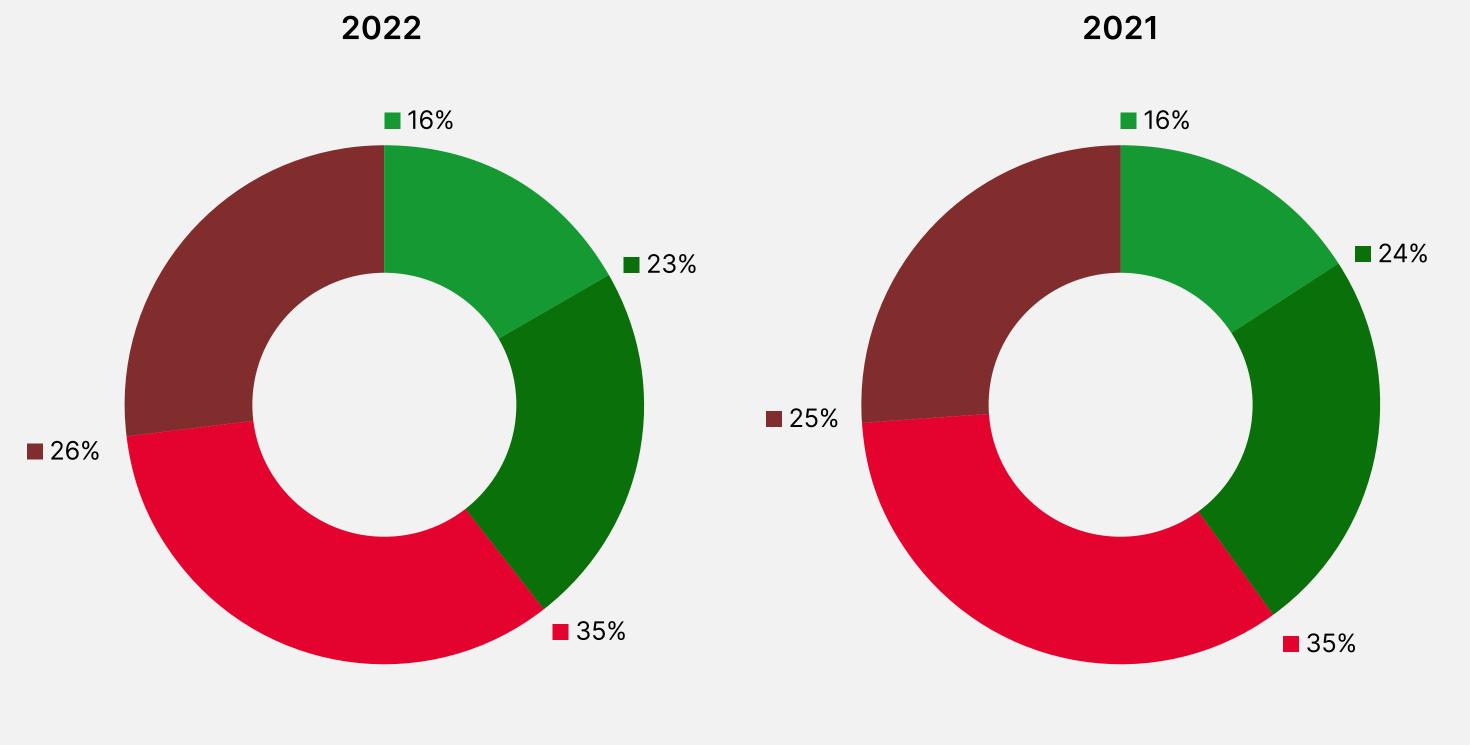


Note: Amounts may not be equal due to rounding.





Employee age structure at KB Group at year end





Note: Amounts may not be equal due to rounding.

In arranging and developing strategic projects and technical and information solutions and actualisations, we outsource services from contractors and subcontractors. We establish these relationships on the basis of supply agreements with the various entities in line with KB's short-term or long-term needs. In KB Group, all outside workers and suppliers go through the KYS (Know Your Supplier) procedure, which also has an ethics dimension. An internal instruction governs this process, which is also binding on KB subsidiaries.





KB employees by employment contract type

	2022		2021		
		Number		Number	
– full time	93%	6,081	93%	6,255	
men	41%	2,513	40%	2,504	
women	59%	3,568	60%	3,751	
– part time	7%	430	7%	439	
men	8%	34	6%	27	
women	92%	396	94%	413	
Total	100%	6,511	100%	6,694	

KB employees by contract term

	2022		2021		
		Number		Number	
 employment for indefinite time 	83%	5,399	84%	5,607	
men	40%	2,168	39%	2,184	
women	60%	3,231	61%	3,423	
 other types of employment 	17%	1,112	16%	1,087	
men	32%	359	30%	326	
women	68%	753	70%	761	
Total	100%	6,511	100%	6,694	

KB Group employees by employment contract type

	2022	2021
– full time	93%	93%
men	41%	40%
women	59%	60%
– part time	7%	7%
men	8%	6%
women	92%	94%
Total	100%	100%

KB Group employees by contract term

2020

94%

6%

100%

2020

81%

19%

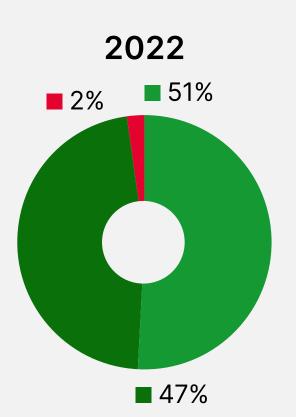
100%

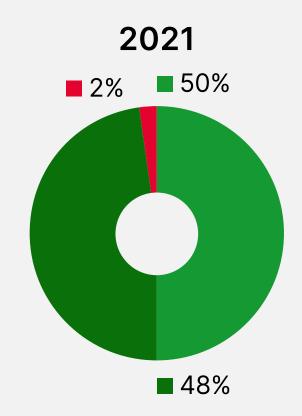
	2022	2021
– employment for indefinite time	83%	84%
men	40%	39%
women	60%	61%
 other types of employment 	17%	16%
men	32%	30%
women	68%	70%
Total	100%	100%

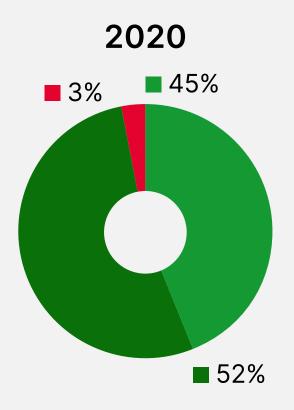




Employees' qualification at KB

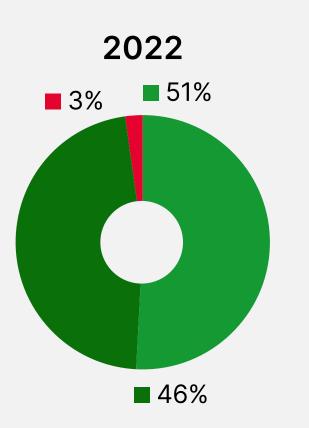


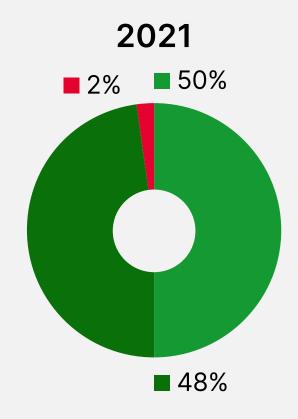




■ university, ■ secondary school, ■ other education

Employees' qualification at KB Group





■ university, ■ secondary school, ■ other education





Occupational health and safety and working conditions

This topic is detailed in KB Annual Report 2022 in the chapter on Relationships with Employees.

To the full extent of its statutory obligations, KB Group provides for its employees' occupational health and safety (OHS) and fire protection (FP) in view of the risk of potential danger to their lives and health when performing their work. KB Group provides its employees with sufficient and adequate information and instructions on OHS and on first aid. It also ensures respect for the prohibition of smoking and consumption of alcoholic beverages in the workplace. Managers at all levels are responsible that the employer's obligations in this area be honoured. These tasks are an equal and integral part of their work obligations.

KB Group's employee training in OHS and FP has the form of e-learning at regular intervals. Every employee has access to the training system. The training system is managed by the HR department, which sends notifications directly to the employee and may also refer them to their superior if the employee has failed to complete the training by the deadline. Employees under main employment contracts, as well as employees under an 'agreement to perform work' (in Czech *DPP*) or an 'agreement to complete a job' (in Czech *DPP*) are obliged to complete the OHS and FO training. Training is free and takes place within working hours.

Each of KB Group companies provides for the mandatory occupational health care services through a supplier company. They also provide regular employee training in OHS and FP under the relevant legislation. They regularly organise checks and employee training in these areas, keeping conclusive records thereof. All companies have identified the health risks associated with each job position and have assigned employees to the first or second risk category of working conditions. Moreover, duly contracted supplier companies regularly review all the work spaces to ensure that they comply with health and hygiene standards.

At KB, the OHS and FP coordinator, our employee, is responsible for the OHS and FP system under a power of attorney. The coordinator guides and manages OHS and FP service providers that ensure the meeting of legislative requirements for KB in this respect. In the event of controversial situations, the coordinator decides in cooperation with the legal department. This is without prejudice to the responsibility of managerial personnel at all management levels and without any limitation on our employees' general obligation to participate in OHS development and improvements in the working environment. The Banking and Insurance Industry Trade Union and the Regional Public Health Officer also conduct regular checks of workplaces. All employees are obliged to complete mandatory training and participate in occupational health care.

The Trade Union of Financial and Insurance Industries (*Odborový svaz pracovníků peněžnictví a pojišťovnictví*) also carries out regular checks at KB. An official record, including conclusions, of the inspection along with written recommendations, is prepared on each inspection. In the past five years the trade union did not find any major shortcomings in the performance of obligations that could not be remedied within a short time.

When modernising the environment in its workplaces, KB Group respects OHS requirements. It also aims to improve the social environment and effectively introduce state-ofthe-art technologies.

In the event of a work-related injury, the employee in question shall report it to their manager. The manager records the injury in the Injury and Minor Accident Book.

In the case of incapacity to work, a document called Injury Record, a model form of which is attached to the relevant Government Order, is produced. The legal department then confirms on behalf of the employer whether the injury is a work-related injury. The manager in cooperation with the OHS coordinator and a professionally competent person draw up the Injury Report. Depending on the gravity of the accident, the competent person then carries out a site examination, and measures are taken to prevent the accident from recurring. The Injury Report is stored by the OHS coordinator and also sent to the relevant authorities, including the injured employee's insurance company. The Injury Record must be sent by the fifth day of the following month. Every year, a list of accidents is sent to the KB TUO. In 2022, we registered two workrelated injuries (three in 2021). In 2022, we did not register any case of work-related ill health at KB.

KB Group's companies specify the working hours, breaks for meals and rest, overtime work, and other mandatory requirements in the Working Rules and, where the trade union operates, also in the Collective Agreement. All parameters are in accordance with Czech law. Compliance with all obligations is supervised by managers of the various teams. In order to make better use of working hours and to balance work with employees' personal needs, the employer allows flexible working hours to be applied in units where operating conditions allow. In companies with trade union representation, regular or flexible working hours are properly discussed. Furthermore, operating conditions allowing, employees can voluntarily take advantage of the opportunity to work from home.

Overtime work can be required only in exceptional cases if there are serious operational reasons for it, and always subject to agreement with the employee, in compliance with the applicable regulations, and properly documented. KB Group's management receives a regular report on overtime work and the entire process is properly supervised.





In accordance with the fundamental legislation, in particular the Labour Code, the employer has set the rules for its employees' performance of their job obligations and procedures in the case of their violation. The employer has also specified the areas and more detailed requirements specifically for the various groups of employees in its internal regulations, in particular the Code of Conduct and the Working Rules. The aggregate of statutory rules and internal regulations provides a framework for their enforcement in cases of breaches of employees' obligations under labour relations, and a process for addressing and recording them.

The risk factors entailed in employees' work are assessed before they actually start their job activities. Managers cooperating with a professionally competent person conduct the assessment in line with the legislative requirements. Employees are acquainted with this assessment as part of OHS training once per two years. If a specific risk that could directly and seriously threaten the employee's health is identified the employee has the right to refuse to perform the work without any sanctions for failure to fulfil their assignment. The verification of the relevance of risk factors at the workplace is performed by managers, and it is their statutory obligation. Labour Inspectorates and the Banking and Insurance Industry Trade Union exercise oversight in this respect. We promote the employment of disabled or disadvantaged people and are able to adjust the working conditions and environment to their specific disability.

Health promotion and support in hardship

We have been systematically attentive to our employees' health for many years. In January 2022, we launched a TeleMedicince service, i.e. 24/7 online medical counselling, where the employees can consult their own and their family members' health issues and make appointments with specialists. The service is part of the KB4U well-being scheme. Employees on ML/PL and employees' family members can also use the scheme.

Throughout the year, we organised a number of online workshops and webinars on topics such as healthy diet or mindfulness. KB supported its employees' sport activities and purchases of healthy lifestyle products by contributions through the benefit system. KB also organised a sports day for all employees. KB continued to operate the Consultancy Programme that offers our employees psychological and legal advice. In February 2022, KB launched a new social counselling service as part of the Consultancy Programme.

At KB, we respect all human and social rights of our employees. We have long been accommodating our employees faced with personal hardship. The assistance to be extended to these employees is provided for in the Collective Agreement and the relevant implementing regulations. Each situation is assessed and addressed on an individual basis (e.g., flexible working hours, reduced working hours under the employment contract, work from home, financial support, unpaid leave, etc.).

Employee satisfaction survey

Employee care is one of the top priorities for our human resources management and for our senior management. We regularly gauge the opinions, satisfaction, and commitment of our employees and adopt follow-up measures. We measure employee commitment through the Employee Barometer that monitors employee satisfaction throughout SG Group and is conducted by an independent research agency. The Barometer examines ten categories of indicators covering satisfaction, motivation, recommendation, trust, and strategy, including the general direction followed by SG Group. Our own survey, KB Pulse, monitors corporate culture, overall satisfaction, motivation, extent of personal fulfilment, opinions related to teamwork and inter-team cooperation, and labour efficiency, and it also concerns KB's relationship to sustainability issues.

In 2022, Employee Barometer took place within the entire SG Group, while at KB we also conducted two waves of the KB Pulse survey. Employees had an opportunity to comment on all of the above topics and to provide an overall assessment of their current mood and the atmosphere in the company. They could also comment on KB's responsible and sustainable approach and diversity issues.

In SG Group's SG Employee Barometer survey, the commitment score showed that the overall motivation level had been stable for the past three years and remained continuously high at 72%. Employees primarily praise teamwork and atmosphere at the bank, with cooperation with superiors and with colleagues scoring 94% and 97% respectively, and also the opportunity to express their views openly (92%). 83% of employees are satisfied with their job and 81% are proud to be part of Société Générale Group, and these results have been stable for a long time. Most of the employees also regard KB as inclusive and open to all and would recommend it as an employer to people around them (73%).

In KB Pulse, commitment scored higher than in 2021, up by 2 pp, and reached 79%. This is attributable to the high rating of managers, who had been setting good examples for their people, with the score rising by 8 pp to 88%. Employees confirmed that they are motivated in their job (stable results, 78%), trust the decisions made by the management (up by 5 pp to 82%) and most of them would also recommend the bank as an employer (up by 2 pp to 71%). 93% of employees also confirmed that the flexible mode of working, i.e. Smart Office, did not have any influence on the quality of their work or they even felt better working in this way. There was a slight decline in sustainability rating, but the score of 78% continues to be high from the long-term perspective.





Our overall strategy as a responsible employer rests on four pillars: gender balance, equal remuneration, promotion of social inclusion, and enhancing awareness of diversity and inclusion amongst employees and the public.

Right to information and social bargaining

KB Group employees' right to collective bargaining is respected to the full extent. At KB and Modrá pyramida, the TUO exercises this right. KB and Modrá pyramida managements are regularly in touch with the TUO officials and collective bargaining takes place every year.

Under the Labour Code and the relevant Collective Agreement, we allow all our employees to unionise. In 2022, 28 KB TUO branches operated at KB and one TUO branch at the Modrá pyramida building society. The relationships between the TUO and the employer are governed by, *inter alia*, the Charter of Fundamental Rights and Freedoms, the Czech law on the association of citizens, the Czech law on collective bargaining, and ILO Conventions (freedom of association, right to organise and collective bargaining, protection of human rights and freedoms). In addition, parent Société Générale has underpinned the right to the freedom of association and collective bargaining by signing the Global Agreement on Fundamental Rights between SG and UNI Global Union on 4 February 2019.

The right to information is guaranteed to all KB Group employees. At KB and Modrá pyramida, it is also set out in the Collective Agreement signed for 2022-2025. The outcomes of the negotiations between the employer and the TUO, including the full text of the Collective Agreement, are available to all employees. The benefits of the Collective Agreement cover all employees of the relevant company, including those who are not union members. In companies where no union exists such benefits are set out in their internal regulations.

We share information intended for employees openly and via multiple channels. The main source of information for each employee is their superior. Another channel is each of the companies' intranets. KB's intranet has a separate Employee section offering all relevant and updated information concerning human resources. Employees can also contact HR specialists, call the My HR line, or send their questions via e-mail. They can also approach HR Business Partners and consultants. Newcomers can use the KUBA chatbot.

At KB, we use collective bargaining. Under the Agreement on Cooperation, Relations, and Delegation of Powers, the Works Council of KB TUO is empowered by the various trade union branches to bargain collectively. The unions represent the employees and their interests. The deadlines for submitting material changes are stipulated by the Rules of Cooperation between KB Management and the Works Council of KB TUO, the standard deadline for submitting comments on draft proposals being 15 days under the Rules. Any employee can join the trade union.

Diversity and inclusion

Diversity and inclusion are an inseparable part of KB Group's corporate culture and among the strategic priorities of the whole SG Group. We regard otherness and individuality as a strength regardless of age, ethnic origin, nationality, gender, sexual orientation, political opinion, or religion or minority membership.

We promote diversity in our teams. We employ experts from various areas, foreign colleagues from SG Group countries, students who are only starting their career, and our experienced long-standing employees.

As early as 2020, KB became a Golden signatory of the Diversity Charter, a project sponsored by the European Commission since 2010. By signing the Diversity Charter, we have joined a strong group of companies that actively raise and contribute to the solution of societal issues. As part of this initiative we have pledged to create a nondiscriminating, supportive, and inspirational environment in which employees can develop and actualise their potential as best as possible.





In 2022, we became a partner to the European Diversity Day held under the auspices of the company Byznys pro společnost (Business for Society) and presented there our own approach to diversity and inclusion. KB also joined the #FinŽeny project under the auspices of the company Cover Story; its purpose is to activate and support the community of women in finances, especially as regards career and development. KB nominated six senior managers from various parts of the bank to the community of 131 inspirational women and the Hall of Fame. Going forward, our lady managers will participate in the full-year community development programme of #FinŽeny's Forum.

Our overall strategy as a responsible employer rests on four pillars: gender balance, equal remuneration, promotion of social inclusion, and enhancing awareness of diversity and inclusion amongst employees and the **public**. In respect of gender balance, we seek a more balanced representation of men and women in senior managerial positions, including the Board of Directors. One of the most visible moves in this direction at KB was the appointment of Jitka Haubová as the Chief Operations Officer and the appointment of five women to executive directorships, whereby the shares of men and women were equalised at this management level. Another pillar is equal remuneration for men and women. We have long been dedicated to this issue, and compared with the market maintain a small gap only and keep reducing it. In 2022, the equal pay gap was 4%.

In respect of inclusion, we primarily support people from socially disadvantaged groups such as single mothers or talented Roma university students. As part of this support, we also cooperate with the relevant foundations. Through our open communication, we openly subscribe to all topics, publish our activities and results, and also share our experience both inside and outside by way of mentoring and networking or other shared platforms.

We devote special attention to employees on maternity and parental leave (ML/PL). In the case of mutual interest and need, cooperation with them is established also during the leave. After returning from ML/PL, we help these employees to reintegrate into the work processes by, for instance, offering reduced working hours, work from home, or flexible working hours, or combinations thereof, if the type of the operation and nature of the work so permit. We provide an extra contribution above the legislative requirement to parents who return earlier from their ML/PL.

We also keep in touch with our retired employees. We greatly appreciate their extensive knowledge and experience gained over many years. In case of need, we approach these employees with an opportunity for occasional work in order to meet a temporarily increased need of capacities in some technical activities, and also for newcomers' and junior colleagues' induction.

We also devote special attention to disabled colleagues. In 2022, we had 152 employees with various disabilities. The positions most frequently filled by these people in our company include relationship manager, transaction processing specialist, cash processing specialist, mortgage loan consultant, and middle office specialist.

Talent search and recruitment

We consistently search for young or more experienced talents on a long-term basis and adjust all of our recruitment processes to this. The processes are also based on the New Era of Banking strategy, which is ushering in technological advances in all key areas, including the development of banking systems or a new customer service model. These advances are also associated with considerable requirements for employees' new competences and knowledge that will be vitally important for the bank in the future. Compared with the preceding year, KB focused on building its communities as part of Employer Branding and on enhancing the employer's brand by way of long-term recruitment campaigns.

We traditionally engaged in cooperation with universities and student organisations across the Czech Republic, including follow-up sponsorship activities. In 2022, a total of 45 events were held. There, KB job candidates had opportunities to meet colleagues from KB and learn more about the career options offered by KB, and not only to students and young talents. In addition to university fairs such as COFIT at the Czech Technical University and CHANCES at the Prague University of Economics, last year KB also joined ISIC Tour organised by ISIC, when during the autumn road show it called on 15 universities and colleges across the country; there, students had opportunities right on site to arrange their internship or enrolment in the trainee programme.

For the IT community, we organised technology meetups on selected issues and participation in technology conferences across the country.

KB also regularly participates in employee competitions. In the *Sodexo Employer of the Year* competition, where the company's overall approach to its employees is rated, we were placed second.





Number of employees on maternity or parental leave

|--|

Number of KB employees on maternity or parental leave

Number of KB Group employees on maternity or parental leave

KB				
	2022			
	women men		women	men
KB employees who left for ML/PL	121 3	KB Group employees who left for ML/PL	136	3
KB employees on ML/PL	786 4	KB Group employees on ML/PL	887	7
Returns from ML/PL at KB	175 2	Returns from ML/PL at KB	197	2

We do not keep statistics of employment duration after return from ML/PL.

