

# NON-FINANCIAL REPORT 2017

Komerční banka, a.s.



NA PARTNERSTVÍ ZÁLEŽÍ



**KB**

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## Contents

### SOCIAL RESPONSIBILITY

Client Satisfaction	3
Ethics and Responsible Business	6
Responsible Employment	10
The Environment	14
Societal Trends and Innovation	16
Sponsoring and Charity	18



## CORPORATE SOCIAL RESPONSIBILITY REPORT

For its 2017 report, Komerční banka is newly required to provide non-financial information concerning the environment, social/employment issues, diversity, respect for human rights, and anti-corruption and anti-bribery endeavors. However, providing such information is nothing new for us—our past years' reports already contain information enabling readers to see the evolution, efficacy, and effects of our activities in both the financial realm and those of the environment and society.

We consider respect for the environment and a responsible approach to the society within which we do business to be integral and natural parts of our strategy. Transparent and balanced communication is a tool to ensure that the values we have always promoted and will continue to promote are well-understood.

We take our effect on our surroundings seriously, and so we have factored all key aspects of these matters into our management procedures and internal regulations. Our annual report (primarily its chapters describing the company's profile, strategy and results, and risk management) helps readers to understand our business model and main risks. The present report's topics, meanwhile, clarify the main non-financial impacts of the bank's activities and the areas that are strategically important for sustainable development. They correspond with the reporting areas based on recognized international frameworks and topics that are typical for comparable companies in the banking sector.

We can provide a coherent picture thanks to the anchoring of these priorities within Komerční banka's six pillars of responsible business:

**Clients' trust is the most valuable asset we have. We provide information about every change openly and well in advance.**

We have also striven to ease access to pertinent information for parties with an inherent interest in our activities, by factoring in their interests. This relates to these parties:

- clients
- shareholders
- employees
- the Czech National Bank
- national and local administrations
- suppliers
- professional organizations
- non-governmental and non-profit organizations

This year we have enhanced this report with the specific indicators that we use for monitoring and managing our activities' environmental and societal impacts. We make it our goal to continuously reduce their negative imprint while increasing their benefits. For this reason, our sights are set higher than merely our own operations. Via socially responsible financial products, we actively help our clients in the business and public sectors to take the same approach—and to save money in the process.

Building long-term and mutually beneficial partnerships with clients  
We guarantee a high quality of our products and services

We handle complaints within 15 days

154 clients resorted to KB's ombudsman in 2017

# 1. CLIENT SATISFACTION

Our strategy is based on building long-term, win-win partnerships with clients, which enable us to recognize changes to their needs and expectations and regularly adapt our selection of services to this knowledge, so as to further increase their satisfaction. Client satisfaction is thus the foundation of the model for our employees' conduct, a key pillar of Komerční banka's core values, and an absolute priority for us. We perceive it as a strong foundation for sustainable growth.

Our endeavor is to build a strong partnership with clients based on a professional approach and quality services. For this reason we guarantee these within our own Quality Guarantee program.

We always welcome customers' inputs of any kind regarding our services; meanwhile they can try these services free and worry-free for up to six months.

- Our individual commitments are our guarantee of a professional approach towards clients. Six months for experiencing our most common services, the availability of ATMs and branches, and our clear and open communication.
- We value client trust strongly, and therefore we have approved and thoroughly abide by the Code of Ethics and Client Mobility Code of the Czech Banking Association. These precisely define bank employees' relationship with clients.

- In 2004 we decided to become the nation's first bank to introduce an independent Ombudsman. And while their decisions are not legally binding, we have chosen to abide by them, because the Ombudsman is here to improve our services.
- Client trust is the most valuable thing we have. We thus inform on everything openly, transparently informing clients of every service's contents, benefits, and pricing. We always provide clients sufficient advance notice of changes.
- We seek out and offer effective solutions that meet our clients' needs and expectations.

## Awards We Have Won

Thanks to our long-term focus on a pro-client approach, innovation, new solutions, and an ever-broader set of services, we have retained our prestigious Fincentrum Bank of the Year award in 2017. This year also saw KB winning the Private Banking Award for the nation's best

private banking services. This award is granted by the prestigious Financial Times publications The Banker and PWM. For more information, see our annual report—specifically the chapter on KB Group clients and our services for them.



## The Quality of Our Products and Services

### Our Quality Guarantee

We vouch for our services' quality. And in support of this, we have a Quality Guarantee—a money-back service-quality guarantee for our clients.

- We are sure of our services' quality, and so our clients can try out our most common services obligation-free for up to six months. Clients can then decide whether the solution we offer suits them, based on their own personal, real-world experience.
- After every adjustment to our pricing, conditions, or services, our Quality Guarantee also gives clients up to six months to experience the whole change directly, and if needed change their minds. Under this guarantee we have also taken on the commitment to let clients ask for their money back online.
- If we do not meet a client's expectations, we want them to be able to utilize our guarantee easily: this helps to give their bank advisor a second chance to explore the selection at KB and find a shared solution—one that better meets the client's current needs.
- Clients can find the guarantee's full text in the Quality Guarantee section of [www.kb.cz](http://www.kb.cz).

### Transparent Communication

We inform our clients openly; for each financial service or product, we provide detailed and transparent information on its contents, benefits, and fees, and we always provide sufficient advance notice of changes. Naturally we strictly observe the various legalities of communication, comply with regulatory requirements, and transparently communicate regarding new contractual conditions, rate-list changes, etc.

Our marketing campaigns likewise always comply with the corresponding regulations, and especially Czech Act No. 634/1992 Sb. on consumer protection, Act No. 513/1991 Sb., the Commercial Code, Act No. 40/1995 Sb., on the regulation of advertising, and Act

No. 145/2010 Sb., on consumer lending. Our campaigns also comply with the conditions set forth by Act No. 101/2000 Sb., on the protection of personal data, and Act No. 480/2004 Sb., on certain information society services.

Meanwhile, we respect each client's individual needs. Each one has their own personal advisor, as well as access to a broad team of specialists at our branches and client-center staff prepared to provide professional financial services via phone 24/7.

### Complaints and Claims

Every company wants to have satisfied clients. They are more loyal and more eager to use the company's services. And clients do send us praise and suggestions—yet along with these come complaints and claims. We take these latter as an opportunity to improve our clients' experience where possible.

When resolving these complaints, we always first seek to understand the client and their situation; we request documentation for each situation and evaluate each one individually. Where at all possible, we try to meet clients halfway, restore their trust, and make dissatisfied clients satisfied once again.