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Employees with disabilities

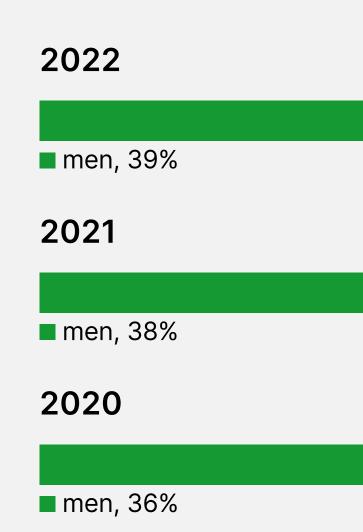
2022		
136		
152		
2021		
147		
163		

2020

135

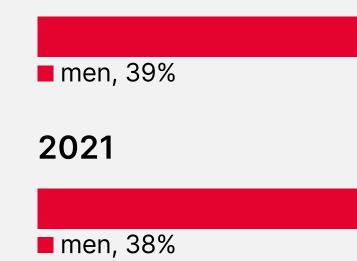
- KB employees with disabilities
- KB Group employees with disabilities

Share of men and women at KB



Share of men and women at KB Group

2022



women, 61% 🔳

women, 62% 🔳

women, 64% 🔳

women, 61% 🔳

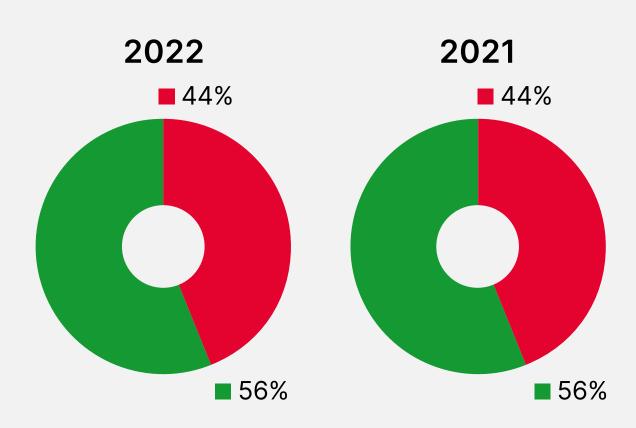
women, 62% 🗖

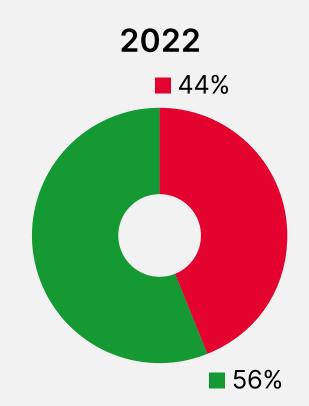
KB Group Sustainability Report 2022

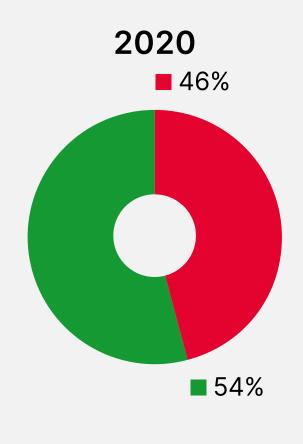


Share of men and women in managerial positions at KB

Share of men and women in managerial positions at KB Group







📕 men, 🔳 women

Note: The figures include all managers, including those of branches (both male and female)





Share of women in senior managerial positions (max two levels below the Board of Directors)

2022 (Gender)

men, 73%

2022 (Age category)

30–50, 64%

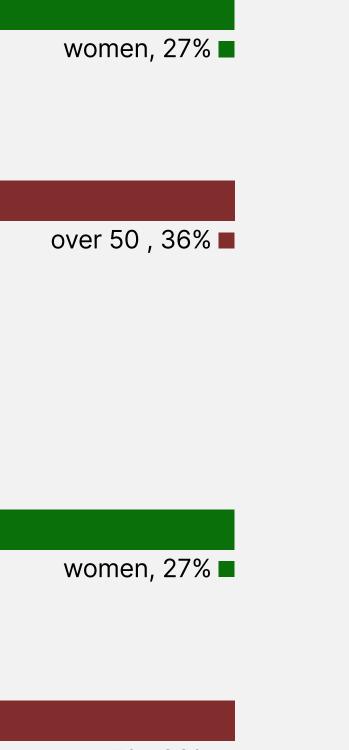
2021 (Gender)

men, 73%

2021 (Age category)

30–50, 67%

Note: In this indicator, the methodology has been aligned with KB Group's Annual Report and ESG Strategy, and the numbers therefore differ from year to year. The figures include only senior managers max two levels below the Board of Directors.



over 50 , 33% 🔳





Employee training and development

We prepare a wide range of training courses and programmes for KB's and KB Group's employees, thus giving them opportunities for their personal development while emphasising their own responsibility for their career.

In 2022, we individualised and streamlined our approach to education even more by putting in place Learning Partnership. Every fairly large department has its own Learning Partner who analyses its educational needs and suggests the options for meeting them. For these purposes, we have also centralised the budget, which is no longer allocated across-the-board but mainly where most needed at a given time.

We continued to upgrade employees' digital competences, including remote work skills, in all parts of KB and its head office and branch network. We continued to train employees who come into direct contact with clients (including the mandatory certifications and lifelong education), focusing on upgrading certain specific identified competences. We also focused on upgrading skills in leadership, human resources, responsibility, innovation, and client-focused approach. We always adjusted the format of the training activities to the current pandemic situation, often holding them online or in the blended learning format.

Since one of KB's priorities is to be the sustainability leader, we decided to offer our employees the Climate Fresk educational, globally recognised card game, which enhances awareness of the climate change and its impacts. For these purposes eleven in-house facilitators have been trained and certified. In this context we also started cooperation with Nadační fond Univerzity Palackého in Olomouc (Endowment Fund of Palacký University in Olomouc), which has many experts on this issue and our facilitators can consult technical issues with them.

Average number of training hours by employee category

Category	Number of hours				
	2022	2021	2020		
Admin/support positions	10	7	9		
Creative specialists	21	14	13		
Management	35	31	20		
Distribution	44	38	19		

Average training hours per KB employee in 2022 were 30.6 hours (28.6 hours in 2021, 13 hours in 2020). Male and female employees have always had and have exactly the same training opportunities.

We also work with other educational companies; together with them, we create the content of in-house development programmes for various groups of employees. Inpram cooperates on the SPIRIT talent scheme for young talents; Byznys Provokace and Red Button create a programme for senior talents; and SENSE, the purpose of which is to implement the concept of the learning organisation. KB is also part of the Red Button Edu community. With the Czech Banking Association, KB works on a programme that educates students of primary and secondary schools in cyber security and financial literacy. KB also cooperates with Société Générale on development programmes. This enables KB employees to upgrade their skills and abilities in an international environment.

In 2022, relationship managers were working hard to get ready for the forthcoming New Era of Banking, which will completely overhaul our customer service and product portfolio. To help them manage, the Change Management and Training team designed a series of the required training courses for them. We also promoted community training. For example, the community of in-house coaches provided employees with 306.5 hours of individual development and coaching, debriefing on 360 feedbacks, and debriefing on diagnosis of strengths, up by 78% on 2021. The community of our top talents, KB SENSE, was very useful for KB employees: individual mentoring/coaching, KB podcast presentation, internships, co-development, and a KB WITHOUT FRONTIERS in-house conference intended to acquaint, in an experiential format, the head office people with the work in the distribution network and vice versa. For young talents, we had the SPIRIT programme where they work on real projects under the supervision of senior management; it also helps them to enhance their visibility and learn new methods for product development.

Promoting diversity, we worked with Liga otevřených mužů (League of Open Men) to launch a scheme for men, *Dad in Demand*, which was organised in four courses and attended by some 80 employees. We organised a Day for Fathers and Children, delegated selected women to an

KB Group Sustainability Report 2022



Atairu talent programme on Authentic Leadership, etc. As all the employees, the security personnel who provide for security in the KB Group have been trained by the supplier company and acquainted with the principles of the Code of Conduct, which also includes fundamental human rights.

Performance evaluation and feedback

The annual performance evaluation and bi-directional feedback is a regular part of communication with employees. In addition, multiple evaluators in various roles provide feedback as part of the evaluation in the agile part of the bank. This produces a matrix structure that provides a more objective view of the evaluee. Across the company, the standard evaluation of the meeting of targets and competence requirements has been supplemented with a process that appraises employees' potential, whose outputs are further used for preparing the plan of succession, identifying senior talents, and talent schemes, as well as for compiling the development plans for each of the employees. The other tools used for feedback included, for example, 360° evaluation, skill assessment, and personality and talent tests. 100% of KB Group's employees receive their annual performance reviews and are engaged in discussions on the options for their continued professional growth and personal development.



Remuneration

Remuneration at KB relies on four principles.

The internal justice principle ensures that remuneration is the same for the same work and the same performance under the same transparent circumstances. Remuneration must not be influenced by gender, age, religion, TU membership, political party membership, or other personality features of the employee that are not directly tied with the employee's performance or competences. Equal remuneration is the fundamental pillar of the diversity strategy at KB Group. Its objective is a zero equal pay gap by 2025 from 4% in 2022.

The external competitiveness principle is pursued using regular market surveys, taking into consideration the intended market position and the significant differences in the remuneration market. These surveys then help to determine the above-mentioned target basic pay.

The individual contribution principle is reflected in the wage and in the bonus. Wages may reasonably differ from the target level so as to reflect all the aspects, such as the individual contribution or potential. One of the factors for bonus calculation is target meeting and performance appraisal. A long-term incentive scheme (LTI), described in the chapter on share programmes for KB Group's employees of KB Annual Report 2022, is intended for the employees and strategic talents who have an extraordinary benefit for KB Group.

The risk consideration principle guarantees that remuneration is kept in line with sound and effective risk management and that it also supports such management; remuneration does not encourage the acceptance of risks above the limits of the risk tolerated by KB Group. The risk consideration principles are detailed in KB Annual Report 2022 in the chapter on Relationships with Employees.

Equal remuneration is the fundamental pillar of the diversity strategy at KB Group. Its objective is a zero equal pay gap by 2025.

We determine the pay for all employees in view of the challenging nature of their position, in particular from the perspective of the required knowledge, experience, and skills, and the resulting responsibility. The entry level wage therefore varies depending on the position to which the employee is recruited, and it is the same for men and women as part of the equal approach to remuneration

In 2022, the minimum wage at KB was 1.54 times higher than the minimum wage in the Czech Republic (in 2021, it was 1.36 times higher). On the occasion of the annual review of remuneration at KB we monitor, among other things, whether an equal approach is taken to pay raises. In 2022, the equal pay gap was reduced to 4.0% from 4.2% in 2021. We compare the wages of all positions as regards our portfolio employees. We do not include temps (working under an 'agreement to perform work' (in Czech *DPP*) or an 'agreement to complete a job' (in Czech *DPČ*)).

Targets related to variable pay for performance

The remuneration principles reflect the shareholders' interest in KB's value through linking the amount of the variable pay to KB's results and the meeting of the strategic priorities, including sustainable growth. In 2020, we launched a new strategic programme. Its priorities are described in the Strategy chapter of KB's Annual Report, and were implemented in the employee incentive system for 2022 through a COKR (Company Objectives and Key Results) measurement system. Strategic priorities also include sustainable development covering, for example, the targets set for reducing climate changes. For 2022, the sustainable development targets measured by COKR made up 10% of the weight of the targets for the Board of Directors member who is directly responsible for sustainable development, 9% of the weight of the CEO's target, 5% of the weight of targets for another

Board of Directors member, and 5-40% of the weight of the targets set for another eleven employees in the most senior management of KB.

Employee benefits and advantages to foster identification with KB Group

The cost-effective structure of benefits reflects our ambition to be a responsible employer while providing our employees with a choice. The structure and scope of benefits is subject to collective bargaining.

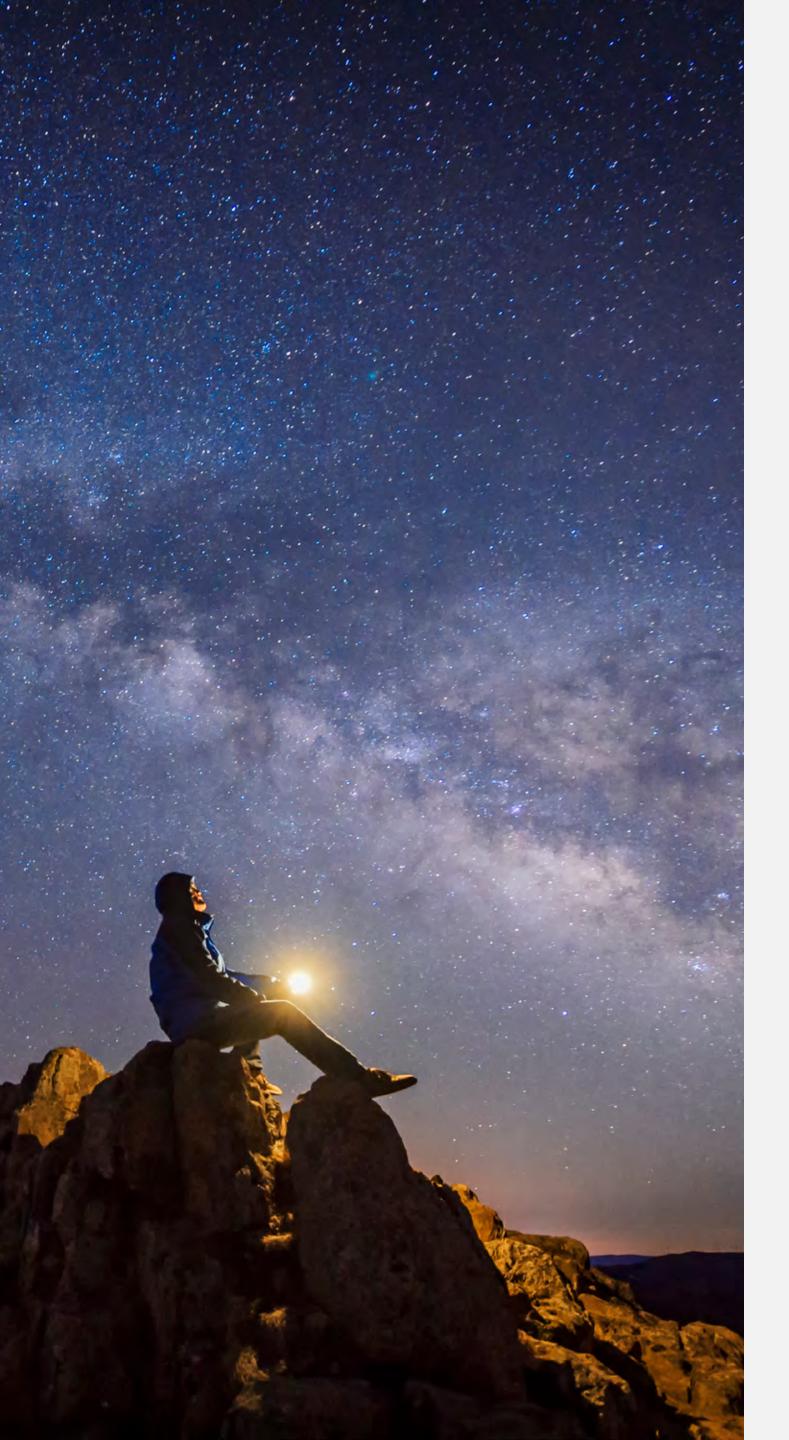
Benefits for full-time employees are also applicable to part-time employees. Our treatment only differs for temps (workers under an 'agreement to perform work' (in Czech DPP) or an 'agreement to complete a job' (in Czech DPČ)).

In 2022, KB opened in its Prague head office building a co-working facility called VEGEt, which is open for all KB Group employees as a venue for get-togethers, presentations, relaxation, and working meetings. Part of the facility is a vegan bistro in line with sustainability principles, i.e. zero waste operation and plant residuals composting. Seminars on environmental issues are held at the facility.

KB is also expanding its Škoda Enyaq electric vehicle fleet and has introduced their sharing, initially at the head office in Prague and then in other regional cities. The vehicles can be used for business trips and borrowed for employees' private purposes.

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Prevention and sanctioning of any form of undesirable conduct

We have long been striving to prevent and eliminate any form of conduct contrary to KB Group's values and the principles stipulated in the Code of Conduct, internationally applicable standards, and local regulations. As part of this effort, we have incorporated into our regulatory base SG Group's policy to combat and punish undesirable conduct in all its forms, including mental and sexual harassment, or sexist, racist or homophobic behaviour.

In 2022, three incidents of undesirable conduct or discrimination by employees were reported. We internally investigated all cases by SG Group's set rules and processes. In one of the cases, the justifiability of the complaint of undesirable conduct and discrimination was proved in the conclusions of the investigation and an adequate remediation plan was implemented as the result.

Remuneration

Strategic priorities, including sustainable growth, have been implemented in the employee incentive system.

In the event that an employee becomes a witness or even a direct participant in any incident of undesirable conduct, they can alert their line manager or colleagues in Human Resources or Compliance. The employee can also use the secure web application for whistleblowing, which is available for all SG Group companies. In line with SG Group's global rules, we extend protection to whistleblowers against retaliation in any form, employment termination, or discrimination. We also ensure anonymity of the whistleblowers. Together with SG Group, KB Group has also reinforced the processing of reports on undesirable conduct. For this purpose an international group of experts has been set up; they are available to employees anywhere in the world. The group includes HR specialists and employees of sales departments, including KB, who have been specifically trained for handling whistleblowing reports. The group members follow stringent principles of impartiality and confidentiality.

The objective of all these initiatives is to apply a zero tolerance policy and ensure that no employee is exposed to undesirable conduct.





Sickness rate at KB

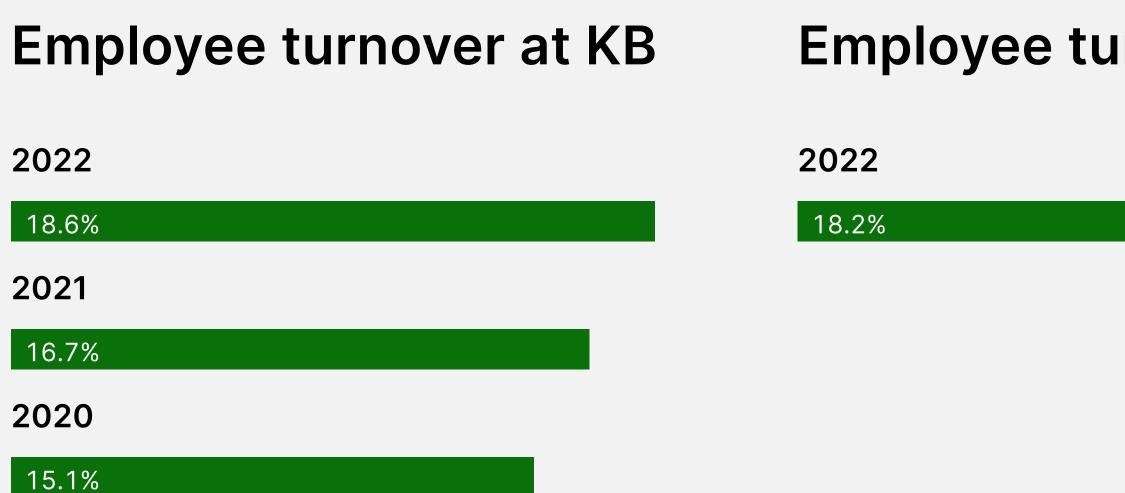
2022 2.7% 2021 3.0% 2020

Sickness rate at KB Group

2022

2.6%

Note: This is total absence as a percentage of the official amount of working hours (absence caused by quarantine, illness, looking after family members during the pandemic, looking after ill children, work-related and other injuries).



The increasing turnover is caused by a reduction in the number of employees with the number of employee departures remaining similar. Voluntary turnover is defined as termination by the employee, involuntary turnover is termination by KB, controlled turnover is, for example, retirement, health reasons or the demise of the employee.

Employee turnover at KB Group





New hires

	New hires at KB in 2022		New hires at KB in 2021		New hires at KB in 2020		New hires at KB Group in		Group in 2022
Gender	Number		Number		Number		Gender	Number	
Male	658	59%	345	36%	324	36%	Male	511	41%
Female	463	41%	602	64%	588	64%	Female	731	59%
Total	1,121	100%	947	100%	912	100%	Total	1,242	100%
Age category	Number		Number		Number		Age category	Number	
under 30	521	46%	457	48%	447	49%	under 30	539	43%
30-50	519	46%	423	45%	413	45%	30-50	606	49%
over 50	81	7%	67	7%	52	6%	over 50	97	8%
Total	1,121	100%	947	100%	912	100%	Total	1,242	100%

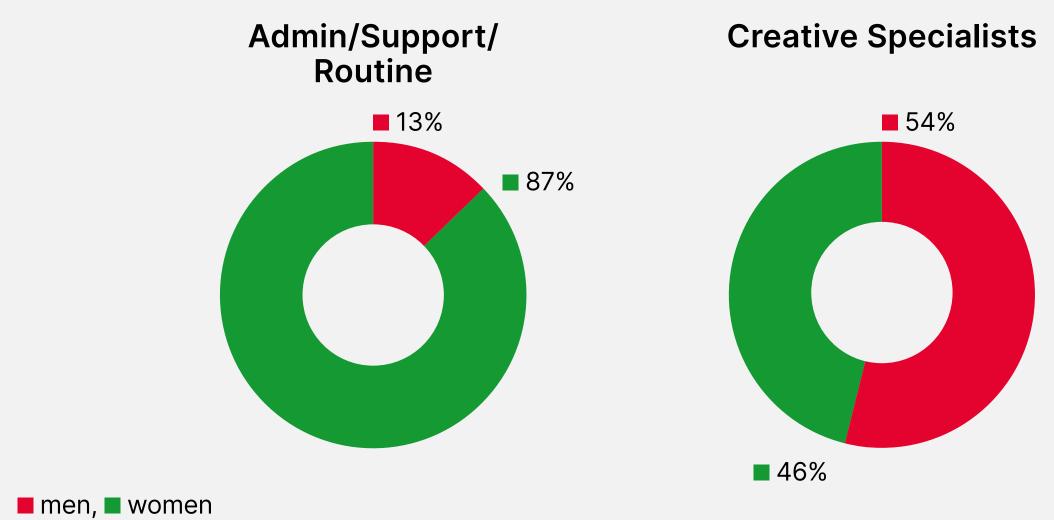
Employee departures

	Employee departures	at KB in 2022	Employee departures	at KB in 2021	Employee departures	at KB in 2020	E	Employee departures at KB	Group in 2022
Gender	Number		Number		Number		Gender	Number	
Male	402	32%	367	29%	356	30%	Male	450	33%
Female	835	68%	912	71%	835	70%	Female	934	67%
Total	1,237	100%	1,279	100%	1,191	100%	Total	1,384	100%
Age category	Number		Number		Number		Age category	Number	
under 30	332	27%	382	30%	278	23%	under 30	350	25%
30-50	632	51%	658	51%	608	51%	30-50	736	53%
over 50	273	22%	239	19%	305	26%	over 50	298	22%
Total	1,237	100%	1,279	100%	1,191	100%	Total	1,384	100%

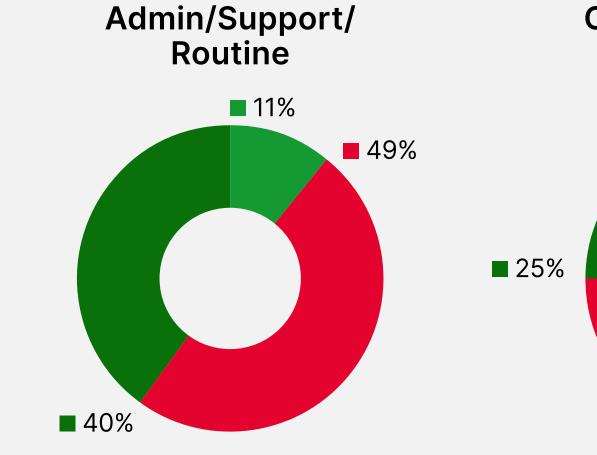




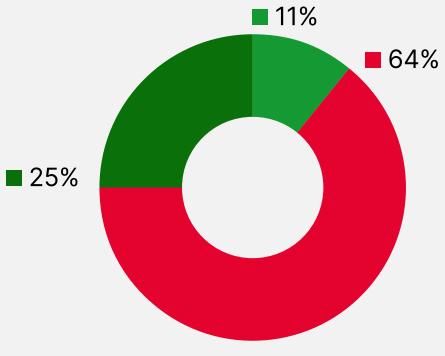
All employees Gender

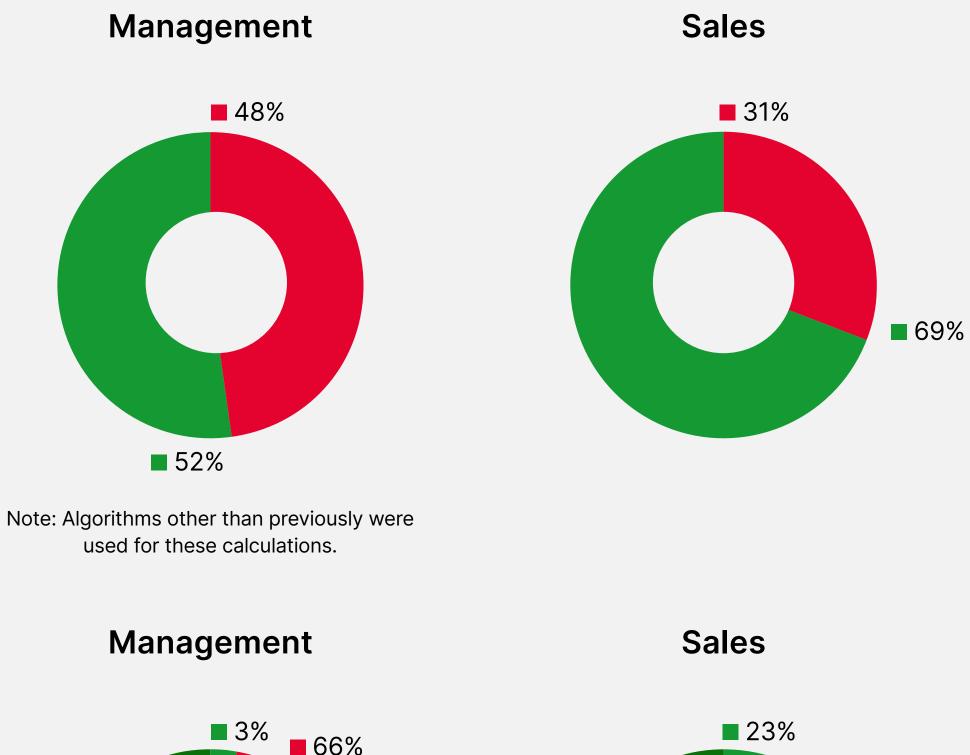


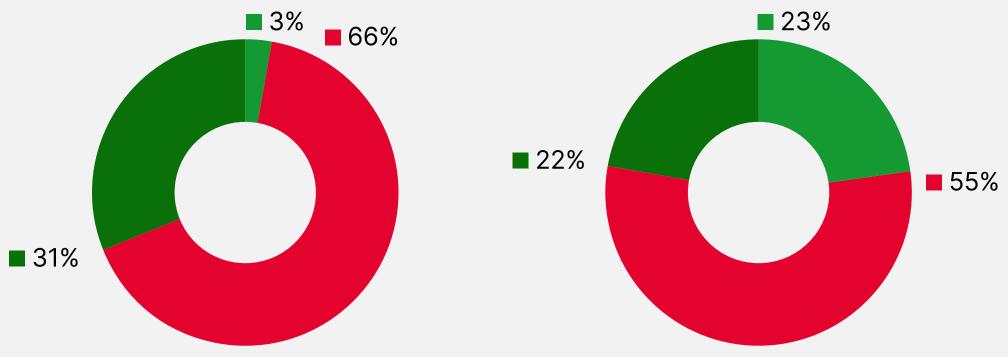
Age category



Creative Specialists







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Governance



In our business, we follow principles of ethics and comply with laws and regulations, and we do not support or tolerate any form of fraudulent conduct, corruption, violation of competition rules, discrimination or harassment. We look after the quality of the environment and the social ambience and, following SG Group's rules, restrict the provision of financial products to sectors having potentially adverse impacts.

Rules of conduct

We at KB are aware that the basic prerequisites for the company's successful development include employees' professional and ethical conduct. Such conduct is based on building transparent relationships with clients and deepening trust between KB and its clients, employees, and partners. KB Group has specified the rules of ethical behaviour and conduct for its employees; they are based on both the general obligations laid down by regulatory requirements and the standards of professional conduct applicable to banking. These obligations also include distinct rules for protection against conflicts of interest and corruption, rules for accepting gifts, rules against abuse of authority, and rules against confidential information abuse. The principles of ethical conduct and the obligation to abide by these rules are binding on all employees and are set out in KB's internal regulations. A Société Générale and KB training programme helps to raise our employees' awareness of ethical conduct. It is designed for all Group employees and focuses on the principles of conduct and values applicable to individuals and the whole Group. In 2022, the Supervisory Board's Appointment Committee was put in charge of supervising, and evaluating on a regular basis, the issues relevant for the rules of conduct, including compliance incidents.

KB also has its own internal regulations, such as the Code of Ethics and annotations thereto, and other internal regulations (non-public and intended only for KB employees), which also include the rules against discrimination and conflict of interests, whistleblowing rules, measures against corruption and bribery, and rules on information confidentiality, banking secrecy, anti-competition practices, money laundering and insider trading, and those on compliance with local, European and international regulations concerning, in particular, environmental protection and health & safety. More information is available on our <u>website</u>.

We rigorously follow the policy of zero tolerance of any form of fraudulent conduct, corruption, violation of competition rules, discrimination or harassment. We fully respect the Code Governing the Fight against Corruption and Influence Peddling for the SG Group, available <u>on SG's website</u>.

Code of Conduct

At the level of the SG Group, at KB we are bound by the SG Code of Conduct, which covers all the areas where SG Group has made commitments. These include, for example, zero tolerance of discrimination, the treatment of confidential information, conflicts of interest, insider trading, or whistleblowing. In addition to this, SG Group also applies a specific <u>code on taxation issues</u>. These publicly accessible principles govern SG Group's activities worldwide, and are therefore applicable to and promoted by KB. Our website posts information about our and our external partners' corporate culture (see <u>here</u> and <u>here</u>).

All our employees are trained at the beginning of their employment and then regularly every two years. In addition, KB and SG Groups have designed specialised bespoke training courses for high-profile employees, who are trained more frequently or on an *ad hoc* basis. Only employees who are absent for long periods or on maternity/parental leave do not attend such ongoing training.

Since 2020, all new employees have been obliged to confirm by their signature that they have read and understood the applicable version of the SG Code of Conduct. From the very beginning of the recruitment process, all candidates for a job in KB Group are informed about the existence of the SG Code of Conduct and the Code Governing the Fight against Corruption and Influence Peddling for the SG Group, and are obliged to follow the rules contained therein.

Adherence to the SG Code of Conduct is enshrined in job responsibilities and through the clearly defined reporting channels both at KB and in KB Group. Relevant contact details are available on the <u>website</u>. Compliance with this Code is linked to the employee remuneration rules; in the event of a breach of risk compliance, a letter of reprimand or employment termination may follow.

The system of internal controls (first level controls, FLC, and second level controls, SLC), regular monitoring of the key risk indicators, promoting and evaluating the whistleblowing system, identifying the risks in exposed areas (including those of corruption and conflict of interests, etc.), and training programmes rounded off by testing – all of these are the tools for continuously verifying the efficiency of the adopted rules of conduct.

The compliance system is regularly reviewed by several entities and institutions, specifically internal audit, SG supervision, or the Czech National Bank. The Czech National Bank acts as a regulator of Czech banks and other banks conducting business in the Czech Republic, over which it exercises continuous oversight. Supervision is exercised remotely and on site.

KB does not, in general, post all breaches on its website. But it should be noted that systematic breaches or serious failures are published by the applicable legal rules. At KB, we report on breaches using an SG Group tool. Specified breaches are reported to the Czech National Bank and/or other regulators. After investigation, breaches are posted on the respective regulatory authorities' official websites. No such breach or failure in respect of the rules of conduct occurred in 2022.





Anti-corruption measures

The adoption of and compliance with clear anti-corruption rules and KB's zero tolerance of any form of corruption constitute the basic standards and a basis for responsible business, and a prerequisite for the entire KB Group to sustain and strengthen its position, including that in the competitive market. The anti-corruption measures are applicable to KB and its activities and employees, and to third parties, i.e. our clients, suppliers, and financial service providers. The rules and principles of combating corruption and bribery are enshrined in our internal regulations and are also part of compulsory training for all employees.

KB has in place rules for identifying the risk of corruption at clients. The assessment includes geographic indicators (based on the level of corruption in the countries that the activity in question concerns), the nature of the transaction, and the relevant media and other reports. An increased level of risk results in the duty to carry out Enhanced Due Diligence.

Our suppliers and other trade partners are also bound to compliance with anti-corruption rules through contract clauses. Entering into a new business relationship with a trade partner is subject to a precisely specified procedure. At KB, we always investigate adverse information about a natural or juristic person, such as information about ongoing administrative or criminal proceedings related to money laundering or terrorism financing, corruption, fraud, tax evasion, sanctions, or negative experience of our cooperation in the past. The scoring model for assessing the risk of a new trade partner defines the scale from low to high risk. Risk factors are assessed on the basis of geographical location, industry, reputation (negative media reports, corruption, bribery, fraud...), sanctions, and screening against lists of politically exposed persons (PEP). Trade partners showing signs of these factors are rated as

very risky. High-risk trade partners are referred to KB Compliance and SG Compliance for approval.

Before entering into a new business relationship with any financial service provider, we always perform a review in accordance with regulatory requirements related to financial crime. The scoring model for risk assessment is similar to that for client assessment, including the twotier approval. The contract contains the relevant anticorruption clauses in line with KB's internal regulation.

To date, KB is not aware of any external investigations into breaches of anti-corruption policies.

The Compliance Department is responsible for setting anti-corruption rules. In view of SG Group's emphasis on this area, KB has introduced a number of measures, including the updating of our internal anti-corruption rules, the tightening of the rules for accepting and offering gifts and invitations by employees, the rollout of a database tool to record gifts and invitations, and a system of compliance monitoring and controls. All managers concerned have also attended personal training for riskexposed persons, sponsored by Compliance.

The Compliance Department is also responsible for setting anti-bribery rules. These rules are in line with SG Group's principles and its Anti-corruption Code. The set of rules is regularly updated and contains, in particular, areas such as breach reporting, accepting and offering gifts, hospitality, external events, procedures for third party assessment, rules for contributions to sport, gifts to charity, mergers and acquisitions, and lobbying.

We are not aware of any confirmed incident of corruption or bribery at KB over the last four years. There are no ongoing external investigations by national or international bodies.

Interest representation

When promoting the bank's interests with public authorities (lobbying), we follow clearly defined rules. The employees who carry out lobbying activities must comply with the rules and provisions concerning the fight against corruption and influence peddling, as described in the Code Governing the Fight against Corruption and Influence Peddling for the SG Group and in KB's internal regulation on lobbying. In addition, they must attend a mandatory anti-corruption training course for persons exposed to an increased risk of corruption, and report any situation that may constitute a breach of internal or regulatory rules through the whistleblowing procedure.

Our employees can represent KB's views and positions in professional associations and other institutions of which KB is a member (e.g., the Czech Banking Association). If a KB employee enters into dealings with a public/ governmental official, they shall act as a representative of a professional association. The opinions of our employees are, in principle, considered to be the opinions of the associations rather than KB, and we therefore do not consider activity in professional associations to be lobbying.

Contributions to political campaigns or organisations or other groups whose role is to influence political campaigns or public administration or legislation are prohibited by our internal regulations. We rigorously follow a course of political neutrality and refrain from supporting any political organisations or activities through donations or subsidies, even where permitted by the legislation. We granted the only contributions – in the form of standard membership dues – to industry or trade associations (e.g., the Czech Banking Association) in 2022; they totalled CZK 10.5 million.





Mechanisms for seeking advice and raising concerns, whistleblowing

At KB, we regard the timely identification and a well-working system for reporting potential risks (whistleblowing system) as one of the key tools for compliance risk management.

The whistleblowing right gives every whistleblower an opportunity to raise concerns ('speak up'), without having to fear retaliatory measures or sanctions that there has been a breach of internal rules or laws and regulations, when the received instruction, contemplated transaction or, in general, any situation of which they have learned is not in compliance with SG Group's rules or standards of ethics or when they believe that a conflict with laws and regulations could occur.

Any employee, external or temporary worker and, as part of the due diligence duty, any service provider with whom KB has a business relationship (such as supplier/ contractor or subcontractor) can be a whistleblower. Within KB, whistleblowers can submit reports via their managers, or via Compliance, using any suitable form. Reports can also be sent to a specialised e-mail box at <u>whistleblowing@kb.cz</u>. Whistleblowing reports can also be sent directly to the parent company Société Générale via a secured <u>web platform</u>.

In line with SG Group's global rules, KB Group provides whistleblowers with protection against retaliation of any nature, employment termination, or discrimination. We also ensure that the anonymity of whistleblowers is maintained.

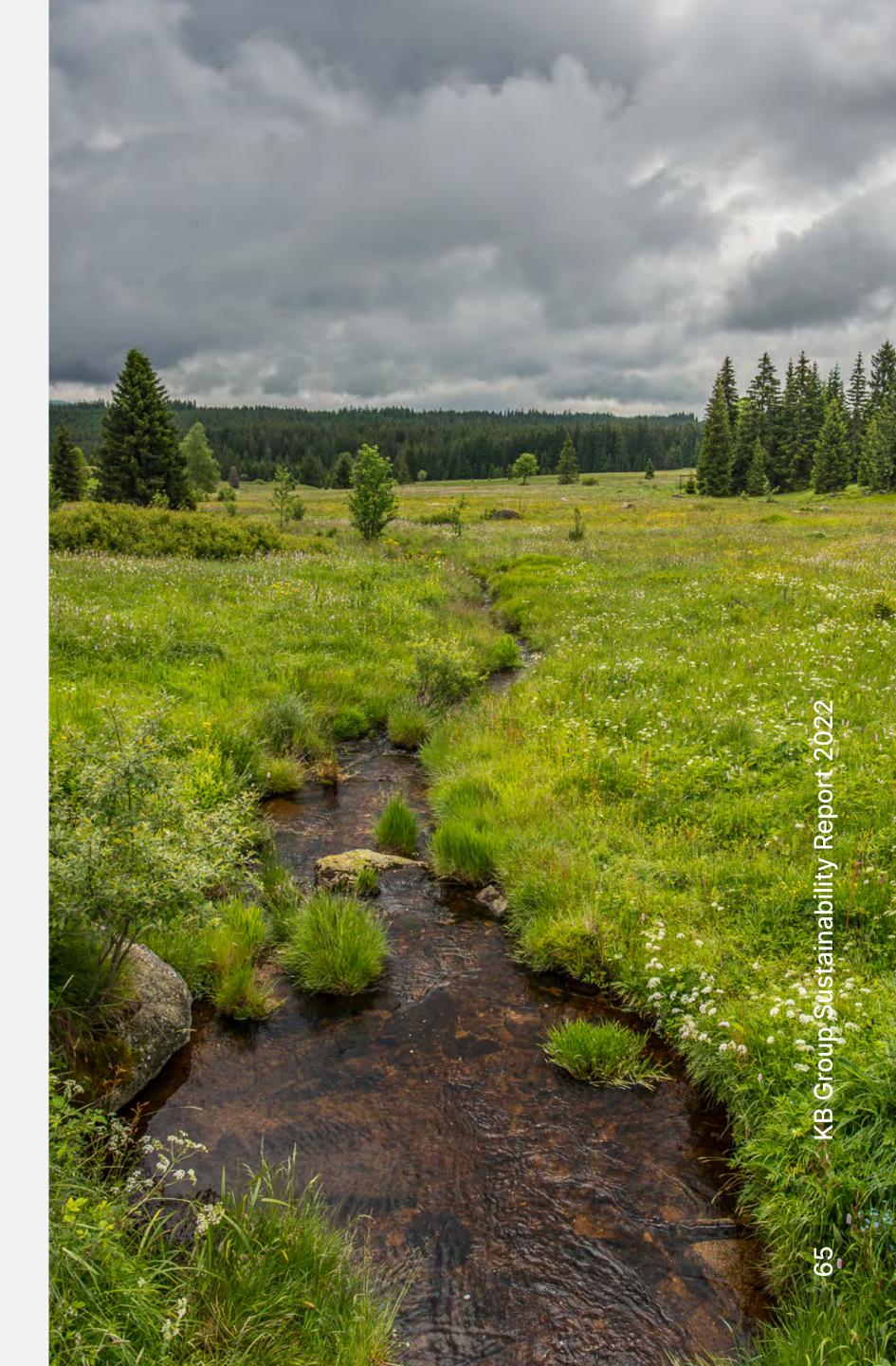
Prevention of crime, money laundering (AML), terrorism financing, and circumvention of international sanctions

We spare no effort to prevent misuse of our services for any purposes related to money laundering, terrorism financing or circumvention of international sanctions. We apply rules, methods, and verification procedures in accordance with the relevant legislation, standards, and SG Group's rules.

In 2022 Compliance focused, in respect of the prevention of money laundering and terrorism financing, on adjusting the internal control environment in the wake of the passing of an amendment to Act No 253/2008 on Some Measures against Money Laundering and Terrorism Financing (the AML Act) and to the CNB's Regulation 67/2008 on Some Requirements on the System of Internal Policies, Procedures and Control Measures against Money Laundering and Terrorism Financing, and to Act No 37/2001 on Records of Beneficial Owners. Compliance also created the conditions for updating internal processes and rules in line with SG Group's programmes.

We review and update KB's internal system of prevention on a regular basis. Information is continuously shared with all employees in the form of operational reports or training or e-learning courses. We have implemented a system for monitoring all transactions and business relationships. Publicly available policies and procedures concern mainly the rules on obtaining information about customers (KYC), including client identification and due diligence, terrorism financing, and politically exposed persons. For more details see the <u>website</u>.

We post the procedures that represent our corporate culture in this area on our website <u>here</u> and <u>here</u>.



The documents on the above websites contain the information requested from clients as part of their onboarding or screening. These are formal processes and procedures comprising client identification based on reliable and independent documents, data and information, identification of the beneficial owner, and screening of business relationships. In accordance with regulation, KB conducts daily checks against sanction and embargo lists, issued by the competent authorities having jurisdiction over financial institutions and SG Group, at the beginning of the business relationship with the client, and checks against the list of politically exposed persons (PEP) and then quarterly on the whole client portfolio. We currently have in place processes preventing client acceptance without screening them against lists of sanctions, PEP, and excluded persons. In the case of PEP, during the onboarding process each client is requested to declare the origin of their funds, which is then recorded in a dedicated database. Subsequently, such clients are screened on a regular basis. The competence to approve PEP is delegated to the head of the AML unit and also to the head of the relevant business unit.

We rigorously comply with the internal rules and procedures for client onboarding to ensure proper client identification and obtain the necessary information about clients (Know Your Client, or KYC), the necessary information about suppliers (Know Your Supplier, or KYS), or the necessary information about financial service providers (Know Your Provider, or KYP). The KYC rules are applied to specific groups of clients, including private individuals, sole traders and corporations accordingly. Based on the client type and the existence of defined risk criteria under the AML Act, including the country risk, identification risk, reputational risk, and product or transaction type, each client is required to submit the relevant set of documents before account opening. The new procedure for establishing business relationships with banks has been developed in cooperation with Société Générale.

There are two possibilities for remote identification while ensuring the same standard of KYC: via an online application or by courier. Both require the client to submit two ID documents, and where applicable, other documents relevant for the juristic person. Online onboarding is offered only for Czech nationals. The information, requirements and requested documents are available on the <u>website</u>.

In 2022, Compliance analysed 14,522 business cases or requests for entering into business relationships in excess of the standard assessments. Further to that, Compliance recommended to terminate 263 client relationships and rejected the entering into a contractual relationship with 645 applicants. Records are kept for ten years from the end of our relationship with the client. We carry out an independent evaluation of the monitoring procedures every year.

All employees, including senior management, must go through online training in the prevention of money laundering and terrorism financing, KYC, and anticorruption conduct, and pass a test at the end of the course. Intranet training includes case studies and computer training with self-evaluation. In addition, Compliance trains selected employees in person. In 2022, the AML unit checked 44,896 cases received from various KB units (in 2021: 60,577, in 2020: 48,439, in 2019: 775; in 2018: 815; the year-on-year decrease in 2022 was caused by the adoption of revised scenarios and optimised thresholds, including the reflection of the current situation (payout to former Sberbank clients, Ukraine conflict)).

In terms of fight against the circumvention of international sanctions, KB has developed sophisticated measures, including daily checks of the entire client portfolio against sanction lists, checks of all international transactions for non-compliance with sanctions, as well as checks of products and services, in particular in external trade and exports. We screen all these transactions online in real time. The checks require mainly (but not only) a thorough knowledge of the client's activities, the reasons for the transaction, and relationships with counterparties.

Employee training

KB operates a sophisticated system of employee training. Depending on their job description, employees attend specified training. Such training is obligatory for all employees, while selected training is designed only for a certain target group of employees.

All employees attend the following training: safety at work, fire protection, Compliance and Code of Conduct, risk management culture, security awareness, reputational risk, e-starting, internal regulations, money-laundering prevention, and tax transparency including FATCA (Foreign Account Tax Compliance Act). Starting in 2021, all of the bank's employees go through a mandatory course in sustainability and KB's approach to this issue.