Complaints and claims are also an important area for us because they serve as an inspiration for improving our products and services. Clients often have interesting ideas, and we strive to implement these. Furthermore, complaints are an excellent way to learn from our mistakes—or even convert them into sales opportunities.

And resolving complaints quickly helps to maintain our customer relationship. We work to repair our customer relationships as quickly as possible—with our deadline newly set to 15 days from a complaint's arrival at KB. Shortening this deadline is in harmony with both client satisfaction and legal regulations—starting from January 13<sup>th</sup>, 2018, a new law on payment services came into effect; it primarily implements rules from the new European directive on payment services—the PSD2. These changes are also reflected in our Claim Settlement Regulations.

We are currently working on a new complaint-resolution application. This new tool will make complaint resolution simpler and more efficient. <https://www.kb.cz/cs/o-bance/vztahy-se-zakazniky/stiznosti-a-reklamace/>

### The KB Ombudsman

In 2016 a total of 127 clients turned to our Ombudsman, and the Ombudsman's Charter enabled the commencement of proceedings in 28 cases. In 2017 it was 154 clients, with the Ombudsman commencing proceedings in 30 cases. The vast majority of cases involved matters that are excluded from the Ombudsman's purview under the Charter, such as requests to evaluate the validity of a contract or of our General Business Terms and Conditions, objections to a loan-rejection decision, and other business matters. The Charter obliges the Ombudsman to seek amicable solutions in cases where circumstances require that ethical principles of justice be taken into account. In 2016–2017, there were 15 such cases and marginal matters where the Ombudsman proposed an amicable, compromise-based solution to the complaint or claim. During this period, the Ombudsman did not handle any complaints or claims that were fully justified, which would have made it possible to fully accommodate the client's request.

### Services for Hearing-impaired Clients

This year we significantly increased the number of our branches with enhanced access for hearing-impaired clients. Our free eScribe service is now available at over 60 of our most important branches. This service provides on-line transcriptions of conversations between bank advisors and hearing-impaired clients. These clients can now comfortably and independently communicate with advisors about their needs and obtain all needed information much more simply and conveniently. We provide this service in cooperation with the social-services company Transkript Online, a successful employer of blind stenographers.

### The GDPR

We devote exceptional attention to protecting the personal data of our clients, employees, and partners in business. One important change in this area is Regulation (EU) 2016/679 of the European

Parliament and of the Council—the General Data Protection Regulation (the GDPR). It brings certain new requirements that demand from us a number of changes, including technical measures within bank systems. The directive takes effect on May 25th, 2018; however, we began our preparations at the start of 2017.

In reaction to the GDPR, we have changed the workings of consent to the processing of personal data; this is now required for our clients from among physical persons. We currently have over 700,000 provisions of consent on file in the KB Group, and we strongly appreciate our clients' trust. In connection with the new requirements, we also have been / will be adjusting our contracts with our suppliers, mapping out personal data processing within the KB Group, and preparing processes for the implementation of individual persons' rights. On January 1<sup>st</sup>, 2018, we named a KB Commissioner for Personal Data Protection.

When processing personal data in the KB Group, we make use of such security procedures and mechanisms as will minimize the possibility of data abuse. We do not engage in the trading of our clients' personal data. We take all of our steps in an effort to remain a transparent and trustworthy partner for our clients.

### Trusteer Rapport

We have enhanced our internet banking with Trusteer Rapport, a tool focused on protection against specific threats that involve compromised, malicious web pages (phishing) and malicious software (keyloggers), aimed at internet banking users. We recommend to our clients that they install this software on their computers, as it fundamentally reduces internet risks. This is a product from IBM—a specialist in the protection of our most sensitive data. It protects against the abuse of KB login data, so that it is only entered in places where it truly should be, and that we are the only party to know about it. At the end of 2017, over 144,000 clients had Trusteer Rapport installed. Since the start of operations (35 months), we have prevented over 1,000 attempts to take over accounts from infected computers.

### Monitoring of Fraudulent Payments

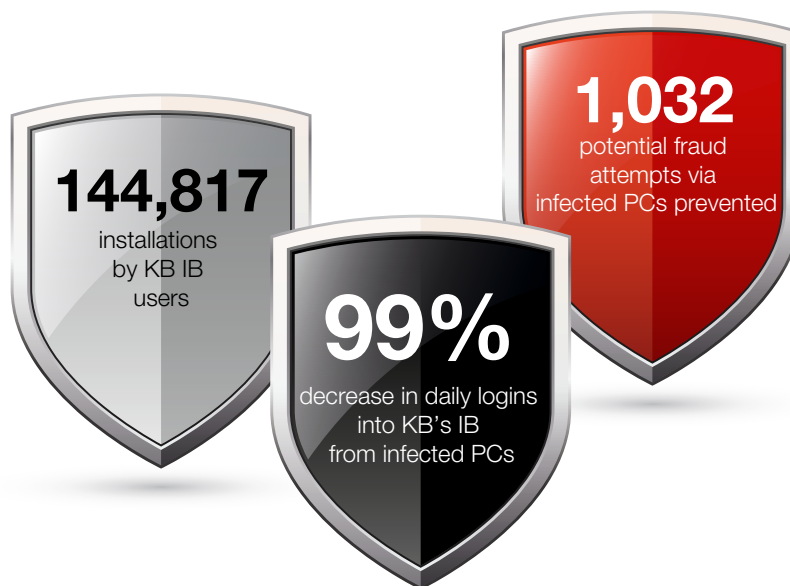
In 2016, we implemented a system for the detection of fraudulent transactions entered over direct banking. This system is directed at uncovering transactions entered by fraudulent actors after stealing or otherwise acquiring a KB client's login data. We have invested into this system primarily to protect the funds of our clients, who could, through their incaution, lose significant sums, or even their entire account balance.

As an example we can cite a current fraud type termed "CEO Fraud" or "Fake President." Frauds of this kind generally target a company's accountant; over email or the phone, the attacker—pretending to be the company's financial director or CEO—calls for an urgent transfer of a large sum from the company's account. The accountant actually enters and authorizes this transaction surprisingly often. In the vast majority of cases, we successfully catch these cases on our own thanks to precisely this detection system.

Last year, we successfully discovered and rescued over 50 payments with a total value of over 28 million crowns. Clients view KB's approach to payment safety and preventive measures very positively; these measures include payment monitoring and direct telephone verification with clients.

Source: Marketing KB, Transaction and Payment Services KB.

### CIISP – SecurelyTogether 37 months operation evaluation





## Zero tolerance to corruption

Preventing money laundering and terrorism financing

Support provided by the Financial Distress Counselling Centre; 230,000 calls

## 2. ETHICS AND RESPONSIBLE BUSINESS

It is absolutely a matter of course for us to carefully apply ethical principles in all of our business activities. We evaluate our processes based on the demands of environmentally and socially responsible conduct, and we periodically implement new measures aimed at reducing the environmental and social impacts connected with transactions and clients.



### Responsible Banking

#### Ethical Conduct

The KB Group has created rules for ethical conduct and behavior by its employees; these are based upon both the general obligations set forth by governmental regulations and the generally applicable standards of ethical conduct in banking. The obligations therein established comprise above all rules for preventing conflicts of interest, rules for the accepting of gifts, and rules for protection against abuses of one's position, or more precisely rules for protection against the abuse of confidential information.

#### Anti-corruption Measures

The upholding of these rules and KB's zero tolerance towards any kind of corruption represent the basic standard and the foundation for the workings of the socially responsible business to which KB ascribes, since it is only through the conscientious application of ethical principles when carrying out our business activities that we can retain and strengthen our long-term position in our competitive market.

Our rules and principles of ethical behavior and professional conduct, including rules passed to fight corruption and bribery, are anchored in our internal regulations.

#### Measures Against Money Laundering and the Financing of Terrorism

We exert a maximum of efforts to prevent the abuse of our services for any purposes surrounding money laundering and the financing of terrorism. To this end we apply rules, methods, and verification procedures in harmony with the corresponding legal regulations, norms, and requirements of the Société Générale financial group. Our internal prevention system in the given area is periodically verified and updated. Information on this area is periodically shared with all of our employees in the form of e.g. operational reports and training classes / e-learning courses.

#### Restrictions on deals with a potentially negative impact on the natural and social environment

As a part of the Société Générale financial group, KB respects business restrictions relating to the provision of banking services and products for the trading of weapons, ammunition, or other goods and technologies that represent military materiel. These restrictions also cover individual private or state entities or business groups whose entrepreneurial activities are considered within the weapons industry to be non-transparent. In the area of environmental and social responsibility, we are also guided by the specific sector rules of the Société Générale financial group, which govern the provision of financial products in areas that can have a fundamental impact on the natural or social environment. These sectors primarily include dams/hydroelectric plants, the mining and processing of fossil resources, and renewable energy sources.

## 12 potentially sensitive sectors in environmental protection and socially responsible conduct.





## Responsible Credit

The results of independent research on responsible lending:

The human-rights organization Člověk v tísni performed independent testing focused on consumer lending, making use of both publicly available data and bank data provided in a survey made for this purpose. We placed in the top quarter of their ranking, with an above-average rating. The index's authors designate the approach of top-quarter credit providers as responsible.

## Safe Credit Navigator 2017

In the 2017 edition of the prestigious Safe Credit Navigator (Navigátor bezpečného úvěru) survey, Komerční banka finished fifth within its category—loans above 150,000 crowns—with a rating of “Excellent.”

The main goals of the Safe Credit Navigator project, with which KB has been cooperating for several years now, are to map out and describe the Czech consumer loan market, evaluate

individual providers, and provide the public with a tool for easily comparing financial institutions, thereby helping to raise financial literacy.

This is a project of Charles University and the consulting firm EEIP. Its guarantor, titled professor Michal Mejstřík, states that it ties in to a National Governmental Economic Council recommendation for alleviating Czechs' debt burden: raise financial literacy.

## Financial Literacy

### “Send the Bankers to the Schools”

The “Send the Bankers to the Schools” project (Bankéři do škol) aims to bolster the financial literacy of students at elementary and secondary schools. These events regularly see contributions by leading managers from financial institutions, including Komerční banka. Last year the bankers giving presentations even included Jan Juchelka, KB's chairman of the board and CEO. As a part of the project's 4th year, Juchelka visited the Mendelova Elementary School in the Prague 4 district. In the audience were 9th-grade

students—youth at an age where the world of finances begins to relate to them personally. His presentation provided basic information on how a banking institution works, and otherwise focused primarily on cyber-security and the corresponding need for the protection of personal data online. And precisely this part of the presentation interested students strongly, because they themselves had already encountered online fraud.

## Financial Emergency Consulting Center

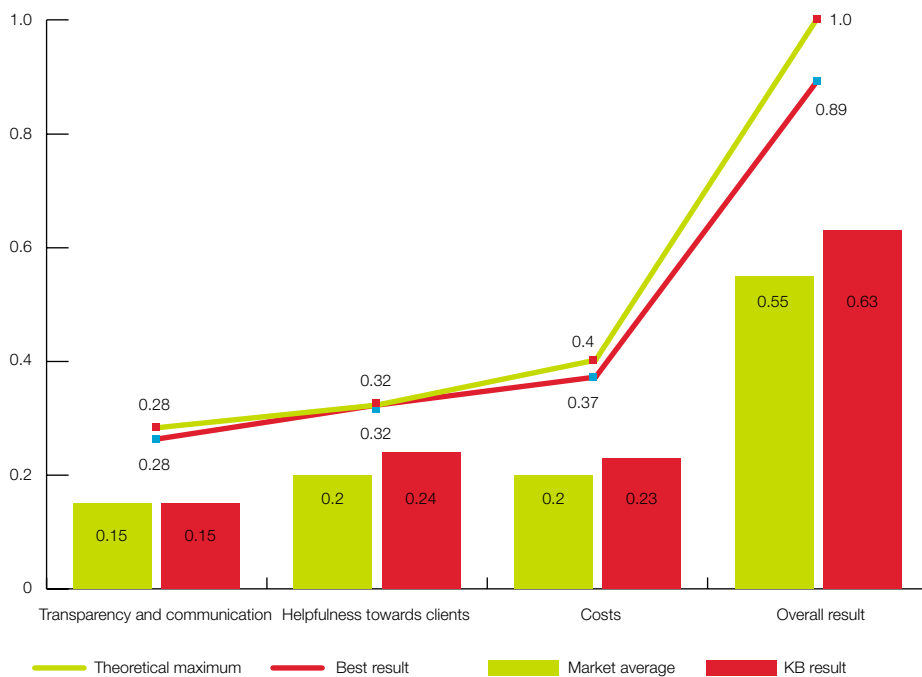
We are a long-term partner of the Financial Emergency Consulting Center (Poradna při finanční tísni). Thanks in part to our support, they have handled over 100,000 consulting calls and 130,000 calls to their free consulting line, and have provided 200 prevention sessions at e.g. schools, foster care facilities, jails, institutional care facilities, children's homes, parent centers, town halls, state employment offices, and other social organizations.