In line with their specialisation and job focus, employees undergo certification, and attend training in specific regulatory issues, or specialised training for managers and superiors. Employees involved in the sale of certain products, such as consumer loans, insurance policies, private pension schemes or investment instruments, must pass specialised examinations required by the regulatory scheme.

Employees are assigned training courses right at the beginning of their employment and the training is subsequently repeated on a regular basis. Some training courses are custom tailored to certain employees and repeated more often. Employees are not called to refresher training courses only in the case of maternity/ parental leave or long-term absence from work. Meeting all mandatory training requirements is closely monitored. The employees and their managers are automatically alerted every month if they did not meet a requirement. Sponsors of the various courses receive notifications once per quarter.

Protection of competition

We earlier adopted at KB an internal directive on the protection of competition, which is based on the general obligations laid down by regulatory requirements and SG Group's standards. The internal directive describes the regulatory framework, identifies the banking sector's risk areas, and prescribes employees' conduct when dealing with third parties and the regulator so that employees are adequately informed about risks and the ways to prevent them. Selected employees also attend internal training in this respect. Employees acting on behalf of KB at the Czech Banking Association also agree to comply with the Association's rules for the area. For 2022, we have not been fined for any infringement of the competition rules, nor were we subjected to any investigation into anti-competition practices.

Relations with suppliers, and the supply chain

In our relationships with suppliers, KB Group is very particular about full compliance with all legal obligations, and also about environmental protection and respect for social and human rights and for the sustainable development principles. We implement the principles of SG Group's sourcing policy, which we consider to be an expression of our risk management responsibility. We make full use of the Know Your Supplier (KYS) methodology for identifying and evaluating information about suppliers and potential suppliers to prevent cooperation with those who violate the applicable rules of taxation, of fight against money laundering and terrorism financing, or corruption, or may be involved in other illegal activities. We have tightened our scrutiny of suppliers' governance bodies and beneficial owners, and of politically exposed persons having relationships with the supplier. Suppliers are also carefully screened against registers such as the EU sanctions list, US sanctions and embargoes, and the UN Security Council lists. The KYS activities also include rules for establishing business relationships with suppliers operating in sensitive sectors from the perspective of responsible banking (e.g., energy). As part of our corporate climate change policy, we promote responsible sourcing that considers environmental aspects, i.e., reducing energy consumption, waste production, and carbon footprint.

To identify the risks that arise from our and our suppliers' activities and to prevent serious violations of human rights and fundamental freedoms, health and safety of persons, and environmental protection, we have adopted the necessary measures to comply with statutory and regulatory obligations and with SG Group's Code of Conduct, and have also involved our suppliers in their implementation. All the commitments and expectations adopted in KB Group in relation to our suppliers regarding compliance with the principles concerning human rights, working conditions, the environment, ethical conduct, and the fight against corruption, bribery, and influence peddling are detailed in the Charter of Responsible Sourcing, the SG Group Code of Conduct, and the Code Governing the Fight against Corruption and Influence Peddling for the SG Group. By entering into a contract, the suppliers declare to respect the commitments and comply with the obligations set out therein. The Codes and Charter are posted on the <u>website</u>. KB Group is not aware that its activities or its supply chain could cause the risk of child labour, forced or compulsory labour or incidents of violations involving rights of indigenous peoples.

In 2022, more than 90% of the suppliers with whom KB Group cooperated were local suppliers. We regard companies having a Czech Reg. No. ($I\check{C}O$) as local suppliers.

Membership

In 2021, the Czech Banking Association (CBA) member banks set up a Sustainable Finance Commission. Ms Hana Kovářová, KB's Executive Director, Brand Strategy and Communication, was elected as the Commission Chair.

KB Group Sustainability Report 2022



Implementation of sustainability principles in sourcing

For the entire SG Group, Société Générale has developed binding rules on the supplier selection process and contract awarding. Sustainability is one of the criteria for evaluation, and KB Group therefore identifies, as part of decision-making on cooperation with a supplier, the potential environmental and social risks (the environment, human rights, attitude to people, ethics, and credibility).

Selection process participants to whom this procedure applies commit to compliance with the Sustainable Sourcing Charter, which specifies the principles in respect of human rights, working conditions, the environment, and fight against corruption.

Four risk categories (low, medium, high, and very high) have been established for the services and goods supplied. In respect of the very high risk category (such as refurbishments and constructions, facility management – waste management, and videoconference and mobile equipment and devices), all selection process participants receive a more detailed questionnaire that helps us to evaluate the above risks. In the evaluation of bids, these risks are some of the criteria whose weight is subject to the rules set for SG Group and depend on the environmental and social risk entailed in the supplier category and on the final decision of the person approving the selection process.

In 2022, we completed more than 90 selection processes; of those, approximately 25% were assessed as very high risk from the sustainability perspective, and we therefore screened the supplier against the above criteria. As a result, none of the solutions selected had a negative impact in terms of environmental or social risks.

Regulation in financial services

KB Group participates in ESG by Design, a programme launched by Société Générale. The purpose of the programme is to manage and coordinate the implementation of the European Central Bank's action plans and to coordinate and articulate the current and future initiatives within Société Générale Group. The programme comprises both risk components and business aspects. It also seeks to operationalise business and regulatory commitments and to embed ESG natively in all processes of the organisation (e.g., in relation to people, products, IT, and finance). The programme is defined as a four-year journey, albeit with some immediate priorities, including the following:

- EU taxonomy, ECB's guide on climate-related origination and monitoring
- Mandatory disclosures: EBA Pillar 3 disclosure of • ESG exposure, Non-financial Reporting Directive related disclosures in the financial services sector
- Glasgow Finance Alliance for Net Zero (GFANZ),
- Governance and responsible employer •

The EU Taxonomy establishes a framework for classifying environmentally sustainable economic activities. It helps investors and companies to identify and invest in activities that have a significant positive impact on the environment. It specifies six environmental objectives: climate change adaptation, climate change mitigation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. For an activity to be classified as sustainable under the

and environmental risks, and EBA's Guideline on loan

(NFRD), Corporate Sustainability Reporting Directive (CSRD), Regulation (EU) 2019/2088 on sustainability-(SFDR), and Capital Requirements Directive (CRD) Portfolio alignment: Net-Zero Banking Alliance (NZBA), Net-Zero Insurance Alliance (NZIA), Net-Zero Asset Owner Alliance (NZAOA) and SG's Sectorial Policies

Taxonomy it must significantly contribute to one of the above objectives, it must do no significant harm (DNSH) to any of the other Taxonomy objectives, and it must provide certain minimum social safeguards.

Green Asset Ratio (GAR)

On the basis of agreement with the parent company Société Générale and pursuant to the exemption allowed by Article 19a of Directive 2014/95/EU of the European Parliament and of the Council, amending Directive 2013/34/EU of the European Parliament and of the Council, for 2021 and 2022 we calculated and reported the proportion of our financial portfolio deriving from products or services associated with economic activities that under Regulation (EU) 2020/852 of the European Parliament and of the Council qualify as environmentally sustainable (Green Asset Ratio, GAR), in the consolidated report for the whole group of the parent company Société Générale (SG Annual Financial Report 2022, page 324). In 2023, we will continue to reinforce our abilities to collect and analyse data for KB Group's future GAR reporting.

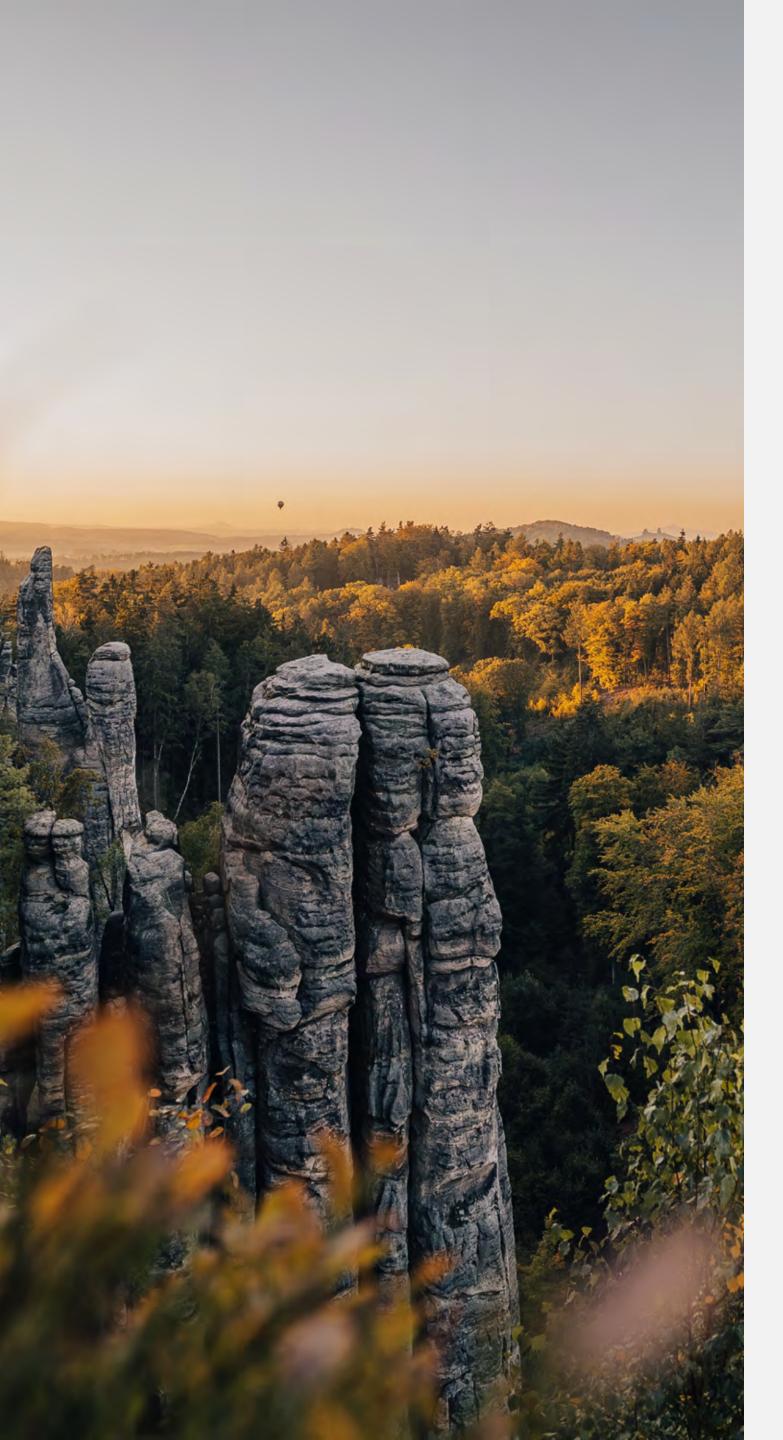
The EBA ESG Pillar 3 Framework features a set of ten templates that request banks to disclose, starting in 2023, climate-related risks and actions to mitigate them, together with exposure to green assets and information on how they are making sustainability part of their risk management.

The EU Sustainable Finance Disclosure Regulation

(SFDR) is a regulation aimed at improving transparency and promoting sustainable investing by requiring financial market participants to disclose information on their policies, risks and results related to sustainability. It creates two types of financial products with different sustainability levels. It also requires financial market participants to disclose the adverse impacts of their investments (adverse impacts on sustainability).







In compliance with SFDR, Komerční banka discloses specific information about our approach to integrating sustainability risks and to considering adverse impacts on sustainability.

In 2021, we posted on our <u>website</u> statements clarifying KB's approach to and policy on the integration of sustainability risks in our decision-making process (Article 3). The statement explains the manner in which we consider adverse impacts on sustainability at the level of the financial market participant and financial adviser (Article 4). We also disclosed the manner in which sustainability risks are integrated into the investment decisions of the financial market participant and the financial adviser, and in the pre-contractual disclosures on products we added a reference to that statement (Article 6). We have also amended our remuneration policy by integrating sustainability risks (Article 5).

In 2022, we again updated these statements to include new relevant information concerning, above all, the integration of sustainability risks and the taxonomy of precontractual disclosures (Taxonomy Articles 5, 6, and 7). We are planning to fully integrate the principal adverse impacts of investment decisions on sustainability factors at entity level (Article 4) and product level (Article 7) and to disclose them in regular reports beginning 2023.

The EU Corporate Sustainability Reporting Directive

(CSRD) is a directive that requires large undertakings to disclose information on their environmental, social and governance risks and results. The directive aims at providing investors with more information for them to be able to make informed decisions, and encourages undertakings to manage these risks and results more effectively. KB Group will first be obliged to report under CSRD in 2025 (for 2024).

Environmental and social risk management

At KB, we have developed an environmental and social risk management system (ESRM) that helps to identify and assess risks of the bank's corporate clients from the perspective of the potential origination of serious damage or adverse impacts of their activities on the environment and human health and safety, and human rights and fundamental freedoms. The impact of these factors may result in non-compliance with our rules and commitments, non-performance of the obligations and responsibilities under the applicable legislation or KB Group's or SG Group's environmental and social commitments, damage to our good reputation, and potentially also credit risk, including the risk of physical damage to clients' assets caused by environmental or social factors, such as climate change or industrial disasters.

The purpose of the ESRM system is to make sure that we do not finance companies participating in excluded activities (by recording the relevant company in the list of excluded companies shared across SG Group (SG Exclusion List)) and that at all times we thoroughly assess the E&S risks in serving clients operating in sensitive sectors. The E&S risk assessment process is closely related to the KYC process. In respect of the current customers, E&S risk assessment is conducted regularly and simultaneously with renewing credit lines.

Ms Jitka Haubová, on KB's Board of Directors, supervises environmental and social risk management and the whole sustainability agenda. Factoring KB and SGEF, subsidiaries in KB Group, fully adhere to KB's ESRM rules in assessing their clients and transactions. In the lease organisation ESSOX, the ESRM system will be completely implemented in 2023. A coordinator who is responsible for the implementation of the ESRM system and adherence to the ESRM rules in the relevant subsidiary has been appointed for ESG risk management in each of KB Group's subsidiaries. They coordinate their approaches with KB's E&S experts.





The implementation of this system is a prerequisite for the successful development of our business over the long term, and is also related to SG Group's commitments. In 2007, SG Group committed to adopt the Equator Principles, a voluntary risk management framework for assessing environmental and social risks in projects. SG Group is also a founding member of the United Nations Environment Finance Initiative (UNEP FI), a UNEP partnership for sustainable development. In 2019, SG signed the Principles for Responsible Banking, thereby committing to integrate the sustainable banking principles into all its activities, including the adoption of its own goals in support of the Paris Agreement on climate change.

For implementing its environmental and social commitments in practice, SG Group has adopted sectoral policies specifying E&S rules for clients and products in the various sensitive sectors. In 2021 and 2022, most of these sectoral policies were revised. At KB, we fully respect the trading restrictions on the provision of banking services and products for companies involved in coal activities (coal mines, coal fired power stations and the related services), trading in certain types of weapons, ammunition and military material, asbestos extraction and oil and gas production in Arctic areas and from sand/shale. We do not finance exports of weapons and military material to countries involved in armed conflicts and to countries with undemocratic and authoritarian governments. These restrictions also apply to the various private or governmental entities or business groups whose activities are regarded as non-transparent in the defence industry.

In 2021, working with SG Group we started to implement the EBA's Guidelines on loan origination and on EBA Pillar 3 disclosure of ESG exposure to transition risks and physical risks. The climate transition risks are already being assessed when assessing transaction credit risks in four sensitive sectors (metallurgy, the extraction industry, transport and the automotive industry), using a specifically designed tool determining the client's Climate Vulnerability Indicator (CVI). This tool helps to assess clients' financial capability for the transition of their business activities potentially impacted by the changing regulations, market preferences, external costs and new technology.

Climate strategy in the coal sector

As part of its contribution to the fight against climate change, SG Group adopted its Climate Strategy in 2019. In the strategy, SG Group has pledged to refrain from providing any new active funding to companies having more than 50% of their annual revenue linked to the coal sector (coal mining and transport, coal trading and energy use of coal for electricity or heat generation). KB Group has also decided to phase out the funding of clients associated with coal mining or use, primarily in the electricity and heat supply industries. We thus help to exert pressure on these companies to switch to cleaner energy sources. We have committed to progressively reduce our funding of clients' activities in the coal sector to zero by 2030. In 2022, we started to lend only to companies, even if associated with coal activities only partly, that have a clearly stated commitment to discontinue their coal activities until 2030.

Sustainable Finance Commission

In 2021, the Czech Banking Association (CBA) member banks set up a Sustainable Finance Commission. Ms Hana Kovářová, KB's Executive Director, Brand Strategy and Communication, was elected as the Commission Chair. The Commission is addressing the question of how specifically banks can help to create the conditions for the sustainable development of the Czech Republic. In 2021, we signed the CBA Sustainable Finance Memorandum, in which together with other banks we confirmed our commitment to create a business environment conducive to the country's sustainable and socially responsible development. KB is one of the initiators of such development. By signing the Memorandum, we have committed to strengthen environmentally and socially responsible business in the Czech Republic.

Aliance pro bezemisní budoucnost

In 2022, we became one of the founding members and main partners of this Alliance for Zero-emission Future, and will therefore take part in the launch of its activities. The Alliance's main objective is to accelerate and facilitate the transition to low-emission models and technology in order to prevent the Czech economy and companies from facing loss of competitiveness due to their slow implementation. The Alliance will network the key participants and stakeholders, provide practical inputs, and communicate decarbonisation and resilience as strategic tasks to be included in the agenda of every company management.





Commitments to SG's and KB's external initiatives

Commitment/Initiative	Year when adopted	Description	KB's involvement
Alliance for Zero-emission Future	2022	The Alliance's main objective is to accelerate and facilitate the transition to low-emission models and technology in order to prevent the Czech economy and companies from facing loss of competitiveness due to their slow implementation. The Alliance will network the key participants and stakeholders, provide practical inputs, and communicate decarbonisation and resilience as strategic tasks to be included in the agenda of every company management.	In 2022, KB became one of the founding members and main partners of Alliance for Zero- emission Future, and will take part in the launch of its activities.
Sustainable Finance Memorandum	2021	In 2021, the Czech Banking Association (CBA) member banks set up a Sustainable Finance Commission. Ms Hana Kovářová, Executive Director, Brand Strategy and Communication, was elected as the Commission Chair. The Commission will focus on the question of how banks can specifically help to create conditions for the sustainable development of the Czech Republic.	In 2021, KB signed the CBA Sustainable Finance Memorandum, in which together with other banks we confirmed our commitment to create a business environment conducive to the country's sustainable and socially responsible development. By signing the Memorandum, we have committed to strengthen environmentally and socially responsible business in the Czech Republic.
Net-zero Banking Alliance	2021	Societe Generale has strengthened its position as a leader in the ecological transition by joining the UNEP-FI Net-Zero Banking Alliance as a founding member, and undertakes to align its portfolios with trajectories aiming at carbon neutrality by 2050 with the ambitious goal of limiting global warming to 1.5 degrees Celsius. The SG Group commits to proactively manage its financing portfolios in line with trajectories aiming at achieving carbon neutrality by 2050, prioritising portfolios with the highest emission levels and which will have the biggest impact, and set out intermediary alignment targets for 2030, and ensure full transparency with annual publication of progress made in relation to our alignment work.	The SG Group, including KB, has been progressively aligning all of its portfolios with the Paris Agreement objectives. With this new commitment, the SG Group and KB will accelerate their effort accordingly. In 2019, the SG Group and KB adopted the objective of reducing by 2030 their exposure to clients with assets in coal mining and coal-fired energy installations in the EU and OECD countries. KB also supports the SG Group in its commitment to reduce its oil & gas portfolio by 10% by 2025. KB commits to play the central role in the energy transition of the Czech Republic and Slovakia.
KB Carbon Neutral	2020	In 2020, we had our carbon footprint measured for 2019. In 2021, the company reduced its carbon footprint significantly. Compared with the base year, we have reduced emissions by 32.5% overall and emissions per client were 14.7 kg CO2e	KB has adopted its own commitment to progressively reduce its own carbon footprint. We are on the path towards carbon neutrality in own operations, which we want to achieve by 2026. The reduction plan and all information about our carbon footprint are available for the public <u>here</u>
UN CFO Principles	2020	UN Global Compact initiative to establish guiding principles and best practices for SDG-aligned corporate finance and investment opportunities. The CFO Principles supplement the UN Global Compact's Ten Principles to support companies in the transition to sustainable development. (SG was the first commercial bank to sign CFO Principles on SDG-aligned finance.)	In principle, SDGs are partly already included in KB's corporate finance in the ESRM process and will be further enhanced in KB's green lending.
IEA SDS 2020 Scenario as Reference	2020	The International Energy Agency's Sustainable Development Scenario (IEA SDS) outlines a major transformation of the global energy system to deliver on the three main energy-related SDGs simultaneously. The SDS sets out a plan for clean energy policies and investment to put the world's energy system on track to achieve the three critical energy-related SDGs including the Paris Agreement, energy access and air quality goals. (SG set a new target to align its oil & gas portfolio with the IEA SDS and accelerate its coal exit strategy.)	SG's new target has been incorporated into the relevant E&S sectoral policies and is fully applicable to KB following official publication.
SG Group Climatic Commitments	2019	The Group is committed to progressively reduce to zero its exposure to the thermal coal sector, at the latest in 2030 for companies with thermal coal assets located in EU or OECD countries and 2040 elsewhere. The commitment is implemented through SG's Thermal Coal Policy and Thermal Power Policy. Under its medium term objectives, SG has also committed to limiting its exposure in the oil and gas sector by 10% by 2025.	The commitment to stop financing companies related to the coal sector is implemented through SG's sectoral policies on Thermal Coal and Thermal Power. The commitment to reduce exposure in the oil & gas sector was integrated into the updated version of the Oil & Gas Sectoral Policy in 2021.

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Commitments to SG's and KB's external initiatives

Commitment/Initiative	Year when adopted	Description	KB's involvement
KB Climate Strategy (as part of SG's contribution to fight against climate change)	2019	KB has committed to refrain from providing any new active financing to companies having the greater part of their annual revenue linked to the coal sector (coal mining and transport, coal trading, and energy use of coal for electricity or heat generation).	Further to SG Group's climate commitments, KB has also decided to phase out the funding of clients associated with coal mining or use, in particular in the electricity and heat supply industries. We thus help to exert pressure on these companies to transit to cleaner energy sources. We have committed to progressively reduce to zero by 2030 our funding of clients' activities in the coal sector. From 2022, we will lend only to companies, even if associated with coal activities only partly, that will have a clearly stated commitment to discontinue their coal activities until 2030.
Climate Disclosure – TCFD (Task Force on Climate-related Financial Disclosures)			SG releases climate-related reports aligned with the TCFD guidelines on behalf of the entire SG Group (including KB). No separate obligation for KB.
Poseidon Principles, Getting to Zero Coalition	2019	The Poseidon Principles is a framework for financial institutions for assessing and disclosing the climate alignment of ship finance portfolios. It promotes a low carbon future for the global shipping industry by integrating climate considerations into bank portfolios and credit decisions. It is consistent with the International Maritime Organization's (IMO) ambition to reduce shipping's greenhouse gas emissions by at least 50% by 2050. (SG is among the founding signatories.)	Maritime shipping is not relevant for KB's portfolio.
Principles for Responsible Banking, Collective Commitment on Climate Action	2019	Principles for Responsible Banking is a framework for ensuring that signatory banks' strategy and practice align with the UN's Sustainable Development Goals and the Paris Climate Agreement. The six Principles are supported by a strong implementation framework that defines clear lines of accountability and requires each bank to set, publish and work towards ambitious targets. SG is a founding signatory and core member defining the principles.	The Principles' main objectives are incorporated in KB's ESRM process implemented in 2020.
Sustainable IT Charter	2019	The Sustainable IT Charter is a voluntary commitment drafted by the France-based Institut du Numérique Responsable (Sustainable IT Institute) aiming to limit the environmental impacts of digital technology, share responsible, ethical and inclusive best practice and encourage the emergence of new values. SG is a founding member of the Charter.	Through SG, we adhere to the commitments arising from the agreements to which SG is a party.
Katowice Commitment (Paris Agreement methodology)	2018	At the Katowice meeting of COP24 in 2018, five international banks – BBVA, BNP Paribas, ING, Société Générale and Standard Chartered – publicly pledged to develop an open-source methodology to progressively align their lending portfolios with the goals of the Paris Agreement.	The principles of the alignment of SG portfolio with the goal to limit global warming well below 2 degree Celsius are included in the standards of E&S sectoral policies and are fully applicable to KB.
Sustainable Sourcing Charter	2018	A joint initiative by French companies of the Bank & Insurance sector who want to associate their suppliers in the implementation of due diligence measures as part of their Corporate Social Responsibility efforts (CSR).	Through SG, we adhere to the commitments arising from the agreements to which SG is a party.
COP 21 (United Nations Climate Change Conference – Paris Agreement)	2015	It was the 21st Conference of the Parties (COP) to the 1992 United Nations Framework Convention on Climate Change (UNFCCC). The conference achieved consensus on the Paris Agreement, a global agreement on the mitigation of climate change. SG has adopted its own climate commitments to meet the goals of the Paris Agreement on the basis of the COP.	The principles of limiting global warming are integrated in the E&S sectoral policies of SG and fully apply to KB.
E&S Sectoral Policies	2011	Sector-specific E&S standards for 12 sensitive sectors (energy, defence, mining, nuclear, oil & gas, forestry, etc.) with excluding criteria, minimum E&S standards of clients, and requirements for E&S assessment.	All E&S sectoral policies apply to KB lending (primarily to corporate clients) from the moment of their publishing. The policies are publicly available.
Equator Principles (EP)	2007	Set of voluntary environmental & social (E&S) standards that the participating banks voluntarily agreed to follow in project financing of larger infrastructure & industrial projects.	KB applies since 2020, through implementing the ESRM process. The EP criteria are included in KB's ESRM Instruction.

KB Group Sustainability Report 2022





Sustainable Financing



Banks hold an irreplaceable position in the promotion of sustainable development. We believe that our financing of meaningful projects will help to protect the environment and sustainable business. KB Group's product range includes sustainable investment opportunities and sustainable technology financing.

Sustainable retail banking

We offer our retail clients options for how they themselves, on an individual basis, can help to minimise environmental impacts and we want to show them the cases in which KB Group can be the right partner for them on the path to a sustainable future. It is important for us that clients see not only the alleviated environmental burden but also the financial returns on their savings while being aware of the potential to use subsidies channelled into this area. In KB Group, clients can responsibly invest in funds meeting ESG criteria, can receive privileged funding for sustainable technology, which then generates energy cost savings, can own payment cards from recycled plastic or, for example, can buy electric vehicles using advantageous ESSOX financing. To help our clients to find their way around our products and services we have posted inspiration for a more sustainable life on our website.

Offering for retail clients

Responsible investing

Clients can contribute to a sustainable future through responsible investing. This investing integrates the ESG rules and does not focus on the growth of finances only, but also on the environmental and social impacts of specific companies. Responsible investing therefore supports the companies that are mindful of the environmental, social and economic impacts of their activities. Clients have a range of ESG funds to pick from and can invest in, say, water resources, nutrition for future generations or climate protection. More details on ESG funds <u>here</u>. In 2022, KB's retail clients invested almost CZK 1.6 billion in selected funds complying with Article 8 SFDR (originally Article 9 SFDR before the criteria were tightened), which promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics.

KB Private Banking ("KBPB") continued to develop its offering of responsible investment products reflecting ESG criteria. In 2022, KB signed an agreement with MSCI, a leading global supplier of ESG data. KB Private Banking portfolio managers thus obtained direct access to the MSCI ESG Manager search tool that helps them to monitor and evaluate the ESG characteristics of each of the instruments and entire portfolios effectively and on a daily basis. In addition, this platform offers access to extensive analytical research that will reinforce our expertise in this area and make it possible to identify ESG risks and opportunities more quickly and accurately. The agreement also contains consent to publishing selected data in client reports. The list of permissible investments for the managed portfolios, which KB Private Banking accepts from SG Private Banking, was also modified.

KB Private Banking retained the Best Performing Private Bank in Central and Eastern Europe recognition awarded as part of The Financial Times' *PWM/The Banker Global Private Banking Awards*. Representatives of renowned financial magazines, *The Banker* and *Professional Wealth Management*, part of The Financial Times media group, had appointed the international jury that awarded this recognition. KB appreciates these awards, which confirm its strong position in the market and the quality of the services provided by its Private Banking. KB was placed in top positions in this international competition repeatedly as the best private bank in Czech Republic in earlier years as well. In 2022, we also won the second place as The Private Bank in the Czech Republic in The Mastercard Bank of the Year competition.

Loans for sustainable technology

Komerční banka provides the <u>Sustainable Technology</u> <u>Loan</u> with a guaranteed rate. It is intended to reward the clients who want to finance sustainable technology for their housing. It is provided either for the entire investment, up to CZK 2.5 million, or as a bridge loan only for the government subsidy under the New Green for Savings scheme, which can meet up to 50% of the project costs. Once the subsidy arrives, the loan can be partly repaid in the form of an early instalment, or repaid completely, all of this at any time and free of charge. We have made it possible to take out payment protection insurance together with the loan to back up the clients in the case of their financial difficulties. Where the borrower arranged for this insurance before the end of 2022 KB paid the premiums for the client for the first year.

Besides offering advantageous financing, we are also able to refer clients to well-tried suppliers, thereby making it easier for them to select the company to install the selected sustainable technology. We cooperate with selected partners who are able to offer our clients turnkey solutions from the design to subsidy arrangements; this includes rooftop PV systems, water saving equipment, reed bed treatment plants, wetland roofs, or green house fronts.

The demand for the Sustainable Technology Loans copied households' demand for energy saving measures, such as photovoltaic panel systems, house insulation and heat pumps. We provided 686 of such loans, more than four times the number in 2021. The average amount of these loans also increased. While for full year 2021 the average amount was CZK 278,000 per loan, in 2022 the figure was CZK 314,000.

In 2022, we won the first place in the Green Crown category of the 20th edition of the Golden Crown competition. This category focused on the issue of sustainability and support thereof by financial products.





By the end of 2022, we had issued 592,500 recycled plastic cards.

Fast loan for sustainable housing

In 2022, Modrá pyramida stavební spořitelna launched a new loan to help finance energy savings and environmentally friendly solutions for housing. As with the Sustainable Technology Loan from Komerční banka, with Fast Loan for Sustainable Housing clients can also obtain funds for photovoltaic panel systems, heat pumps, biomass boilers, house insulation, window replacement, heat regeneration units and other more economical solutions for housing. Up to CZK 1 million is available for funding. By the end of 2022, MPSS had provided 210 of such loans, totalling CZK 88.258 million.

Clean mobility and green technology financing

ESSOX provides its clients with consumer loans, vehicle financing and complete funding for green projects. Whatever the clients want – electric vehicles, hybrid vehicles, charging points, or battery storage and PV panels, ESSOX products offer them accessible financing for changing their approach to mobility and use of renewable energy sources. In 2022, ESSOX grew very much in green technology financing. A considerable advantage is also the fact that clients can arrange funds for these green technologies fully online. In 2022, the financed value of all green projects increased by 28% on 2021, and by as much as 62% on 2020. The amount financed in this sustainability area was almost CZK 356 million in 2022.

Recycled plastic cards

As early as 2020, KB launched a new payment card for the manufacture of which 85% of recycled plastic were used. In 2021, we offered this greener payment card alternative with student accounts, and in 2022 we started to issue recycled plastic cards with other personal and business accounts. This helped us to increase the number of issued cards quite considerably: by the end of 2022, we had issued 592,500 recycled plastic cards. We plan to issue cards from 100% recycled plastic in 2023.

Sustainable banking services for enterprises

In 2019, Société Générale became a signatory to the Principles for Responsible Banking, thus committing on behalf of the entire SG Group to integrate the sustainable financing principles into all its activities, and adopted its own goals in support of the Paris Agreement on climate change. It also set a new target for sustainable financing for 2022-2025 at EUR 300 billion. In this context and in order to build sustainable business for the long term and enhance our good repute, we at KB have incorporated the principles arising therefrom into our activities as well.

Our strategic ambition is to be the leader in sustainable investment in the Czech financial market and within SG Group and to be seen as a sustainable bank in the Czech Republic. Under this strategy, we have specified the key areas that will be our priority:

- Industry decarbonisation (energy savings in • companies and in the public sector; energy transition; clean mobility);
- Circular economy; •
- Water savings in industry and water retention in • landscape;
- Projects with positive social impacts (modernisation • of health care facilities, health care, welfare or employment).

Seeking to promote businesses' and the public sector' interest in sustainable financing we have expanded the package of our services that support clients' sustainable investment. We provide a broad range of advisory services, and not only financial advice but also that on subsidies, energy, renewables and on the design of a strategy for the client's sustainability overall.

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Awards

In 2022, the Golden Crown competition had its 20th edition and we were placed first for the Sustainable Technologies Loan, winning the Green Crown award.





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Offering for corporate clients

Subsidy advice

Our KB EU Point team provides full advisory and subsidy services that include advice on grants and subsidies. These services comprise the preparation of subsidy applications; administration and sustainability; the option to grant subsidy pre-financing and project cofinancing using privileged programmes; advice on the economic and technical specificities of projects; and preparation and implementation of tendering procedures for public and private entities (including sustainable and circular public procurement).

We have been developing our services since 2003 when we were the first bank in the market to launch a special loan for subsidised project financing. More information is available <u>here</u>.

KB Advisory and ENVIROS

ENVIROS consultancy has been part of KB Group since July 2022. KB Advisory and ENVIROS provide advice on sustainable business, energy efficiency, resource management, subsidies and sustainable project financing. They help various companies with their development and to grasp opportunities through introducing elements of sustainable and socially responsible business. They offer comprehensive advice for both private and public sectors in their investment and non-investments plans throughout the Czech Republic. More information is available <u>here</u>.

Sustainable finance at Komerční banka

In 2022, KB extended its range to include sustainable financing products. In addition to the traditional investment loans for sustainable projects, these are the Green Loan and the Sustainability Linked Loan. KB also offers its clients full service in the issue of Green, Social and Sustainable Bonds and bonds linked to sustainability targets (Sustainability Linked Bonds). Since 2022, the screening of the E&S aspects also includes assessing key corporate accounts' approach to the ESG strategy, GHG emission reduction, energy savings and circular economy. At the same time, in their active approach to these issues we seek to motivate and support clients financially.

Sustainable financing at SG Equipment Finance

KB Group's SG Equipment Finance is also engaged in sustainable financing. SGEF is one of the leading financial companies in the Czech Republic and Slovakia. It provides finance leases, operating leases, and loans, also using subsidies and operational programmes of the European Investment Bank and Czech governmental institutions.

In 2022, SGEF financed investments worth CZK 14.7 billion, of which 19% went to sustainable investments. Sustainable financing therefore totalled more than CZK 2.8 billion, up by 47% on 2021. To achieve the best possible results, it cooperates with the European Investment Bank and PricewaterhouseCoopers.

In 2022, SGEF executed 522 ESG transactions. It provided the largest amount of funds for electric locomotives, public transport buses, railway infrastructure and the manufacture of electric motors. The other areas were low-emission plant and machinery, waste processing and recycling, medical hardware and software, and farming and forestry equipment.

One of SGEF's products for the sustainable financing of enterprises is Photovoltaic for One Koruna, which was designed by KB together with ČEZ ESCO. The product was launched in late 2021 and immediately met with a great response. In 2022, SGEF funded or approved the funding for PV power plants amounting to CZK 172.5 million.

Photovoltaic for One Koruna

Photovoltaic for One Koruna offers business clients an option to install PV panel systems without having to provide the initial capital. The product has been developed jointly by SGEF, KB, and ČEZ ESCO. ČEZ ESCO installs the PV panel system but the clients pay only for the electricity that they take. Besides, the clients do not have to worry about the complicated subsidy administration as ČEZ ESCO delivers the project on a turnkey basis, including the subsequent operation and servicing. PV electricity is cheaper than grid electricity. In 15 years, the PV system becomes the client's property for CZK 1. The lifespan of the PV systems is longer than 30 years and a 100 kWp power plant saves 47 t CO₂ per year. The product is suitable for properties taking 200 MWh/year or more. Almost 100 clients requested an indicative quotation for the product and with some of them talks have advanced very much. One of the first implemented projects will be a PV panel system on the roof of KB's head office building in Prague-Stodůlky, planned for completion in the first half of 2023.

ESG Advisory

ENVIROS consultancy has been part of KB Group since July 2022.



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Support services for enterprises in respect of sustainability

The Together Sustainably website

With a view to supporting the sustainable growth of clients and Czech industry, in March 2021 we launched a new website, Together Sustainably (<u>spolecne-udrzitelne.cz</u>), which KB continued to operate successfully in 2022. On the website, we post information about the environment, circular economy, and economic and social issues. The posts and practical examples offer inspiration about ESG issues mainly to companies. Once per two weeks, a newsletter offering a digest of the most interesting latest developments is distributed. We create the website content with CIRA Advisory experts. The website content continues to be developed in 2023.



Technical educational events

In 2021, we intensified our activities concerning educational events focused on sustainable development issues. In 2022, we held another series of ESG webinars, which are publicly accessible and can also be watched from recordings <u>here</u>. We broadcast five webinars for which audiences of more than 1,000 registered. We will continue our webinar series in 2023.

Topics of ESG webinars in 2022:

- ESG regulation and reporting;
- How an upfront ESG audit can help you to start sustainable business;
- Greenwashing as a risk that is worth your while to address;
- Social aspects of sustainability;
- PV for enterprises and financing options.

Sustainable E-shop

KB, Visa, Heureka, and the Association of Social Responsibility launched a project called <u>Sustainable e-shop</u> in 2021. Its purpose is to identify and designate e-shops that seek sustainable operation. Customers for whom the sustainability criterion is important can make buying decisions more easily thanks to this.

The project is also intended to support and motivate merchants in their transition to a sustainable business model. The green leaf symbol marks the e-shops that have successfully passed comprehensive evaluation. Approximately 1,000 e-shops have applied for the green leaf symbol and some 200 of them have received it. In 2022, we organised events where clients shopping from any of the green-leaf Sustainable E-shops using a KB Visa card had an opportunity to recoup some of the money spent on the purchase. The purpose was to enhance awareness of e-shops conscious of the impacts of their business.

Methodology for monitoring and measuring clients' transaction sustainability

To pursue our KB Strategy for Sustainable Financing, we have drawn up a methodology and developed tools to identify and screen transactions meeting the criteria for environmentally and socially favourable financing. The criteria are based on the EU Taxonomy (Regulation (EU) 2020/852 of the European Parliament and of the Council of 27 November 2019 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088) and the SG methodology for Sustainable and Positive Impact Finance, SPIF.

We have been classifying investment loans in terms of their environmental and social benefits since April 2021 and we updated and clarified the methodology in 2022. This ESG designation of investment loans is geared towards the following objectives: benefits for climate change mitigation and adaptation and environmental objectives, the sustainable use and protection of water resources, transition to the circular economy, pollution prevention and reduction, biodiversity protection and restoration, support of employment, education, welfare services, affordable housing, and improved accessibility and quality of healthcare.

Determining whether a transaction meets the criteria for E&S positive financing (designated as ESG) allows us to make an informed decision on its eligibility in terms of supporting the client by way of a softer interest rate, which is subsidised from our own resources, specifically our internal ESG subsidy allocation. ESG designation is also a tool to map out our loan portfolio in terms of meeting our strategic sustainability objectives, and also to provide the data for our bank's and SG Group's reports.

Investment loans with a positive environmental or social impact

In 2022, we saw increased funding of projects closely related to energy, in particular renewable energy sources.

In 2022, we signed new agreements on ESG investment loans totalling CZK 16 billion. Most (83%) of these new ESG loan agreements are beneficial in environmental terms and the remaining loans (17%) are beneficial in social terms. The clients' projects most often centre on PV power plants, energy efficient buildings, renewable energy production, and wastewater management. In the social area, projects in healthcare predominate.

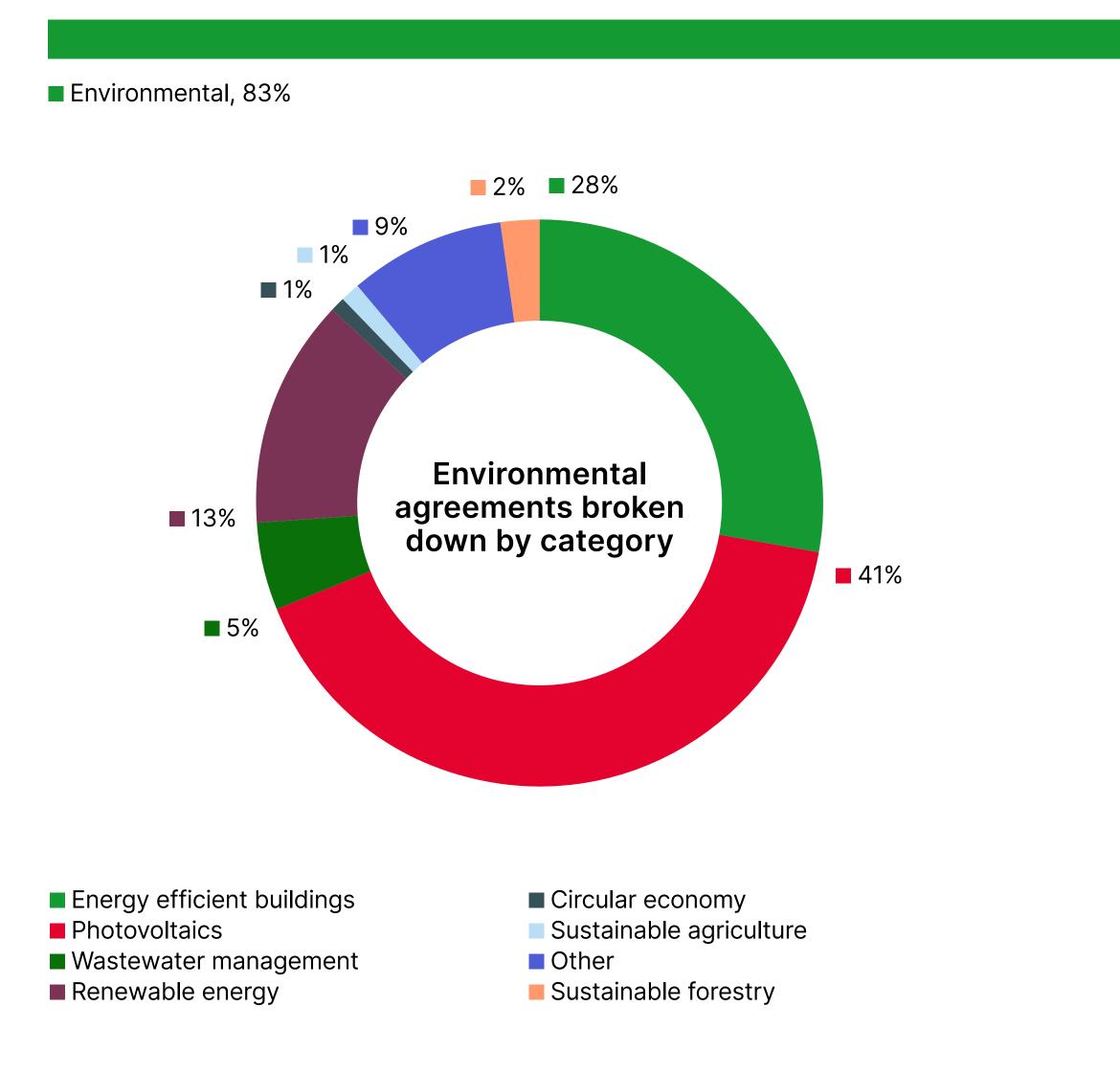
Environmentally minded projects most often concerned the installation of PV power plants (41%), construction of energy efficient buildings, measures for energy savings in buildings, such as thermal insulation of buildings and heating system replacement, including the installation of heat pumps, and similar measures (28%), and renewable energy sources (13%). In the social area, most of the projects concerned infrastructure for public healthcare (74%, construction or refurbishment of hospitals and healthcare facilities), and infrastructure for welfare services (20%, homes for seniors, social housing), projects in the public education system (5%, construction, refurbishment and furnishing of schools).