## The “Head of the Family” Project/Program

Head of the Family (Hlava rodiny) is a documentary show that entertainingly explores how well teenagers can manage their families' budgets. Each episode maps out over one month the story of one family in which the teenager decides on the family finances. The goal is to raise financial literacy among teenagers. The KB expert Jan Waldhauser appeared here as teenagers' financial consultant and mentor. In autumn of 2017, a total of six episodes were broadcast on the nation's main public TV station ČT 1 at prime time on Tuesdays.

## The KB Floorball Challenge

As a part of our cooperation with Czech floorball, we also partner with the junior-league project entitled KB Floorball Challenge. Within its first year under the patronage of KB, nearly 400 secondary schools from throughout the Czech Republic participated in this tournament. Within this project, every participating school could organize a financial-literacy presentation provided by KB bankers. Over 50% of the schools took advantage of this opportunity.



Source: Člověk v tísni.

## Projects in Cooperation with the Jistota Foundation

<http://www.nadacejistota.cz/oblasti-pomoci/nefinancni-podpora/>

Jistota, a foundation of Komerční banka a.s., offers both financial and non-financial aid to non-profit organizations. Besides its regular financial literacy courses, the Foundation is currently preparing other projects through which it will help to develop the non-profit sphere.

### Multiplier Project for Increasing Youth Financial Literacy

Youth and young adults are financially unstable, while also being a target group for credit providers. They take out loans frequently and have distorted information on the workings of loans, debit services, flat-fee and credit cell-service payments, etc. They borrow money or services with no hope of being able to pay them off. Neither life nor their families have taught them money management. It is natural that they want to spend, but they should know how to do it right.

This project focuses on the target group of adolescents who visit low-threshold centers for children and youth. Training these centers' staff has a multiplier effect on the know-how transferred to the target group. This course was prepared by the Foundation in cooperation with the employees of Komerční banka and the Czech Streetwork Association, an association of low-threshold social services.

The expectation here is the participation of 20 children per employee trained. With 20 employees participating at each training session, each Financial Literacy round can thus

potentially influence 400 children and youth from low-threshold centers.

Financial Literacy training is divided into four topic blocks, with which the staff of a low-threshold center are familiarized over the course of one day, but they pass them on to their young clients separately in several stages.

The "Finances in Employment Relationships" block focuses on familiarizing participants with the job-search process, the roles served by state employment offices and health and social insurance, the typical contents of employment contracts, and the risks of working illegally. The "Money Management" block aims to familiarize clients with real personal/family budgets and money management, teach them to assess needed vs unneeded costs, etc. The "Banking" block ties in to the topic of debt issues and acquaints centers' clients with the benefits and risks of the most-utilized banking products. It shows participants the basic workings of loans, credit cards (and their interest), savings accounts, and insurance. The goal of the "How Not to Drown in Debt" block is to acquaint participants with the risks and consequences of going into debt, and to demonstrate through practical examples various approaches to borrowing funds.

Besides the training course itself, prevention materials—comics on posters and pocket-sized flyers—are distributed for free in participating low-threshold centers during the project. These ease communication of the most urgent topics.

### Contest and Trial Budget

Clubs that present all four modules to their young clients can apply for "minigrants." In cooperation with the Czech Streetwork Association, the

Foundation has launched a contest for the most interesting idea for a small publicly beneficial project, which they will subsidize with 20,000 crowns. The children and youth themselves are to prepare the project themselves on the basis of the experience they acquire, and the authors of the winning project are to implement it themselves under the supervision of a trained employee. Three rounds of the Financial Literacy course have taken place so far. 39 social workers have been trained in total.

### Financial Literacy Courses

The Jistota Foundation has now sponsored Financial Literacy courses for children from children's homes several times as well. Volunteering KB employees serve as course teachers, and each course ends with a quiz contest on participants' newly acquired knowledge. Besides learning about financial literacy, youth from children's homes also get an opportunity to meet up with their peers from other homes, and to familiarize themselves with how banking institutions work in practice.

Source: Compliance KB, Jistota KB Foundation, Marketing KB.



KB follows a non-discriminatory approach in employee recruitment

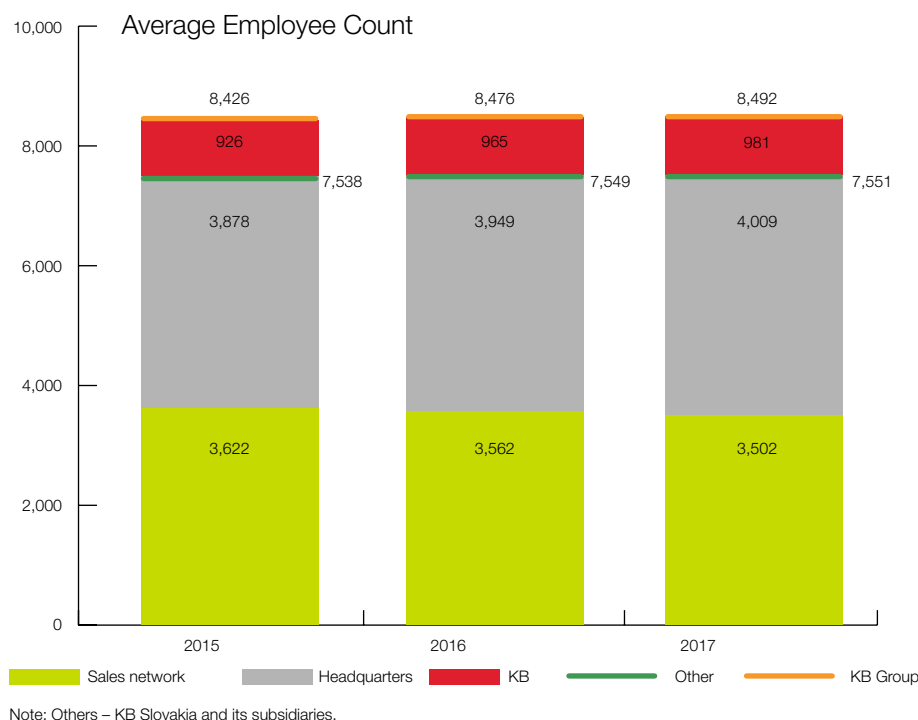
Corporate values: team spirit, innovation, commitment, and responsibility

## 3. RESPONSIBLE EMPLOYMENT

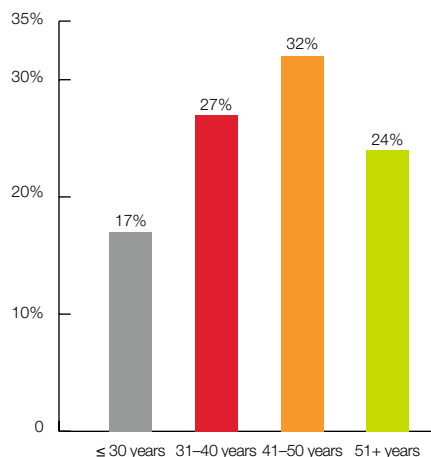
KB's strategic vision in the area of human resources is to create long-term partnerships with employees. The prerequisite here is a professional relationship based on trust, respect, two-way communication, equal opportunities, and our offering attractive professional and career growth.



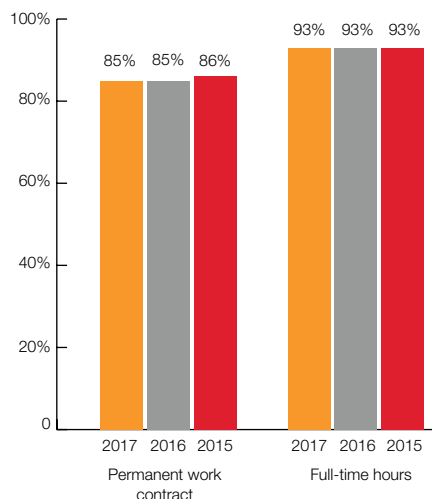
## Key Employee Information



## Employee Age Distribution



## Employees by Work Contract Type and Monthly Hours



## Work Safety, Working Conditions, and Employee Health

We are modernizing the environment at our branches in accord with requirements for employee safety/health, hygiene infrastructure, and the use of the latest technologies.

For several years now, Komerční banka has been systematically ensuring its employees' health. In 2017, the Moje Vitalita program at KB continued and was expanded. It focuses on maintaining strong work performance among KB employees by promoting their physical and mental health. This year we primarily focused on physical health, e.g. via our Health Days, which saw the participation of 1,226 employees last year. In part thanks to this, we have maintained our illness rate at around a mere 3% (2017: 2.99%; 2016: 3.02%).

Detailed information on how we ensure work safety and compliance with legal norms is provided in the responsible-employment chapter of the annual report.

## The Right to Information and Social Bargaining

The right of KB employees to social bargaining is ensured through the KB Union Organization. We are in regular contact with representatives of the union organization, and new collective bargaining takes place each year.

The right to information is anchored in the Collective Agreement. The Collective Agreement has been closed for 2017 through 2020. The results of negotiations between the employer and the union organization, including the full text of the Collective Agreement, are published for all employees.

Employees can turn to the My HR (Moje HR) phone hotline, or email their queries, or contact HR Business Partners and consultants.

## Support of Employees in Difficult Life Situations

For years now we have been working to accommodate employees who find themselves in difficult life situations. This support is provided in various ways, and this with a view to the life situation that the employee must face (flexible adjustments to working hours, reduced hours per month, remote work, financial support, unpaid days off, etc.). Each situation is assessed and handled individually.

## Equal Employment Conditions and Gender Diversity

We aim for non-discrimination when selecting employees. What is decisive is that a job position's expectations and duties be in accord with the knowledge, competencies, and expectations of each individual candidate. The same approach applies for internal mobility.

We also apply a diversified approach to individual employee groups based on their needs and their current situation. This approach can be reflected in our selection of educational programs for specific groups (graduates, managers, business positions, and specialists).

One quite specific population that has been and will remain a priority is disabled candidates. Our recruitment employees are regularly trained in the area of hiring and integrating disabled candidates, and monthly monitoring has been set up for this area.

Thanks to this and to our internal communication campaign focused on problem-free integration of persons with health restrictions (PHR), our overall count of disabled colleagues rose to 137 in 2017. Besides new employees, this above all involves those who actively declared PHR status.

Another special group is employees on maternity or parental leave (ML/PL). Their successful reintegration into the work process is an important

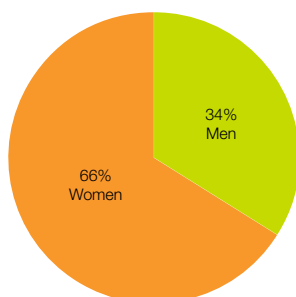
goal for Komerční banka. We remain in contact with these employees during ML/PL, they are invited to networking events, and if both they and KB show interest, we establish ongoing cooperation during their leave. After their return from ML/PL, reduced monthly hours, remote work, and/or flexible working hours are all possibilities, as long as the type of operation and the nature of the work allow these.

We are seeing a rise in the share of employees reintegrated after their return from ML/PL; in 2017 it was 65%.

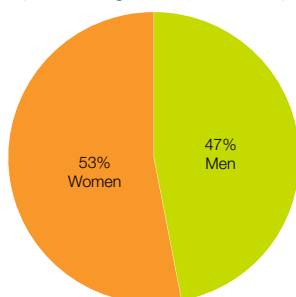
## The Foundations of Employee Remuneration in 2017

KB's remuneration strategy has the goals of supporting KB's overall strategy and business goals, preventing excessive risk-taking and incautious conduct, reflecting clients' rights and interests, supporting cost-effectiveness, and increasing the bank's value for its employees, shareholders and clients via a healthy and

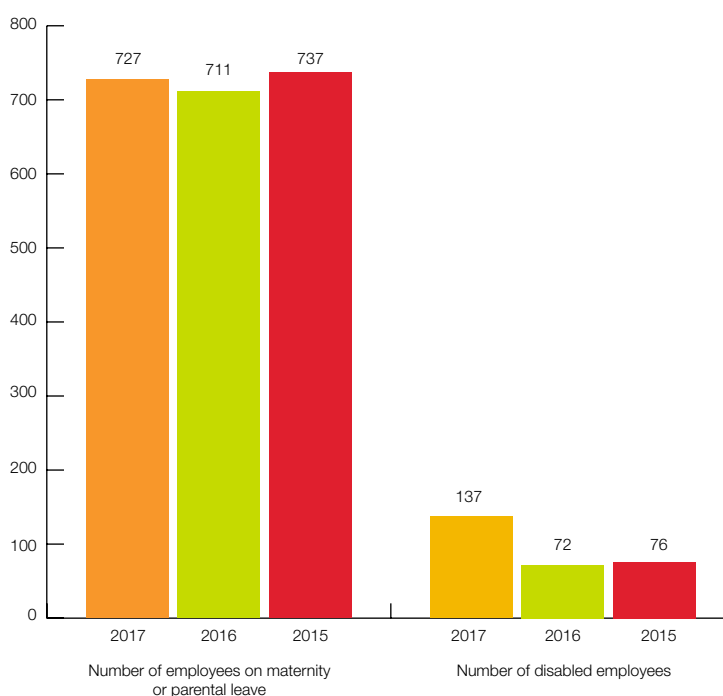
Male/female ratio



Male/female ratio in management (including team leaders)