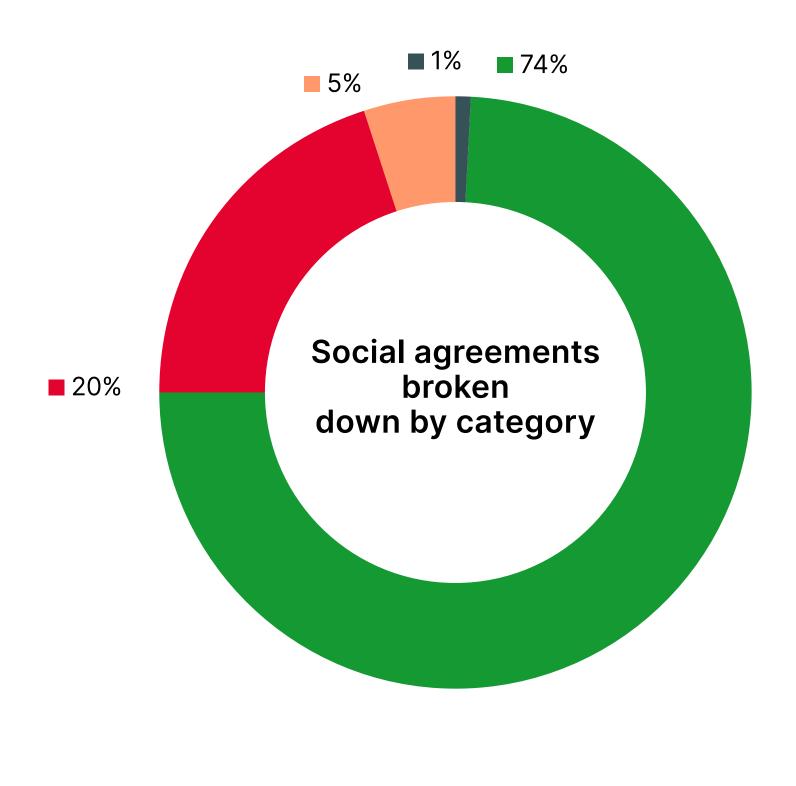


New ESG Loan Agreements in 2022

Breakdown of ESG loans by purpose



Social, 17% 🔳



Public healthcare
Retirement homes
Public education
Social housing

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Examples of KB financed projects beneficial for sustainability:

- In 2022, Komerční banka and Apigenex signed a Green Loan agreement based on the international methodology. Apigenex will use the funds for building an R&D centre and introducing certain technologies that will help to reduce the consumption of organic solvents in operations and their recycling.
- Komerční banka granted EUR 55 million in a Green ٠ Loan to FCC Aqualia SA, which owns Severomoravské vodovody a kanalizace Ostrava. It was a part of a syndicated loan designated as a Green Loan based on the international methodology. The company will spend the funds on projects that bring wholesome drinking water to people, purify treated wastewater, eliminate additional risk of contamination or floods, and reduce greenhouse gas emissions. It will also use them for investment in renewable energy sources (hydro power) and clean transport.
- Komerční banka provided a loan of CZK 1.6 billion to ٠ Teplárna České Budějovice for its project of a woodchips-firing boiler to replace its brown coal boilers; the new boiler is intended to optimise the performance of the whole CHP system. In 2020, Teplárna České Budějovice pledged to decarbonise its operation (Strategy for a Green City). Its transition to zero-emission and local renewable sources will enhance energy supply security for stable and sustainable prices. Enviros, KB's subsidiary, was also involved in the assessment of the project and loan for this green transition.
- Komerční banka is funding EVC Group and its battery laboratory in Hulín in the Zlín Region. The lab mainly tests industrial solutions for lithium batteries, which is beneficial for projects that want to base their energy sources on electricity. Every year, they test up to 30 types of battery cells that are used, for example, in rooftop PV systems, as batteries for electric vehicles, and also for buses. The lab is also able to

test a whole system of interconnected batteries with an overall capacity of up to units of MWh.

- for the construction of an Emergency Medicine Centre, integrating into the call several aspects requirements placed on the main contractor of the will climb to approximately CZK 3.47 billion, and Komerční banka will provide a CZK 1.3 billion loan.
- The Javorový Flight Park paragliding centre in the Beskids is another KB-financed project. It provides lodging to participants in sport courses and to members of the public. In 2022, this project received available at Together sustainably.
- of the most modern biogas plant in the Czech and foodstuffs past their expiration date. The

System for assessing environmental and social risks in corporate banking

We have joined the fulfilment of SG Group's ESG commitments regarding checks of the environmental and social risks of the clients' activities that we finance and of our clients' projects. In early 2020, we put in place an ESRM, Environmental and Social Risk Management, system in corporate banking. The system also reflects the requirements of the Equator Principle, i.e. voluntary rules for E&S (Environmental and Social) assessment of major industrial and infrastructure projects, and ensures compliance with the requirements of SG Group's sectoral policies.

Assessing the ESG aspects in our corporate banking has become part of due diligence for all new transactions

The Regional Hospital in Liberec is being gradually refurbished. In 2022, the hospital called for tenders with an environmental dimension that also included centre. The total costs of the hospital refurbishment

an Adapterra Award for effective water management and other sustainable solutions. More information is

In Mladá Boleslav, we have funded the construction Republic. It should process waste from restaurants produced biogas will fuel municipal transport buses. and part of scrutinising new clients in the KYC process. Assessing E&S aspects includes a check against a list of excluded entities and against a list of sensitive activities and projects, and a check against the excluding criteria of the E&S sectoral policies (such as refusal to finance clients and transactions connected with coal mining and coal-fired energy installations or certain arms exports) and screening the clients' reputational risk related to E&S aspects. A KB E&S risk expert assesses clients and their transactions in sectors with an increased E&S risk. Through our relationship managers, we communicate our E&S standards to clients, especially in sensitive sectors, and seek to support our clients in complying with these rules. The largest area covers the context of energy transition and our climate commitments. ESG risk categorisation is conducted for all clients in corporate, municipal, and global banking. A KB E&S risk expert carries out a detailed ESG due diligence process for clients whose annual turnover exceeds a certain limit, who operate in sensitive sectors and have been categorised as clients with an increased E&S risk. The ESG due diligence results that indicate the client's high risk or require remedial actions by the client are validated by Compliance or are escalated to SG's head office. Where ESG risks may also be credit risks, KB Risk is also involved in the validation of the due diligence. In 2022, we did not provide funding to any project subject to assessment under the Equator Principles.

In 2020, we started to assess the Climate Vulnerability Indicator (CVI) of our major corporate clients who operate in sectors potentially generating climate risks (such as energy, transport, metallurgy, mineral extraction, and oil & gas). CVI expresses an assessment of the climate transition risk's impact on clients' creditworthiness. Part of reducing the impact of climate transition risks on the corporate loan portfolio is progressively reducing our credit exposure to clients linked to coal-fired energy installations and coal mining, and extending help to these clients in funding their transition to non-coal economic activities.





SG Group's sectoral rules

In respect of environmental and social responsibility, we primarily follow SG Group's sector-specific rules on the provision of financial products in areas that may have a fundamental impact on the environment and society. These sector-specific rules are set out in SG Group's publicised E&S sectoral policies covering:

- thermal coal mining and use;
- thermal power;
- defence and security industry;
- nuclear energy and nuclear installations;
- dams and hydropower;
- industrial agriculture, food and forestry;
- oil & gas and petrochemicals;
- mineral mining;
- water shipping.

We respect the restrictions on the provision of banking services and products for trading in certain types of weapons, ammunition, and military material. We do not finance exports of weapons and military material to countries involved in armed conflicts and to countries with undemocratic and authoritarian governments. These restrictions also apply to the various private or governmental entities or business groups whose activities are regarded as non-transparent in the defence industry.

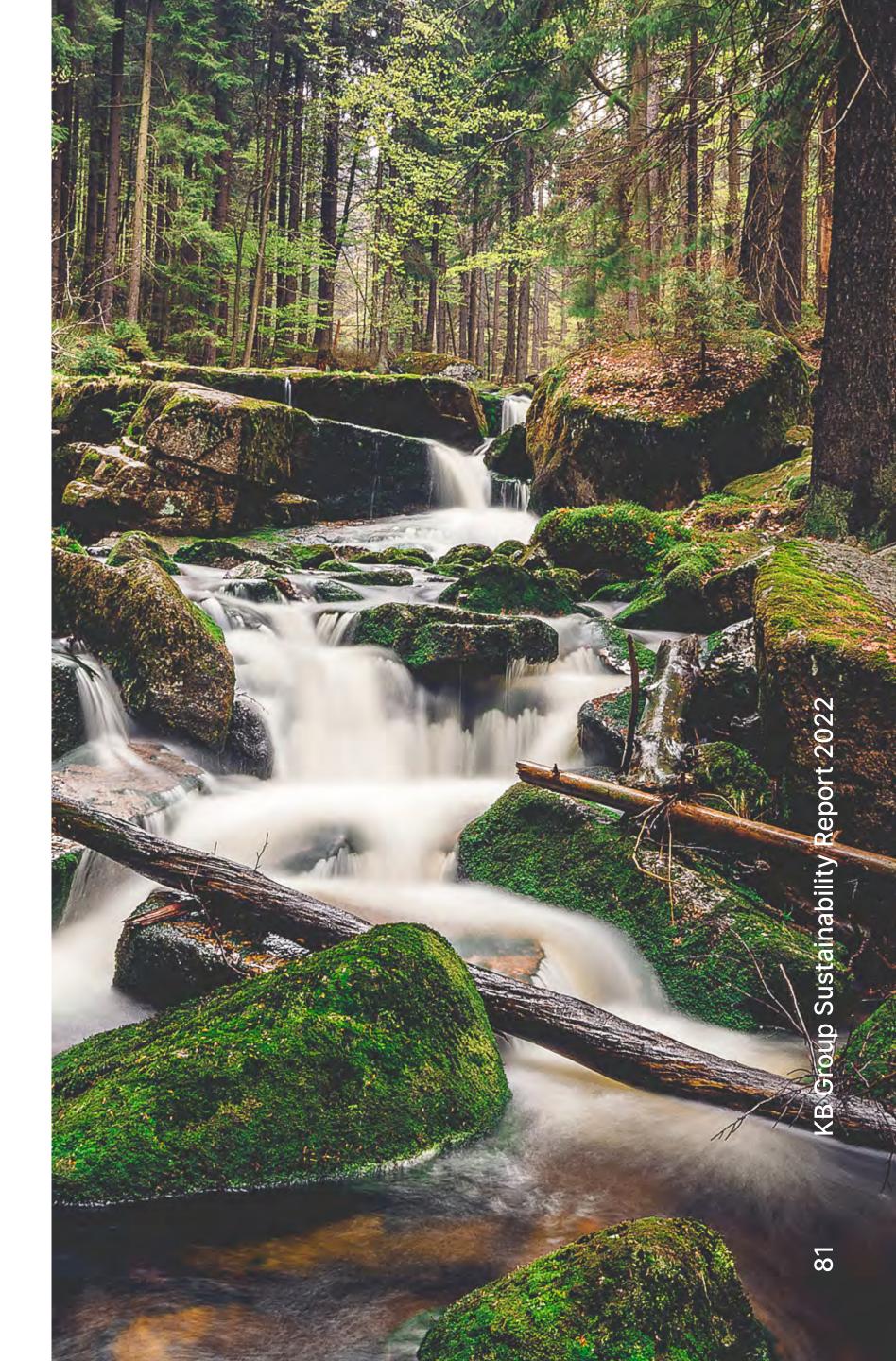
The year 2021 saw amendments to the policies for mineral mining, for dams and hydropower, for water shipping, for thermal power, and for the coal sector. The year 2022 saw amendments to the policies for oil & gas and petrochemicals, while the policy for industrial agriculture, food and forestry was revised. SG Group's sectoral policies are freely available on <u>our</u> website and SG's <u>website</u>.

Improving staff competency to implement environmental and a social policies

During the implementation of the ESRM system, in 2020 all Corporate and Investment Banking relationship managers and credit analysts and Compliance staff, and colleagues at the KB subsidiary in Slovakia were trained accordingly. In 2022, the Corporate and Municipal Banking staff and the Global Banking staff were trained in KB's new sustainable financing products (green loans, sustainability linked loans). We also write about employee education in the chapter Responsible approach to employees.

Sustainable financing

In respect of environmental and social responsibility, we primarily follow SG Group's sector-specific rules.



Digitalisation and innovation

In 2022, customer service development took place under different circumstances than those in the years before. KB Group promptly responded to the quickly changing business environment, which was influenced by, *inter alia*, interest rate growth and high inflation, but also the lifting of pandemic restrictions and arrival of refugees from Ukraine. KB Group also continues in major investment and changes under its KB 2025 strategic plan. At KB, this primarily entailed building the New Era of Banking (formerly NDB) and the related banking infrastructure. At Modrá pyramida, the building of the Single Mortgage Factory, shared by KB and the building society, was in full swing. The other subsidiaries were also implementing changes for boosting synergies within KB Group, expertise sharing, simplification, and improving customers' access to services.

As early as 2020, we began building a new bank information infrastructure and redesigning all bank processes. We call this transformation a New Era of Banking (formerly NDB or New Digital Bank) and it is part of the KB 2025 strategy.

By building the New Era, Komerční banka pursues the objective of enhancing customer satisfaction measured by the Net Promoter Score and expected to result in a larger number of customers and higher average revenues. Digital sales are to exceed 50%. Communication with clients will be completely rid of paper documents and productivity will increase, including the number of clients per employee. The end of 2022 saw the pilot operation of a new platform in our mobile app, online banking, and relationship managers' dashboards. Some 3,000 clients from the ranks of KB employees were taking part in that operation. In 2023, New Era development will reach a stage allowing the launch of a new digital bank in the Czech market and to acquire new clients together with the gradual migration of the current clients from the old system. Migration will start in the individuals segments, to be followed by small businesses

and completed by the corporate segment. This timetable also reflects the sequence in the development of new products and services for the New Era. The migration is planned to be completed in 2026, which will also permit a gradual disposal of the components in KB's existing infrastructure.

In everyday banking, we want to digitalise our services as much as possible. Thanks to the digitalisation process clients can easily arrange for a product without having to call on a KB branch. We regard this as a great added value primarily for disabled clients and those living in fairly remote areas.

In 2022, the share of products sold digitally accounted for 23.4% of total sales in the individuals segment; of those, 16.7% of the products were sold digitally from initial communication to final processing (end-to-end).

In 2022, KB continued to optimise its branch network, primarily in the light of clients increasingly preferring to handle their financial matters online. As of 1 April, KB closed down 25 branches while at another 19 branches cash services are now provided solely via ATM. KB slated the branches for closedown based on a long-term analysis of their footfall, coverage and the site's potential and the changes in clients' behaviour.

Our clients' security continued to be at the centre of our attention. The secure two-factor authentication via KB Klíč has long been the dominant authentication method used by clients. More than one million clients now have an active KB Klíč. We also proactively promoted the use of Bank ID and contributed to other improvements in the security, use and support of this method.

Komerční banka runs a continuously updated <u>security</u> <u>website</u> to support its clients in their tackling of the security aspects of digital banking. The website communicates the key procedures and functions of secure behaviour, which should help clients to stay secure in the cyberspace. It offers recommendations on how to protect clients' devices and information about the current threats and active fraud schemes.

The launch of a single platform for electronic identity, BankID (Bank Identity), was a breakthrough innovation at KB and the entire banking market. Through BankID and using KB Klíč, clients can register for a number of services provided by private sector entities, including suppliers of energy and other utility services. They can also use a number of public sector services, including access to the Citizen's Portal and data mailboxes, or, say, filing their tax returns. In 2022, several health insurance companies opened access to their services to citizens via BankID.

At ESSOX, the key and also the largest digitalisation project is a rather extensive PHOENIX scheme, the objective of which is replacing its key IT systems with a new generation. Following completion, ESSOX will rise to a completely new level in the provision of consumer finance services.

KB SmartSolutions and promoting start-ups

As early as 2019, KB set up KB SmartSolutions with a view to facilitating the development of certain new services, digitalisation and innovation within KB Group. The company works with start-ups and fintechs. It not only uses the already existing solutions originating from the market but also supports in-house innovative solutions and builds in-house start-ups from scratch. Through KB SmartSolutions, we have brought a sort of a disruption into banking.

In July 2020, KB SmartSolutions started to work with the Czech fintech **Upvest**, which operates an online crowdfunding platform for real estate. In the summer of 2022, Komerční banka increased its stake in Upvest to 96%, doing so earlier than it had planned. The demand for Upvest





projects surpassed all expectations. This partnership has helped Komerční banka to intensify its activities in the segment. In 2022, nine new investment projects totalling more than CZK 730 million were added. The relevant open projects were financed in a record short time also thanks to the option of investing individually under softer conditions, offered to the clients.

Our equity stake in **Platební instituce Roger (Roger**

Payment Institution) gives our clients (since 2020) the option to use digital factoring and supply chain financing, which we are launching in cooperation with Factoring KB. During 2022, the Roger financial platform focused on innovations for investors. The company stepped over the mythical limit when it had financed via factoring a total of CZK 15 billion since its establishment. It also launched a new app, Plus–Přímé platby (Plus–Direct Payments), which helps to directly connect bank accounts between the payer and payee. Roger is only the third non-banking company in the Czech Republic to be successful in obtaining a PSD2 licence from the Czech National Bank. The Plus app operates on this basis. Thus, it is one of the first in the Czech market to offer automatic payment matching and origination. Roger has also offered an innovation in the form of an automated investment engine that bids on behalf of the investor, i.e. selects auctions and submits bids based on specified parameters. Another in the series of innovations is the allocation of invoices to auctions with the nominal amount capped by CZK 75,000 or EUR 3,000.

Lemonero is KB's other equity stake. Lemonero was set up in late 2019 and lends money to small and medium-sized e-shops using an AI model and fully digitally. Lemonero itself offers loans in several ways. A part of the financing passes through the platform directly via extensions in e-shop systems, such as Shoptet, Eshop-rychle or Upgates. The other part is embedded cooperation with, e.g., partners such as Mall and Alza. Repayment takes place through monthly instalments or through recently introduced revenue-based financing where the instalments are paid only from actually executed transactions. Thus, repayment is directly tied to the e-shop's revenue and does not burden its performance in, for example, off-season periods. In 2022, Lemonero was named for the second time as the Best Digital Lending Solution for SMEs in the CEE Region, organised by SME Banking Club. In 2022, Lemonero established a number of successful cooperation schemes, e.g., with the GoPay payment gateway; it also expanded outside the Czech Republic and at the end of the year made its services available to e-shops in the Netherlands.

The year 2022 was successful for KB SmartSolutions also in terms of in-house start-ups, which are one of the areas of its interest. Using its own resources, it builds and tests in-house start-ups that fit with KB's business model and tests their success in the market. For instance, **Finbricks** is one of such projects. At the beginning, its payment gateway was called Zaplaceno.cz and we decided to test our interface, which we had recently deployed, and test the working of the PSD2 infrastructure. Finbricks currently exists as an independent company that provides services to additional clients. With its PSD2 payments totalling over CZK 850 million, Finbricks is now well established as a reliable partner that meets the strict regulatory requirements of the payments world and ensures seamless payment processes. In 2022, only the second year of its operation, Finbricks advanced very much. It turned from an in-house start-up into a fully-fledged company set to become a major player in the payments markets. Evidence of this is the fact that it has received tens of millions of crowns from Komerční banka for its further development. A purely technological solution for PSD2 aggregation has evolved into a fully operable e-commerce payment platform. Instead of bank buttons and transfers from online banking, a single payment gateway to 12 banks in the Czech Republic from Finbricks. From the Czech Republic, it has expanded to Slovakia and a major milestone was its application for CNB licensing as a payment institution. In

addition to designing the fundamental corporate processes, this also required the development of a robust system of controls and provisions for security and operation. Finbricks has also expanded to Slovakia from the Czech Republic.

KB's other successful, originally in-house project is **KB Advisory**, which provides comprehensive ESG advice and operates under KB SmartSolutions. KB has decided to underpin its further development by acquiring **ENVIROS**, one of the country's leading players among consultancies that operate in energy and environmental advice. It also addresses the funding for energy saving and RES projects for a number of major companies in the Central European market. All of these are also areas within KB's radius of interest. KB Advisory and ENVIROS have carried out a number of joint projects to date. The interconnection between the two companies will help them to be more efficient and able to carry out more projects for clients. The objective is a tighter linkage between advisory services and financing, for example, in energy savings and building certification.

KB SmartSolutions

As early as 2019, KB set up KB SmartSolutions with a view to facilitating the development of certain new services, digitalisation and innovation within KB Group.







Loans supported by European institutions

KB Group has long been participating in schemes of support for projects and businesses with a positive impact on society and the environment. To finance such projects, we use programmes of cooperation with various European institutions, such as the European Investment Bank (EIB) and the European Investment Fund (EIF).

Since 2006, KB has been providing loans supported by European Investment Bank (EIB) programmes:

EuroEnergie and Climate Action

The programmes help, in cooperation with the EIB, to support energy saving projects and other projects with climate benefits. The objective is to reduce, at least to some extent, GHG emissions. The loan comes with a lower interest rate for clients' projects, and lower loan security requirements in the case of EuroEnergie. In 2022, more than 100 businesses were using this financing, and the balance of the supported loans was approximately CZK 980 million at 31 December 2022.

EuroPremium

This scheme provides lowered interest rates on loans to small to mid-cap companies, including those that contribute to the employment of young people (i.e., they either employ young people up to 30 years, or offer internships to them). In 2022, more than 1,100 businesses were using this financing, and the balance of the supported loans was approximately CZK 6.9 billion at 31 December 2022.







Since 2013, KB has been transmitting the advantages of the European Investment Fund (EIF) programmes to its clients:

COSME

The COSME scheme provides a free guarantee extended by the EIF for up to CZK 4 million loans to SMEs. In 2022, more than 2,000 businesses were using this guarantee, and the balance of guaranteed loans was CZK 1.9 billion at 31 December 2022.

Eurolnovace

Innovative businesses could use the EuroInovace privileged loan to finance their operations. In 2022, KB provided 89 new loans totalling CZK 2.4 billion in this scheme.

EuroCreative

EuroCreative is a guarantee for financing projects in cultural and creative sectors. In 2022, KB newly supported 18 projects, and the loans totalled CZK 44.5 million. The financed projects included publishing houses and film industry projects.

Microfinance

The Microfinance guarantee prefers businesses with a transcending social impact. Business owners with less than ten employees, who entered the market after leaving a part-time job or being unemployed, or had a low-income job (up to 80% of the average in the Czech Republic), receive privileged terms. Persons disadvantaged in the labour market (such as those who are reintegrating into the labour market after parental leave, are disabled, come from another country or belong to a national minority) are also eligible. Starting business owners under 30 or over 60 can also qualify. In 2022, KB provided more than 1,300 soft loans totalling CZK 500 million. To date, KB has supported more than 10,000 micro-businesses in this scheme.

EuroMuni

The EuroMuni programme offered lower interest rates on loans to support municipalities in their development projects. The privileged rates were available thanks to our cooperation with the EIB and the CEB. The scheme helped to cut the costs of funding municipalities' development projects. In 2022, more than 200 municipalities were using CEB guarantees, and the balance of guaranteed loans was CZK 7.4 billion at 31 December 2022.

Microfinance

The Microfinance guarantee prefers businesses with a transcending social impact. To date, KB has supported more than **10,000 micro-businesses** in this scheme.

Sustainability Report 2022 KB Group





Sponsorship, Volunteering, and the Jistota Foundation





KB is Czech ice hockey's bank

In 2021, we became a Main Partner of the Czech ice hockey extra league and the national ice hockey team. Teamwork and fair play are the fundamental values in ice hockey matches, and for us these are also the key values in the world of banking.