Other Diversity Indicators



business-sensitive remuneration policy. It is built on several basic principles:

- The internal-justice principle ensures that the same remuneration is given for the same work and the same performance under the same transparent circumstances. Remuneration thus may not be influenced by gender, age, religious affiliation, membership in union organizations or political parties, or other personal traits of the employee that are not directly related to their work performance or competencies.
- The external-competitiveness principle is addressed through the use of regular market surveys.
- The risk-consideration principle guarantees that remuneration at Komerční banka remains in accord with healthy and efficient risk management. Such risk management supports remuneration and does not encourage the taking on of risks beyond tolerated risk levels.

### Employee Education and Development

KB's Human Resources strategy is to join up with employees in a long-term partnership, which is also developed by providing them with education. We provide a wide selection of educational activities and programs for KB employees and KB Group employees, while also strongly emphasizing employees' personal responsibility for their development.

Just as in past years, we have focused on developing employees' skills for direct contact with clients in our branch network. We have also paid special attention to developing managers and employees with high potential—the participants in our Strategic Talent Management program.

Our "M'Academy" managerial academy is focused on the long-term, individual development of skills surrounding human resource development, accountability, innovation and a pro-client approach. Further integration and development programs have traditionally been aimed at new employees (the "StartinG" program) and college/university graduates (the "Connecting" program).

We continue to share in development programs with our parent company Société Générale as well. Our employees can thus also develop their skills and abilities in an international environment.

### Talent Discovery and Acquisition

As in previous years, in 2017 Komerční banka actively cooperated with colleges, universities, and student organizations. We thus continue our tradition of aiding tertiary education via sponsoring and professional support for state-run colleges and universities throughout the Czech Republic. Among our most active programs here was our cooperation with two Prague schools: the University of Economics and the Czech Technical University. Our cooperation with the Czech Technical University, or more precisely with its Faculty of Information Technology, included both supporting research and developing new ideas in the areas of innovation and digitalization, with significant contributions from the KB Innovation Lab. Other forms of cooperation with students included meetings at job fairs, open houses, workshops, and special events devoted to specific economics topics, both in-house and at our partners. Over 100 interns from secondary and tertiary educational facilities gained

experience at the Komerční banka headquarters and within its branch network.

As far as student organizations are concerned, our main partners in 2017 included AIESEC, the Student and Graduate Association (Asociace studentů a absolventů), and Prague Banking Club.

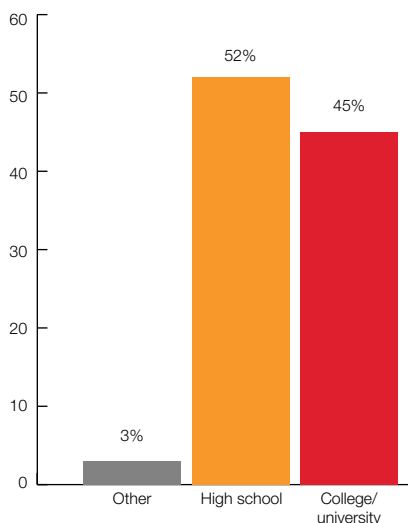
### Company Values and Leadership Model

Since a good company culture forms the foundation for long-term business success, we employ the rock-solid company-values definition shared throughout the SG group – **team spirit, innovation, involvement, and responsibility.**

These values are gradually being reflected in all processes to which they relate, and especially in recruiting, evaluations, remuneration, and education.

Source: Human resources.

Employees by Level of Education



KB follows its  
Ethical  
Sourcing  
Programme



LED lighting fixtures installed in branches

A 2% year-on-year drop in electricity consumption

A building with the LEED Gold green building certificate

## 4. THE ENVIRONMENT

We are not apathetic towards the environment in which we live. We constantly introduce measures to reduce our operations' environmental impact. In practice these promote e.g. appropriate, environmentally-friendly waste and energy management and the monitoring of costs for business trips and transportation.



## Energy

In 2017 several measures were implemented that both will save energy/costs in the future and have helped to enable evaluation of the success of our measures to date. We have continued to install LED lighting at our branches. In 2017 lighting fixtures at 28 branches were replaced, with an annual savings of about 400,000 kWh, or roughly 800,000 crowns in costs.

In 2017 we performed energy audits at our 80 largest branches. Their outputs have been analyzed, and in 2018 we will take corresponding remedial measures to reduce energy consumption.

We have on record a year-on-year drop in energy consumption of 2%. Our overall consumption in 2017 was 30,973 MWh, compared to 31,749 MWh in 2016. This reduction is primarily thanks to the installation of LED lighting in certain branches.

Our natural-gas consumption in 2017 (21,090,562 kWh) was similar to that in 2016 (21,128,536 kWh). Despite this a slight reduction is evident.

Heat consumption decreased from 10,626,795 kWh in 2016 to 9,871,446 kWh in 2017. Various factors affect consumption — primarily weather, temperature fluctuations, and mild winters. Air conditioning was newly separated off from heat consumption, which will now be evaluated differently. We have also kept water consumption on roughly the same level. In 2016, 71,901 m<sup>3</sup> of water were consumed, while in 2017 it was 71,543 m<sup>3</sup>.

We have also reduced overall CO<sub>2</sub> emissions by cutting back on both energy consumption and business trips. Our year-on-year savings are nearly 2%.

In 2017 we completed the construction of a building with the LEED Gold energy efficiency certificate. We also plan to purchase seven electric cars for our vehicle fleet. These activities will lead to further emissions savings and a sensitive approach to the environment.

## Supplier Relationships

Within our supplier relationships, we gladly share our proven processes that factor in the environment and social and human rights and respect for the principles of sustainable development.