Our cooperation with Czech ice hockey concerns the entire ice hockey movement, including under 18 and under 20 Czech ice hockey representation, support for the University Ice Hockey League (ULLH) and, starting in 2023, support for Czech para ice hockey. We partner the *Ice Hockey Player of the Season* poll on the best player in the Czech ice hockey extra league and the *Golden Ice Hockey Stick* poll on the best Czech ice hockey player in the past season.

Thanks to our partnership with Czech ice hockey, our clients can have payment cards designs with the motif of the national team. Since the moment Komerční banka joined Czech hockey, national teams have won two important medals, one bronze at men's World Championship in Finland in 2022 and a silver at U20 World Championship in Canada in 2023.

The National Gallery Prague, KB is the General Partner

Our support for the organisation that manages the largest visual art collection in the country continues for the ninth year now. NGP's mission includes bringing art closer to the public. And so, also thanks to our support, NGP organised several successful exhibitions in 2022; the most important of them included Markéta Othová's retrospective view of her art, and the Zenga exhibition at which NGP displayed a set of Japanese Zen paintings and calligraphies from the 16th to 20th centuries. Two new exhibitions opened in late 2022: Czech Architecture 1958–1989 and Czech Art 1939–2021. The Amidst Smoke Rings exhibition centred round the motif of artists shown as smokers in Czech visual art at the turn of the 19th century and between the two World Wars, and there was a host of other interesting exhibitions and installations.

Art can also be brought closer to the public through educational programmes headed by a professional team of lecturers. NGP therefore offers a broad range of programmes: commented tours, lectures, debates, art and other workshops, seminars, and courses; in cooperation with NGP, we also organised some of them for our clients and employees.

We offer our clients and employees a discount on admission to NGP exhibitions, and last year 2,750 of them used this opportunity.

PKF – Prague Philharmonia, KB is the General Partner

We have been a proud General Partner and sponsor of PKF - Prague Philharmonia, currently one of the most acclaimed orchestras in the country and in the world, for five years. Together with PKF – Prague Philharmonia we joined the World Music Day (*Fête de la Musique*) international event, which is held every year on 21 June. With the orchestra, we prepared a few concerts and the performances took place in the lobby of KB's branch at Václavské náměstí in Prague.

Our clients and all KB card holders as well as our employees can buy tickets for the orchestra's concerts at a discount.

French Film Festival, KB is the General Partner

Last year we, as the General Partner, jointly celebrated already the 25th French Film Festival. The November meeting of all lovers of the French film style and culture was intended to show the broadest possible selection of the latest French production.

The Festival presented 54 films at 159 screenings in Prague and other Czech cities. The ceremonial opening offered a screening of *Le Petit Nicolas – Qu'est-ce qu'on attend pour être heureux (Little Nicolas: Happy As Can Be*), directed by Amandine Fredon and Benjamin Massoubre, which had received the top honour at the Annecy international festival of animated films. Following the years affected by covid-19, the Festival saw numbers of visitors rising again to some 15,000.

The Rock for People Festival

The partnership between Komerční banka and the Rock for People Festival is based on trust and long-term cooperation, specifically six years to date. The festival and Komerční banka share a drive for support of sustainable activities and a common goal: carbon footprint reduction and the path to carbon neutrality, and also promotion of classical music. The Rock for People Festival aims at becoming one of the most sustainable festivals in Europe. PARK 360 s.r.o. operates a multi-purpose area in Hradec Králové at the Rock for People venue. This area is unrivalled in the Czech Republic in terms of its options and size. PARK 360, formerly called Festivalpark Hradec Králové, is a multi-purpose area covering 40 ha on a former military airfield in Hradec Králové. It is the largest multi-purpose facility in the Czech Republic; it combines cultural, social, and sport events with tourism, innovation, and emphasis on renewable energy. KB Advisory and KB Group's ENVIROS are preparing for PARK 360 a quotation for an introductory ESG audit and the subsequent development of ESG activities and a path directed towards carbon neutrality. These outcomes will significantly enhance the potential for development project financing.

For us, the priority is presenting sustainable activities and acquainting festival visitors with sustainable behaviour through a sustainable zone and unconventional solutions that would outline the future of festivals and outdoor events for the visitors. The sustainable zone would be developed in cooperation with Visa and enjoying its support.

Prague Zoo and Ostrava Zoo

Last year, the long cooperation with Prague Zoo was marked primarily by our employees' volunteering. They also helped the other zoo partner, Ostrava Zoo.



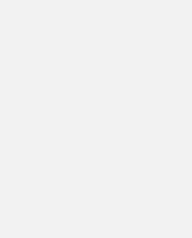


Jistota Foundation

The year 2022 saw extreme events, fear, and changes, but also immense generosity and solidarity. The amounts granted to charity projects increased across the corporate and individual donorship landscape in our country and worldwide. It was a year when help became one of the most important social values.

In 2022, KB's Jistota foundation distributed a record **CZK 28,911,006**. CZK 7,930,800 went to social projects. The foundation granted CZK 5,812,309 in help to families and children and CZK 2,118,491 to palliative care. It distributed CZK 3,510,052 to support environmental projects. The largest part of funds was channelled into humanitarian relief for people hit by the war in Ukraine and totalled CZK 17,470,154.







80

Extraordinary help in 2022

The crisis triggered by the war in Ukraine caused a huge wave of solidarity in Czech society, and it was the same with KB Group donors.

Together with its employees, KB Group provided CZK 17,470,154 in aid to Ukraine. Komerční banka granted CZK 7.84 million, ESSOX & ESSOX Finance CZK 1 million, Modrá pyramida CZK 350,000, KB Penzijní společnost CZK 300,000, SGEF CZK 227,000, Komerční pojišťovna CZK 250,000, ALD Automotive CZK 100,000, and Factoring KB CZK 60,000 to the Jistota foundation for this purpose. Thanks to the generosity of the donors from the ranks of KB Group's employees we received more than CZK 5 million in a humanitarian fundraising campaign, and then doubled this amount.

We provided CZK 10 million to Czech Red Cross for immediate humanitarian relief to Ukraine. CZK 2,223,693 was distributed to 12 projects run by the non-profits engaged in the integration of Ukrainian refugees in the Czech Republic; these non-profits were recommended to us by KB Group's employees. We granted CZK 3.2 million to the ADRA humanitarian organisation and Czech Red Cross for aid to people arriving from Ukraine and a part of the funds was used for direct support of the families put up in KB's Palmovka training centre, which became home for mothers, their children, and several grandmothers fleeing from war.

Thank you for support

We hereby extend our heartfelt thanks to all donors for their financial gifts. We appreciate every contribution that we receive for our activities. It is our donors who pursue the very quintessence of our mission.

In 2022 and before, Jistota's key donor was Komerční banka, which has granted CZK 17,233,035 to the foundation. Our thanks go to its daughter and sister companies for their regular gifts every year, their generosity in humanitarian relief for Ukraine, and their active participation in the foundation's charity events. In 2022, Amundi granted CZK 74,400, Factoring KB CZK 131,400, Komerční pojišťovna CZK 150,000 and SG Equipment Finance CZK 273,000. The contributions from these four companies went to help for single parents. ALD Automotive donated an annual contribution of CZK 421,000 for hospices and palliative care.

Support for activities whose value and duration continue into the future is important for us, and we therefore extend thanks to KB Penzijní společnost for its CZK 2 million, thanks to which we are able to join the Nadace Partnerství foundation's PLANTING FUTURE initiative and its cause to plant 10 million trees. In 2022, our first shared grant call was posted with a view to returning greenery to nature; it helped to sponsor nine projects in five Czech regions and plant 621 trees and 121 shrubs.

Humanitarian aid to Ukraine

Together with its employees, KB Group provided CZK 17,470,154 in aid to Ukraine.

Yield from charity activities

Year CZK rounded to those	
2018	500,000
2019	980,000
2020	450,000
2021	2,200,000
2022	6,400,000

Charity events and fundraising campaigns in 2022

Activity	CZK
Three Kings Fundraising	28,933
Ukraine Fundraising	5,052,166
Single Parents*	298,419
Biking to Work*	86,475
Golf tournament*	491,718
KB Sports Day	31,700
KB Bike Ride*	221,142
Breakfast for the Foundation*	290,522
Christmas auction and sweets	49,406
Farewell party with auction	70,451

Total* 6,620,932

* Includes contributions from corporate donors and multiplication by KB.





Sponsored causes

Single parents

In the social area of help for families and children, in 2022 we distributed CZK 5,812,309. Following the first grant call posted for help to single parents in 2022, we helped 37 single-parent families in dire straits and infused some joy and certainty into their difficult lives through CZK 2,244,136 and 20 non-profits.

We feel a responsibility to treat donations in accordance with our donors' wishes. We therefore organised an opportunity to vote in a poll for the use of CZK 2.7 million intended as relief for people hit by the war in Ukraine. Of the 2,000 donors approached, more than one half responded and almost two thirds of those voted for the option to give this money to support for Czech singleparent families that had landed in a complicated situation due to the circumstances of the war in Ukraine. We did so and donated the funds to a grant call for direct support of families. Our aim is to help single parents' families to kickstart a life change they could not afford with their own money, and ultimately to help their children to stay with their parents.

Prevention of household violence

In 2022, we gave CZK 526,173 to projects run by LOCIKA Centre, which we have supported for a long time and which highlights the importance of protecting children from violence and opens in society the issue of timely prevention. For LOCIKA Centre, our KB colleagues are also developing an app that will help children to search for assistance more easily. The purpose of this long-term project is to offer a digital solution of immediate help for children at risk of household violence and to contribute to timely help.

Substitute family care

We support the development of substitute family care. In cooperation with the Good Family organisation, an interactive information portal is being developed to acquaint current and future foster parents with substitute family care and to become a signpost for them as well as for children in foster care, and for professionals. We want to focus more on substitute family care in the coming years and therefore in late 2022, we posted a grant call focused on promoting healthy development of children in substitute family care; we are looking for organisations and projects that we will sponsor at the beginning of this year.

In 2022, we again sponsored Financial Distress Advisory Centre by a gift of CZK 1,473,354 for gratuitous debt advice and help in the prevention of difficult financial situations.

Hospices and palliative care

In March 2022, Pallium Institute launched a new online counselling service that we supported by CZK 242,795 and that will help to improve the availability of supportive palliative care for children with a life limiting diagnosis and their parents. In 2022, CZK 900,000 was donated to the long-term project for the systematic development of Pallium Institute's paediatric palliative care. Through our support for another long-term project in this area, helping the professionals of the Forum of Mobile Hospices, we are helping to demolish the taboo of dying and working with dying people and their families, which is still widespread amongst medical workers. In 2022, CZK 975,696 was donated to this project.

Sustainable and green future

As part of its effort to minimise the adverse impacts on the environment, in 2022 the foundation granted CZK 310,000 to the second stage of the revitalisation of a line of fruit trees near KB's head office in Stodůlky; this was in addition to its joint project with KBPS and Nadace Partnerství. Thanks to a gift of CZK 300,000, Ostrava Zoo was able to build an interactive breeding facility for Cape porcupines. We supported Prague Zoo's project of education in protection of biodiversity and endangered animal species.

Jistota traditionally sponsored KB Group employees' meaningful and popular volunteering. We joined the Auto*Mat non-profit's Biking to Work initiative and donated CZK 500,000 to Clean Up Czechia in support of the nationwide cleaning event and the provision of beneficial activities in environmental protection. In 2022, CZK 400,052 went to Institute for Circular Economy (INCIEN) for the promotion of circular elements and their integration into public and private procurement.

Help for single parents

In 2022, we helped 37 single-parent families in dire straits and infused some joy and certainty into their difficult lives through CZK 2,244,136 and 20 non-profits.







Employees' fundraising, benefits, and volunteering in 2022

We are happy to see that Nadace Jistota repeatedly inspires KB Group's employees and other donors to good deeds. Thank you for help to all our supporters who regularly join our benefits, volunteering, and fundraising campaigns. We appreciate that you want to be our part and give purpose to the foundation's mission.

For the fifth year, KB employees can take one paid day off to enhance socially responsible activities in the nonprofit sector and help where help is needed. In 2022, 567 employees took the volunteering day.

In 2022, we organised a number of traditional and also new benefits and volunteering events. We opened the year by the traditional Three Kings fundraising drive that yielded CZK 28,933.

Sport benefits and activities of KB Group's employees

In May, 260 employees supported the foundation by biking to work during the May challenge and between them covered a record 86,475 km in 87 teams and 20 towns and cities across the country. KB donated the same amount in crowns in support of Jistota's project of help to single parents. On 6 June, a charity golf tournament took place with 43 employees and representatives of companies affiliated with Komerční banka. The yield for the foundation was CZK 491,718. In September, we operated a charity stand, which made CZK 31,700, during the sports day for KB employees, and 80 employees participated in KB Bike Ride to Plzeň and back and by their participation and gifts they contributed CZK 220,000 to the foundation.

Week with the Foundation 2022

In October, KB Group's employees could join the traditional Week with the Foundation. We acquainted our colleagues with the meaningfulness of corporate volunteering with ADRA; more than 20 places across the country hosted charity breakfasts for the foundation, which yielded CZK 290,522. On 5 October, our participation supported the 'home slippers day' and hence also mobile hospice care in the Czech Republic. At the end of the week, we held a seminar on mental self-care with LOCIKA Centre.

The St Nicolas Day again saw the popular Christmas auction of articles made by employees themselves, which were sold, in a thrilling fight, for CZK 30,956. 12 December saw a charity ice hockey tournament at UK Hockey Prague and on 20 December, KB in Stodůlky held a bazaar of Christmas sweets baked by colleagues from Komerční banka, Komerční pojišťovna, KB Penzijní společnost, and Factoring KB, thanks to which Jistota received CZK 18,450. In late 2022, the employees could give Jistota their remaining unused Sodexo meal vouchers in Cafeteria MojeBenefity and channel them into food bought for penniless families.

We planted future with KB Penzijní společnost and Nadace Partnerství

On 20 October, the international Arbour Day, we joined the planting of a descendant of the famous St Wenceslas Oak at Zelená hora in Žďár nad Sázavou. After the planting we helped, together with KB's employees and clients and with Enviros, to renew a field path and planted 38 grown trees.

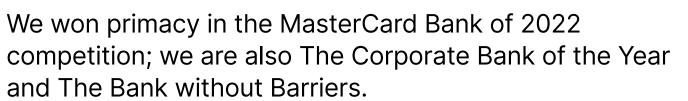
Thanks to Nadace Partnerství we know how to plant trees correctly and how important it is to take care of them thereafter. Together with KB Penzijní společnost's employees and pupils of two primary school classes we helped to plant fruit trees in the original line of trees along a biking path near Čáslav in November.

As every year, KB Group's employees cleaned Czechia, joined Swap Prague, and helped in Ostrava Zoo and other non-profits. We extend our heartfelt thanks to all of them for their volunteering and their help in kind and in cash, totalling an incredible CZK 6.4 million.











We have supported the Bankers to Schools project since 2014. Photo: Jitka Haubová, on KB's Board of Directors.



Electric mobility experienced a boom across KB Group in 2022.



of the most sustainable financed projects.



Across KB Group, we bike to work. We set a new mileage record in 2022.

The refurbishment of the Regional Hospital in Liberec is one



We are the bank of Czech ice hockey.







We love the Rock for People music festival and cooperate in music and sustainable projects.



We initiated ATM sharing with other banks. More than 2,000 ATMs are currently shared.



We opened the VEGEt co-working bistro, where we emphasise environmentally friendly operation.



The successful Sustainable E-shop project marks sustainably operating e-shops.



We continue to revamp our branches in the spirit of sustainability.



In Mladá Boleslav, we financed the construction of the most modern biogas plant in the country.







KB Group Companies

This chapter summarises the responsible approach to business at Komerční pojišťovna. Komerční pojišťovna, a.s. is an associated insurance company in which KB holds 49%, and as such is not included in the consolidated indicators for KB Group.

The other chapters of this KB Group Sustainability Report provide information about companies that significantly contribute to KB Group's assets and results, i.e. Modrá pyramida stavební spořitelna (building society), KB Penzijní společnost (pension company), SGEF (equipment finance), ESSOX (lease), and Factoring KB. You can find more details about smaller subsidiaries in the chapter on digitalisation, innovation and support for start-ups on pages <u>82</u> and <u>83</u>.



Komerční pojišťovna

Société Générale Group, of which Komerční pojišťovna is part, wants to be a responsible insurer, investor, and employer. These three interdependent pillars form the structure of all its CSR initiatives and are aligned with the UN's sustainable development goals. Environmental and social factors are part of its financial, business and investment decisions.

Responsible insurer: It creates products and services for its clients, which are maximally adjusted to their expectations while integrating elements of environmental and social sustainability.

Responsible investor: Its investment policy also includes a dimension of environmental and social risk management. Socially responsible investing is at the forefront of its interest. In this context, it applies the ESG criteria, which govern the selection, holding in the portfolio, or disposal of securities.

Responsible employer: It pays special attention to support for the development of its employees, in particular through education, quality of life at the workplace, support for work-life balance, support for diversity, and equal approach.

Environmental sustainability

In 2015, Société Générale Group confirmed its commitment to fight against climate change by formulating a climate strategy aligned with the objectives of the Paris Agreement. Since then, by joining UNEP FI Net-Zero Banking Alliance in 2021 as a founding member, SG Group has committed to align its portfolios with trajectories aiming at reducing global warming to 1.5 °C.

Besides the measures and services that the company carries out for its clients it also wants to set an example by acting in favour of reducing its own carbon footprint through public commitments. It has therefore pledged to reduce its CO2 emissions by 50% between 2019 and 2030 through measures concerning energy performance of its buildings, IT and vehicle fleet management.

Social sustainability

The company has long been working with several organisations in social charity. In the spring of 2022, in cooperation with **KB's Jistota Foundation** it contributed CZK 250,000 to Czech Red Cross for humanitarian and medical help to Ukraine and CZK 150,000 in support for single parents' children.

The company organises volunteering days for its employees. Each of them can engage, on a paid day off, in an activity of their choice which they want to support. In 2022, they helped Lesy ČR (Czech Republic's Forests) at Konopiště, at the Prague - Malá Chuchle zoo corner, and at the children's home and kindergarten in Beroun. In 2022, the company contributed, as part of a breakfast fundraiser organised together with Spolek přátel Opatov (Opatov Friends' Society), a gift of CZK 34,500

to a disabled person. In the run-up to Christmas the company's and other KB Group's employees organised a tasting of homemade sweets, which yielded CZK 20,110 for Jistota. The company's employees also regularly participate in the blood giving events organised by Komerční banka and activities organised by KB's Jistota Foundation.

In employee care, it continues to be active in a number of areas: it allows regular work from home under the smart office scheme, offers part-time employment (more than 5% of its employees have part-time jobs), flexible distribution of the working hours, etc. It also offers benefits targeted at future parents and parents of little children in the form of paid leave. In recruitment, the company promotes diversity; Komerční pojišťovna had 61% female employees and the share of women in managerial positions was 36% in 2022.

The company is gradually converting all of its products into their online format. Digital reporting of claims, which it launched in 2021, is hugely successful: for the very first month of operation it handled 20% of all reported claims via this channel. The number doubled in 2022.

For the ninth time in recent years, Komerční pojišťovna received major awards in Hospodářské noviny's prestigious competitions The Best Bank and The Best Insurance Company in 2022. It was placed second in The Best Life Insurer 2022 category and third in The Most Client Friendly Life Insurer category, again confirming its consolidated position in the Czech insurance market.

KB Group Sustainability Report 2022



Economic sustainability

Following the prudential principle, in its investment process Komerční pojišťovna places great emphasis on an individualised approach to investment selection in cooperation with Amundi and Société Générale Group specialists; it also uses the relevant ESG rating of the issuers.

Oversight, exclusion or sectoral policies are also implemented at the level of Société Générale Group and Société Générale Assurances:

- A watch list for projects, companies or sectors that are under criticism for environmental or social reasons;
- An exclusion list for companies in the defence sector ٠ that are involved in controversial weapons (anti-personnel mines, cluster bombs, nuclear weapons, biological and chemical weapons, depleted uranium munitions);
- Policies covering sensitive sectors of activity and biodiversity.

In respect of its investments in bonds and direct equity investments, Komerční pojišťovna applies SG Group's recommendations and does not allow investments in the following sectors:

- Tobacco: Issuers that produce tobacco and have at least 10% of their revenue derived from the distribution, supply and licensing of tobacco products;
- Defence: Companies engaged in activities related to the manufacture of banned or controversial weapons (anti-personnel mines, cluster bombs, nuclear weapons, biological and chemical weapons, depleted uranium munitions);
- Coal: Companies active in coal mining, and energy ٠ companies where more than 30% of their electricity generation comes from coal and companies that have not made public commitment to phase out coal mining by 2030 (EU/OECD) or 2040 (the rest of the world);

- Oil & Gas: Companies whose revenues are linked to the exploration and production of oil sands, Arctic of revenue (for existing investments) (with the renewable energy sources);
- Biodiversity: Producers and distributors deriving more than 25% of their revenues from palm oil, which are tackling major outstanding disputes controversies related to land use planning and biodiversity.

ESG criteria are formally taken into account together with credit rating and financial rating and serve as guidance for selecting, keeping in the portfolio or excluding securities. All securities held in the portfolio are subject to ESG filters using Amundi methodology and/or third party ESG information (such as from Sustainalytics). Komerční pojišťovna excludes any new investments for issuers whose rating is F or G (see below).

The portfolio and its quality monitoring process includes regular screenings for assessing the portfolio, which consist of the regular monitoring of the rating of the various issuers and watching the factors that might result in its impairment, and also assessment of the portfolio quality against the ESG criteria (monitoring the ESG rating of the various issuers) based on Amundi's ESG methodology.

Amundi has developed its own in-house ESG rating process for corporates based on the best-in-class approach. Ratings adapted to each sector of activity aim to assess the dynamics in which companies operate. Each issuer is assessed with a quantitative score scaled around the average of their sector, which distinguishes between what Amundi believes are best practices from

oil or gas, shale oil or gas or deep-water oil and gas more than 5% (for new investments), or more than 10% exception of green bonds and subsidiaries focused on

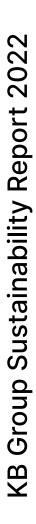
over land; companies (in any sector) that face grave

worst practices at sector level. The quantitative Amundi ESG score is translated into a letter rating which ranges from a scale of A for best practices to G, for the worst ones. For corporate issuers, ESG performance is assessed globally and at relevant criteria level by comparison with the average performance of its industry, through a combination of three ESG dimensions: Environmental dimension; Social dimension; Governance dimension.