As a subsidiary of Société Générale, we implement sustainability principles into our processes. We do so because we are convinced of our responsibility in the area of sustainable economic and social development and the responsibilities stemming from our risk management processes. Société Générale itself has affirmed its commitment to sustainable development by signing the UN Environment Programme Statement by Financial Institutions on the Environment and Sustainable Development on November 27th, 2001 and signing the United Nations Global Compact on May 16th, 2003. In the spirit of our societal commitment, we are expanding our dialogue and our transparency in supplier relationships (sharing and improving proven processes that factor in the environment, social/human rights, etc.). We also apply the Ethical Sourcing Program enforced throughout the Société Générale group. Every supplier with whom we close a contract commits to comply with the principles that follow from this program and reserves the right to initiate the performing of an independent audit.

## Waste Sorting

We enable every employee to participate in waste sorting. For each of our branches and other premises, we have set a sorting system that should ideally reflect their needs. Waste-handling information cards are posted in each building; these give detailed information on how waste is sorted in that building.

Our waste measurement system was altered in 2017, and thus no comparison of 2016 and 2017 data is possible. (We have newly begun monitoring indicators that will enable us to observe waste-handling outcomes.)

We have adapted to today's technological trends, and thus we can now easily hold various meetings via e.g. Skype, reducing our business-trip mileage by 37%. In 2016 we registered 13,641,677 km of employee business trips, while in 2017 we registered only 8,585,918 km.

## “Let's Clean Up the Nation”

In 2018 we became an active participant in the “Let's Clean Up the World, Let's Clean Up the Nation” (Uklidíme svět, uklidíme Česko) program. We support this volunteer initiative both as its main partner and by enabling our employees to take part in cleanups at selected localities.

Sources: Support Services KB, Sourcing KB, Marketing KB.



Support is provided to 'green' and 'solar' products

Financing projects with a positive influence on people's needs, environmental protection, and economic development

## 5. SOCIETAL TRENDS AND INNOVATION

We follow developments in society and react to its needs. We offer solidarity-based products, support startups, and watch the quickly changing world around us.



For more information on new products and innovations, see the annual report—specifically the chapter on KB Group clients and our services for them.

We already have a number of green and solidarity products and services in our portfolio.

Via our financial products with a positive impact on people's needs, the environment, and regional economic development, we contribute to our society's sustainable development. Here programs that utilize cooperation with various European institutions play a significant role.

Our Microfinance loans program provides loans to micro-entrepreneurs (less than 10 employees) with reduced collateral requirements thanks to a guarantee by the European Investment Fund. This guarantee is provided to those micro-entrepreneurs who have a disadvantaged position on the labor market (they began doing business while working part-time or after unemployment, are entering the job market after parental leave, are disabled, have come from another country, belong to an ethnic minority, or are under 30 or over 55 years of age). In 2017 we supported over 300 such micro-entrepreneurs.

EuroEnergy loans are loans with advantageous terms for financing investments into private-sector energy-saving measures; they offer reduced interest rates thanks to funds from the European Investment Bank. These loans also have reduced collateral requirements thanks to an 80% guarantee from the European Investment Bank for covering any losses. In 2017 we provided EuroEnergy loans totaling roughly 600 million crowns. This program's clients invested nearly a billion crowns into energy-saving measures, which will lead to a total energy consumption reduction of 76 GWh a year.

EuroPremium Young loans provide financing with advantageous interest conditions to companies; they make it easier for young adults aged 15–30 to start their professional careers. Clients can obtain a loan in the amount of up to 100% of their project's costs, with an interest rate that is 0.3% p.a. below the standard rate. In 2017 we provided over a hundred loans within this program to clients; they enabled 700 new jobs for young adults.

In mid-December we closed a new contract with the European Investment Fund (EIF) on a guarantee program for the cultural and creative sector. It has enabled our new EuroCreative product, made for financing cultural and creative projects. These include e.g. museums, heritage sites, film production, computer game publishing, and radio/television broadcasts. Each loan recipient automatically obtains an EIF guarantee. Up to 52 million crowns can be acquired within one project. This guarantee is very similar to that in the existing COSME program, but with the participant group expanded to include entrepreneurs in creative or cultural fields. Here again the task of arranging inclusion into the guarantee portfolio is delegated to us; the client does not fill out a separate application, as everything is included in the loan documentation.

This is a new, fee-free benefit for entrepreneurs. We alone offer such a program on the Czech market.

We enable clients to send part of their bonuses from our MojeOdměny bonus policy (e.g. bonuses for ATM withdrawals) to the Jistota Foundation KB charity account. These funds are used for a variety of charitable activities. This process is simple, fast, and online: remittance takes only a few clicks in MojeBanka internet banking. A client who gives money in this way receives a confirmation for tax purposes by the end of January.

## Innovation

Constantly offering innovative products and services is among our goals. The opening of our InnoLab has been one tool for achieving this. This is a development platform based on cooperation with innovation agencies, external partners, clients, the academic sphere, startups, startup accelerators, and other groups. In our work at the lab, we utilize Design Thinking: a method in which we place clients' problems, needs, and expectations in the center of the action. For more information on product and service innovations, see our annual report—specifically the chapter on the main events of 2017.

Source: Marketing KB.



Blood giving: 44 litres

Biking to work: 51,034 km

A photograph auction: CZK 26,450

The Breakfast for the Foundation: CZK 332,827

## 6. SPONSORING AND CHARITY

We support culture, sports, and education. We are a partner to institutions, projects, and events of national importance, with a primary emphasis on projects' exceptional human, societal, or artistic aspects. We especially make a point of long-term cooperation.



### Sponsoring and Philanthropy

The National Gallery in Prague is among the largest entities we sponsor. One key point in our cooperation with the Gallery is our support for free entry to their permanent exhibits for everyone aged 18 and under and for students aged 26 and under. Every year we support a selected large cultural project.

Our long-term partnership with the Prague Zoo is among the most successful. We have received a Velký Richard supporter award from the Zoo in the past for our long-term cooperation.

In 2017 we entered into a partnership with the long-established Rock for People music festival. KB's clients could enjoy a discount on their tickets. We also continued our support of Czech floorball, and meanwhile for 15 years now we have been cooperating with the Dostihový spolek horse-racing association in Pardubice.

We likewise support the French Film Festival, which presents the best French-produced or co-produced films; it is among our nation's most important film festivals.

Every potential project for cooperation with a new sponsoring partner goes through careful consideration. We primarily take care that each accepted project is significant, has a good social impact and media image, and is politically neutral.

### The KB Jistota Foundation

The Jistota Foundation's main mission is to help with specific projects and to support activities in the areas of developing civil society, addressing health and social issues, education, and integrating individuals into society. The foundation's activities are currently grounded in five basic areas:

- Infant aid and care
- The socially handicapped
- People with disabilities
- Improved quality of life for senior citizens
- Hospice and palliative care

Its founder is Komerční banka, a.s., which supports the Foundation's activities with seven million crowns per year; the companies in the KB Group provide a further 720,000 crowns. Over the last ten years the Foundation has distributed over 100 million crowns to people in need.