The Amundi ESG rating used to determine the ESG score is an ESG quantitative score translated into seven grades, ranging from A (the best scores universe) to G (the worst). The methodology applied by Amundi ESG rating uses 38 criteria that are either generic (common to all companies regardless of their activity) or sector specific which are weighted according to sector and considered in terms of their impact on reputation, operational efficiency and regulations in respect of an issuer. The ESG rating of an issuer is a weighted average of the scoring for E, S and G dimensions, each dimension being itself the weighted average of the internal reference values. The output of each the scores for the 38 criteria are translated into an ESG rating from A to G. At the end of this process, companies are attributed an ESG rating from A to G. There is only one ESG rating for each issuer, regardless of the chosen reference universe. The ESG rating is thus "sector neutral", that is to say that no sector is privileged or, on the opposite, disadvantaged.

Additional information about ESG scores and criteria is contained in Amundi ESG Regulatory Statement posted at www.amundi.cz.

On the **website** the company transparently posts information concerning sustainability in financial sectors. It has pledged to follow all Société Générale Group standards in environmental and social risk management and respect and promotion of human rights.





Products

Komerční pojišťovna is currently preparing updates of the information provided to clients before they take out an insurance product with an investment component, from which the clients learn whether and how the financial product takes into account the principal adverse impacts on the sustainability factors. It will also post this information on its websites in sections intended for the relevant products in question.

Komerční banka, a.s. is the exclusive provider of financial advice on products with an investment element. Komerční banka's approach to the integration of risks concerning sustainability and adverse impacts on sustainability, which it follows in its financial advice, can be found on Komerční banka's <u>website</u>.

You can find all the currently offered funds on the company's <u>website</u>, where the notes to the various Amundi funds contain SFDR pre-contractual disclosures and SFDR information on sustainable investing.

Risk management

Komerční pojišťovna's investment policy also includes a dimension of environmental and social risk management. Socially responsible investing is at the forefront of its interest.



Profile of this report

Komerční banka has been publishing its sustainability report since 2015. The 2017 report was the first report compiled under the Act on Accounting. The 2019 report was the first to use the GRI indicators, and for 2020 we also worked with SDGs and extended the GRI indicators to include the financial sector (FS). The report for 2021 was prepared in accordance with the revised GRI standards (2021), and we applied them earlier. We have also prepared this report for 2022 under these standards.

This year, the Sustainability Report is consolidated at the KB Group level. The purpose of consolidating our non-financial disclosures is to enhance the transparency of KB Group's activities and to provide the audiences with a more comprehensive picture of our sustainability endeavours. This report for 2022 discloses indicators that illustrate the economic, social and environmental impacts directly caused by our business activities. KB Group also contributes to some impacts through its financing or its supply chain. The relevant chapters describe our approach to managing those. In relation to the topics that we regard as important for us and our stakeholders, we continuously enhance the comprehensive nature of the content of these reports. For 2022, we do not report any new indicators but have improved data collection and consolidation across and for KB Group. We continue to show the human rights indicators 408-1, 409-1, 411-1 and 412-1, 2, 3 in order to fully cover those topics, which are important for our stakeholders; nevertheless, from the perspective of the nature of KB Group's business, they do not constitute any risk and are provided for in the Czech Republic's legal and ethics frameworks.

This report contains a more precise restatement of the methodology for calculating expenditure on local suppliers (GRI 204-1). We describe this change in detail in the Governance chapter. Also, the calculation of the carbon footprint was modified due to the recalculation of the emission factor.

In the indicator related to the share of women in senior managerial positions, the methodology has been aligned with KB Group's Annual Report and ESG Strategy, and the numbers therefore differ from year to year in this report.

As in the case of KB's annual reports, our nonfinancial reports are released on an annual basis for the past calendar year. The preceding Sustainability Report was released in March 2022. Following the development of mandatory reporting under the CSRD Directive, we seek a better incorporation into this report of non-financial information about KB's subsidiaries that significantly contribute to KB Group's assets and results. The management approach and the indicators described in this non-financial report concern exclusively KB Group. Preceding reports contained indicators separately for Komerční banka, a.s. without its subsidiaries. For a better comparability with disclosures covering past periods, we have therefore changed the structure of the disclosures to reflect Komerční banka a.s. separately, including the historical data, and now newly to reflect the subsidiaries and overall data for KB Group for 2022. Wherever possible with regard to the availability of data from the subsidiaries, we have added comparable data for the past periods and for KB Group. Société Générale reports for the whole SG Group, including its subsidiaries.

This Sustainability Report has not been audited by an independent auditor, since we are not subject to the obligation of external audit. An independent auditor audits KB Annual Report, from which some disclosures contained herein have been accepted. At the same time, a different external auditor audits the carbon footprint calculation and confirms that the data included in the calculation is accurate and complete (energy and water consumed, waste produced, business trips). Further to the tightening regulation, we envisage the auditing of our non-financial disclosures by an external auditor going forward.

We also report selected non-financial indicators contained herein to our parent company for their consolidation in the report of Société Générale, where they are subject to external audit at SG Group level.

This non-financial report has been compiled within KB's Brand Strategy and Communication in close cooperation with other parts of the bank. In the case of interest please feel free to mail us at <u>udrzitelnost@kb.cz</u>.





GRI Content Index

Statement of use	Komerční banka a.s. has prepared a consolidated report in accordance with
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	N/A. Until the new Sector Standard is available, the GRI G4 Sector Disclosure

GRI Standard	Disclosure Name	Locatio
	GENERAL DISCLOSURES (GRI 2: General Disclosures 2021)	
2-1	Organizational details	NFR - P
2-2	Entities included in the organization's sustainability reporting	NFR - P
2-3	Reporting period, frequency and contact point	NFR - P
2-4	Restatements of information	NFR - P
2-5	External assurance	NFR - P
2-6	Activities, value chain, and other business relationships	NFR - In Governa model a
2-7	Employees	NFR - S
2-8	Workers who are not employees	NFR - S
2-9	Governance structure and composition	NFR - S [.] (Compo of Kome
2-10	Nomination and selection of the highest governance body	AR - Co
2-11	Chair of the highest governance body	AR - Co
2-12	Role of the highest governance body in overseeing the management of impacts	NFR - O of Direc
2-13	Delegation of responsibility for managing impacts	NFR - O Board o
2-14	Role of the highest governance body in sustainability reporting	NFR - O
2-15	Conflicts of interest	AR - Co
2-16	Communication of critical concerns	AR - Act
2-17	Collective knowledge of the highest governance body	AR - Boa
2-18	Evaluation of the performance of the highest governance body	NFR - Se Group) -
2-19	Remuneration policies	NFR - S
2-20	Process to determine remuneration	NFR - S
2-21	Annual total compensation ratio	We rega

Sustainability Report 2021 (<u>download here</u>) KB Annual Report 2022 (<u>download here</u>)

h the GRI Standards for the period 1 January 2022 - 31 December 2022.

ures for Financial Services are used in the report.

on of Disclosure (AR – Annual Report, NFR – Non-Financial Report)

- Profile of this report, front page
- Profile of this report + NFR Introduction Komerční banka Group
- Profile of this report
- Profile of this report
- Profile of this report
- Introduction, KB Group, Governance (Relations with suppliers, and the supplier chain) + NFR nance (Implementation of sustainability principles in sourcing); NFR Sustainable financing ; AR Business and organisation
- Social sustainability (the beginning of the HR chart)
- Social sustainability (<mark>page 44</mark>)
- Strategic Approach to Sustainability (Governance) + NFR Governance + AR Corporate Governance osition of the Board of Directors in 2022, Composition of the Supervisory Board, Organisational Chart nerční banka)
- orporate Governance
- omposition of the Board of Directors in 2022
- Our Strategic Approach to Sustainability (Governance at KB Group) + AR Activity Report of the Board ctors
- Our Strategic Approach to Sustainability (Governance at KB Group), AR Committees Established by the of Directors
- Our Strategic Approach to Sustainability (Governance at KB Group)
- orporate Governance
- ctivity Report of the Board of Directors
- oard of Directors + AR Supervisory Board
- Social sustainability (Remuneration) + NFR Strategic approach to sustainability (Governance at KB
- + <u>Report of Remuneration</u>
- Social sustainability (Remuneration) + **Report of Remuneration**
- Social sustainability (Remuneration) + **Report of Remuneration**
- ard this information as confidential and hence we do not disclose it





2-22	Statement on sustainable development strategy	NFR -
2-23	Policy commitments	NFR - initiativ
2-24	Embedding policy commitments	NFR -
2-25	Processes to remediate negative impacts	NFR - money
2-26	Mechanisms for seeking advice and raising concerns	NFR -
2-27	Compliance with laws and regulations	NFR -
2-28	Membership associations	NFR A
2-29	Approach to stakeholder engagement	NFR -
2-30	Collective bargaining agreements	NFR -
	MATERIAL TOPICS (GRI 3: Material Topics 2021)	
3-1	Process to determine material topics	NFR -
3-2	List of material topics	NFR - outcor
3-3	Management of material topics	NFR -
	ECONOMIC (GRI 200)	
	ECONOMIC PERFORMANCE (GRI 201: ECONOMIC PERFORMANCE 2016)	
201-1	Direct economic value generated and distributed	AR - C Conso
201-2	Financial implications and other risks and opportunities due to climate change	NFR - (Metho
	MARKET PRESENCE (GRI 202: Market Presence 2016)	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	NFR S
202-2	Proportion of senior management hired from the local community	At the
	INDIRECT ECONOMIC IMPACTS (GRI 203: Indirect Economic Impacts 2016)	
203-1	Infrastructure investments and services supported	NFR -
203-2	Significant indirect economic impacts	NFR - Found
	PROCUREMENT PRACTICES (GRI 204: Procurement Practices 2016)	
204-1	Proportion of spending on local suppliers	NFR -
	ANTI-CORRUPTION MEASURES (GRI 205: Anti-corruption 2016)	
205-1	Operations assessed for risks related to corruption	NFR -
205-2	Communication and training about anti-corruption policies and procedures	NFR -
205-3	Confirmed incidents of corruption and actions taken	NFR -

Introductory words + NFR Strategic approach to sustainability

Governance (Rules of Conduct + Code of Conduct + the Commitments to SG's and KB's external ves table) + AR Report of the Supervisory Board

Governance (Relations to suppliers and the supply chain + the Commitments table)

Social sustainability (Complaints + KB Ombudsman) + NFR Governance (Prevention of crime, antiy laundering (AML))

Governance (Whistleblowing)

Governance (Protection of competition), AR Compliance risk + AR Legislation

nnex

Our Strategic Approach to Sustainability (Engagement with stakeholders)

Social sustainability (Right to information and social bargaining)

Our Strategic Approach to Sustainability (Determining topic materiality)

Our Strategic Approach to Sustainability (Engagement with stakeholders, table + Materiality analysis me in 2022)

Our Strategic Approach to Sustainability (Determining topic materiality), NFR Chapters 2, 3, 4, and 5

Comments on the IFRS consolidated results + AR Survey of selected indicators 2018-2022 + AR blidated Statement of Income

Our Strategic Approach to Sustainability (Our approach to climate change) + NFR Sustainable financing nodology for monitoring and measuring the sustainability of clients' transactions)

Social sustainability (Remuneration)

first and second management level, KB has 91% of employees from the Czech Republic.

Sustainable financing (Investment loans with a positive environmental or social impact) Sustainable financing (Investment loans with a positive environmental or social impact) + NFR Jistota lation

Governance (Relations with suppliers, and the supply chain)

Governance (Anti-corruption measures)

Governance (Code of Conduct) + NFR Governance (Employee training)

Governance (Anti-corruption measures)





	ANTI-COMPETITIVE BEHAVIOUR (GRI 206: Anti-competitive Behavior 2016)	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	NFR - G
	ENVIRONMENT (GRI 300)	
	ENERGY (GRI 302: Energy 2016)	
302-1	Energy consumption within the organization	NFR - E kWh.
302-3	Energy intensity	NFR - E
302-4	Reduction of energy consumption	NFR - E
	WATER (GRI 303: Water and Effluents 2018)	
303-3	Water withdrawal	NFR - E water fr drought
303-5	Water consumption	NFR - E
	EMISSIONS (GRI 305: Emissions 2016)	Indicato for 202
305-1	Direct (Scope 1) GHG emissions	NFR - E
305-2	Energy indirect (Scope 2) GHG emissions	NFR - E
305-3	Other indirect (Scope 3) GHG emissions	NFR - E
305-4	GHG emissions intensity	NFR - E
305-5	Reduction of GHG emissions	NFR - E
	WASTE (GRI 306: Waste 2020)	
306-1	Waste generation and significant waste-related impacts	NFR - E
306-2	Management of significant waste-related impacts	NFR - E
306-3	Waste generated	NFR - E
	SUPPLIER ASSESSMENT IN TERMS OF ENVIRONMENTAL IMPACTS (GRI 308: Supplier Environmental Assessment 2016)	
308	Management approach	NFR - G sustaina
	SOCIAL (GRI 400)	
	EMPLOYMENT (GRI 401: Employment 2016)	
401-1	New employee hires and employee turnover	NFR - S
401-2	Benefits provided to full-time employees that are not provided to temporary or part- time employees	NFR - S
401-3	Parental leave	NFR - S
	LABOUR / MANAGEMENT RELATIONS (GRI 402: Labor/Management Relations 2016)	
402-1	Minimum notice periods regarding operational changes	NFR - S

Governance (Protection of competition)

Environmental sustainability (Energy consumption). KB monitors and reports energy consumption in

Environmental sustainability (Energy consumption) Environmental sustainability (Energy consumption)

Environmental sustainability (Water consumption, the energy consumption table) + We take drinking from the public supply network through third parties. This water does not come from areas affected by at.

Environmental sustainability (Water consumption). In our case, water consumed equals water taken.

ors concerning emissions relate to 2020, i.e. measurements for 2021; we will post the measurements 22 in April <u>here</u>.

Environmental sustainability (Carbon footprint)

Environmental sustainability (Waste management)

Environmental sustainability (Waste management)

Environmental sustainability (Waste management)

Governance (Relations with suppliers, and the supply chain) + NFR Governance (Implementation of ability principles in sourcing)

Social sustainability (page 59, 60)

Social sustainability (Remuneration, employee benefits)

Social sustainability (page 51)

Social sustainability (Right to information and social bargaining)





	OCCUPATIONAL HEALTH AND SAFETY (GRI 403: Occupational Health and Safety 2018)	
403-1	Occupational health and safety management system	NFR -
403-2	Hazard identification, risk assessment, and incident investigation	NFR -
403-3	Occupational health services	NFR -
403-4	Worker participation, consultation, and communication on occupational health and safety	NFR -
403-5	Worker training on occupational health and safety	NFR -
403-6	Promotion of worker health	NFR -
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	NFR -
403-8	Workers covered by an occupational health and safety management system	NFR -
403-9	Work-related injuries	NFR -
403-10	Work-related ill health	NFR -
	TRAINING AND EDUCATION (GRI 404: Training and Education 2016)	
404-1	Average hours of training per year per employee	NFR -
404-2	Programs for upgrading employee skills and transition assistance programs	NFR -
404-3	Percentage of employees receiving regular performance and career development reviews	NFR -
	DIVERSITY AND EQUAL OPPORTUNITY (GRI 405: Diversity and Equal Opportunity 2016)	
405-1	Diversity of governance bodies and employees	NFR -
405-2	Ratio of basic salary and remuneration of women to men	NFR -
	NON-DISCRIMINATION (GRI 406: Non-discrimination 2016)	
406-1	Incidents of discrimination and corrective actions taken	NFR -
	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (GRI 407: Freedom of Association and Collective Bargaining 2016)	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	KB doe
	CHILD LABOUR (GRI 408: Child labor 2016)	
408-1	Operations and suppliers at significant risk for incidents of child labor	NFR -
	FORCED OR COMPULSORY LABOUR (GRI 409: Forced or compulsory labor 2016)	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	NFR -
	SECURITY PRACTICES (GRI 410: Security Practices 2016)	
410-1	Security personnel trained in human rights policies or procedures	NFR -
	RIGHTS OF INDIGENOUS PEOPLE (GRI 411: Rights of Indigenous People 2016)	
411-1	Incidents of violations involving rights of indigenous peoples	NFR -

Social sustainability (Occupational health and safety and working conditions) Social sustainability (Occupational health and safety and working conditions) Social sustainability (Occupational health and safety and working conditions)

Social sustainability (Occupational health and safety and working conditions)

Social sustainability (Occupational health and safety and working conditions) Social sustainability (Health promotion and support in hardship)

Social sustainability (Occupational health and safety and working conditions)

Social sustainability (Occupational health and safety and working conditions) Social sustainability (Occupational health and safety and working conditions) Social sustainability (Occupational health and safety and working conditions)

Social sustainability (Employee training and development, table) Social sustainability (Employee training and development)

Social sustainability (Performance evaluation and feedback)

Social sustainability (Diversity and inclusion) + NFR Social sustainability (page 53) Social sustainability (Diversity and inclusion) + NFR Social sustainability (Remuneration)

Social sustainability (Prevention and sanctioning of any form of undesirable conduct)

es not have any such operations, i.e. no such risk can occur

Governance (Relations with suppliers and the supply chain)

Governance (Relations with suppliers and the supply chain)

Social sustainability (Employee training and development)

Governance (Relations with suppliers and the supply chain)





	HUMAN RIGHTS (GRI 412: Human Rights Assessment 2016)	
412-1	Operations that have been subject to human rights reviews or impact assessments	"Huma human of the specifi to be a
412-2	Employee training on human rights policies or procedures	"Huma human of the specifi to be a
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	"Huma human of the specifi to be a
	LOCAL COMMUNITIES (GRI 413: Local Communities 2016)	
413-1	Operations with local community engagement, impact assessments, and development programs	KB doe
413-2	Operations with significant actual and potential negative impacts on local communities	KB doe
	SUPPLIER ASSESSMENT IN TERMS OF SOCIAL IMPACTS (GRI 414: Supplier Social Assessment 2016)	
414	Management approach	NFR - (sustair
	POLITICAL CONTRIBUTIONS (GRI 415: Political Contributions 2016)	NFR G
415-1	Political contributions	
	CUSTOMER HEALTH AND SAFETY (GRI 416: Customer Health and Safety 2016)	
416-1	Assessment of the health and safety impacts of product and service categories	"Our pi impact
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	"Our pi impact
	MARKETING AND LABELLING OF PRODUCTS AND SERVICES (GRI 417: Marketing and Labeling 2016)	
417-1	Requirements for product and service information and labeling	NFR -
417-2	Incidents of non-compliance concerning product and service information and labeling	NFR -
417-3	Incidents of non-compliance concerning marketing communications	NFR - S
	CUSTOMER PRIVACY (GRI 418: Customer Privacy 2016)	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	NFR -

an rights are governed by Czech law as such, and therefore, In rights cannot be violated owing to the very substance of the functioning State; i.e., we have no such operations, there is no need for ic training in this area, and there is no need for contracts and agreements assessed from this point of view"

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es not have any such operations

es not have any such operations

Governance (Relations with suppliers, and the supply chain) + NFR Governance (Implementation of nability principles in sourcing)

overnance (Interest representation)

roducts and services have no negative t on health and safety" roducts and services have no negative t on health and safety"

Social sustainability (Complaints) Social sustainability (Client data security) Social sustainability (Complaints)

Social sustainability (Complaints) + NFR Social sustainability (Client data security)





ADDITIONAL SECTOR DISCLOSURES: FINANCIAL SERVICES

(G4 Sector disclosure: Financial Services)

FS1	Policies with specific environmental and social components applied to business lines	NFR -
FS2	Procedures for assessing and screening environmental and social risks in business lines	NFR - and so
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	NFR -
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	NFR -
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	NFR - service
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	NFR -
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	NFR -
FS14	Initiatives to improve access to financial services for disadvantaged people	NFR -
FS16	Initiatives to enhance financial literacy by type of beneficiary	NFR -

AR – Annual Report, NFR – Non-Financial Report

- Governance (Environmental and social risk management)

- Sustainable financing (Methodology for client assessment) + NFR Sustainable financing (environmental ocial risk assessment system)

- Sustainable financing (environmental and social risk assessment system)

• Sustainable financing (Improving staff competency to implement the environmental and social policies)

Governance (Relations with suppliers, and the supply chain) + NFR Governance (Regulation in financial ces)

Sustainable financing (Investment loans with a positive environmental or social impact)

• Sustainable financing (Investment loans with a positive environmental or social impact)

Social sustainability (Service accessibility for disadvantaged people)
 Social sustainability (Financial education and literacy)





Annex: Membership of Organisations

KB

Alliance for Emission-free Future American Chamber of Commerce in the Slovak Republic Association of Chartered Certified Accountants (ACCA) Association for Energy Storage and Batteries Association for Electronic Commerce (APEK) Czech Capital Market Association (AKAT) Association for Property Market Development Association of Social Responsibility Association of Business Service Leaders in the Czech Republic Association of Certified Fraud Examiners (ACFE) Business for Society CGI - Corporate Governance Institute Circular Slovakia COGEN Czech Comite National des conseillers du commerce exterieur de la France (CNCCEF) CZ Biom, Czech Biomass Association Czech Institute of Directors Czech Banking Association (ČBA) Czech Compliance Association Czech Management Association Business Council for Sustainable Development (CBCSD) Czech-German Chamber of Trade and Industry Czech Institute of Internal Auditors (ČIIA) European Banking Federation (Payment System Committee) French-Czech Chamber of Commerce in the Czech Republic French-Slovak Chamber of Commerce in Slovakia (FSOK) Netherlands-Slovakia Chamber of Commerce (HOK) Czech Chamber of Commerce INCIEN (Institute of Circular Economy) International Swap and Derivatives Association (ISDA) Japanese Chamber of Commerce and Industry in the Czech Republic CFO Club Chamber of Certified Accountants Chamber of Tax Advisors of the Czech Republic Korean Chamber of Commerce in the Czech Republic Marketing Institute (MKTI) MasterCard International (MCI) Mountfield HK Business Club SWIFT Members National Association in Slovakia

Odyssea PMF - HR FORUM Solar Association

MPSS

The Association of Czech Building Societies

SGEF

Slovak Association of Lease Companies Czech Lease and Financial Association French-Czech Chamber of Commerce

Factoring KB

Association of Factoring Companies in the Czech Republic Czech Lease and Financial Association Factors Chain International (FCI)

KB Penzijní společnost Association of Pension Companies

ESSOX SOLUS

National Committee of the International Chamber of Commerce in the Czech Republic (ICC)

People Management Forum Financial Distress Advisory Centre Czech Advertising Standards Council Bank Card Association (SBK) COMMON Czech Republic association Slovak Compliance Circle (SCC) Slovak Banking Association Slovak-German Chamber of Trade and Industry (DSIHK) Czech-Chinese Chamber of Mutual Cooperation Society for Worldwide Interbank Financial Telecommunication (SWIFT) Union of Banks and Insurance Companies The Czech Private Equity and Venture Capital Association (CVCA) The Financial Markets Association of the Czech Republic (A.C.I.) – Forex Club Turnaround Management Association, Czech Republic Visa Europe, Czech Republic and Slovakia

Czech Lease and Financial Association