<http://www.nadacejistota.cz/o-nadaci/vyrocnizpravy/>



## Volunteer Activities

Every we organize a number of volunteer activities, in which employees throughout the Group can get involved. Through this they support projects aimed at helping people in need or the bettering the environment.

We have long been organizing regular blood drives in cooperation with the General University Hospital in Prague. In 2017, KB employees provided over 44 liters of blood. Employees also regularly take part in the Bike to Work program. Last year it led them to walk and bike 51,034 km, thus saving 5.6 tons of CO<sub>2</sub>.

We organize an auction of employee photos every year. Last year the auction and sales of this calendar brought 26,450 crowns. This sum was donated to projects of the social-services organization Dům tří přání and of the Czech Palliative Medicine Association (České společnosti paliativní medicíny). Our "Breakfast for the Foundation" activity is also a favorite. KB Group

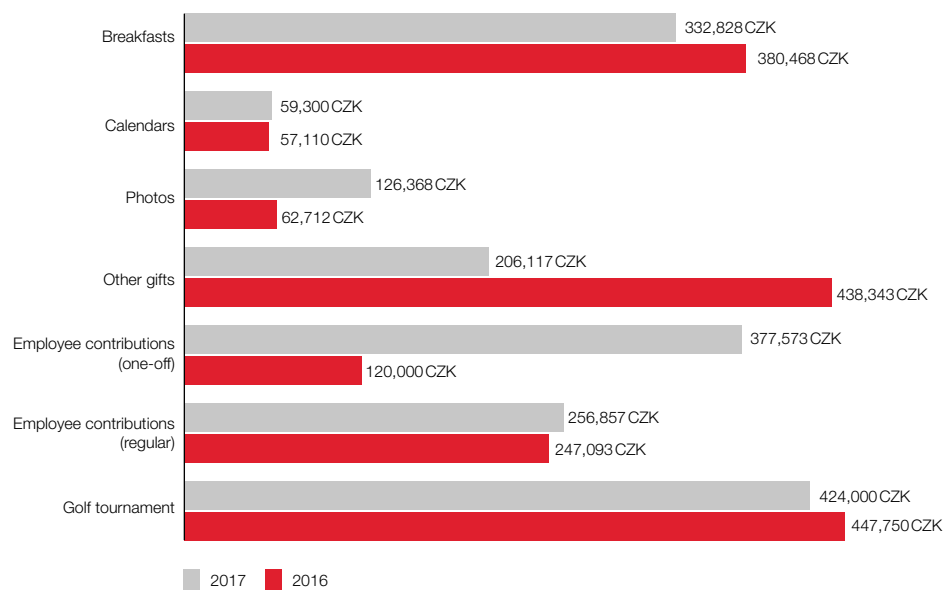
Year	Participants	Teams	Kilometers	CO <sub>2</sub> saved [in tons]	Rides	Participating cities
	Rides		25,565	2.81	2,487	11
2014	153	39	37,506	4.12	–	19
2015	178	47	36,928	4.06	3,192	26
2016	224	69	43,569	4.8	3,541	31
2017	195	54	51,034	5.6	4,559	35

employees raid their own larders to prepare breakfast items for their co-workers. Co-workers buy them, and the proceeds are provided to the Jistota Foundation. In 2017 these breakfasts brought 332,827 crowns in donations.

In 2017 we organized our second "Foundation Week," within which awareness-raising and volunteer events were held.



## Contributions to the Foundation



Source: Marketing KB, Jistota KB Foundation.

Over the past  
ten years,  
the KB Jistota  
Foundation  
has distributed  
**more than  
CZK 100 million**





## SUBSIDIARIES

The other companies in the KB Group are not obligated to publish non-financial information under § 32 points f) through i) of the Czech Accounting Act. However, we gladly provide summary reports for them below; they hold to the same values as KB, and they all employ a responsible approach—in line with the nature of their activities—towards the environment and society.

The summaries below are for subsidiaries with a significant share in the KB Group's assets and financial results. Komerční pojišťovna, a.s., is an affiliate company in which a 49% share is held. Information for this company is consolidated by our parent company Société Générale and is not included in the KB report.

## Modrá pyramida

### 1. Client Satisfaction

At our institution we measure current client satisfaction every week and then act to remedy any deficiencies found. In 2017 we launched our new Client Path project.

This is a new approach wherein our focus is shifted from our products towards the client so as to enhance the customer experience—and customer experiences—so that clients have a reason to spontaneously mention us and recommend our services. The project's first stage ran from September of 2017 to February of 2018. Its goal was to map out a client's entire path from the very beginnings of their thinking about their needs, through the products/services of ours they consider, out to the point where they abandon us, and identify points that must be remedied because clients consider them absolute musts. These are points that differentiate us and thus produce meaningful moments for the customer.

After this stage is completed, we will prioritize areas that need to be changed or newly implemented so as to incite customer emotion (increase customers' Net Promoter Scores) and to increase long-term profits.

### 2. Ethics and Responsible Business

One part of our company culture is our code of ethics, whose purpose is to promote proper relationships, produce a positive atmosphere, and improve communication in our offices and with our clients.

### 3. Responsible Employment

We are improving our working environment, creating conditions for employees' education and self-education, getting them involved in a variety of activities throughout society, and organizing a variety of sports events (Mopyáda, Schodyáda, Bike to Work, etc.). Our employees have also pitched in together to build up a space called the "Blue Space" where they hold various meetings, breakfasts and social activities.

### 4. The Environment

We strive to ensure that our activities do not harm the environment. We are above all working to become a paperless company: we have introduced biometric signing of all contracts (for both savings and loans).

### 5. Societal Trends and Innovation

We follow the latest trends and continuously innovate in our products. We even have our first robot—in the collection department. We are changing the core concept for our consulting centers; this includes modernizing their interiors one by one throughout the country. We have launched a project called MP DIGI wherein we seek to improve customers' experiences as they go about acquiring a new home, to make the demanding process of acquiring the property of their dreams a pleasant experience for them. We thus keep the client informed on their loan approval process via our mobile app, so that they always have the whole process under control. In the second phase we are planning to expand

our app with a tool to help clients find suitable properties (a real-estate aggregator).

## 6. Sponsoring and Charity

We partner with Modrý klíč, an organization that cares for persons with mental or physical disabilities. Our aid comes in the form of both financial donations and direct support from our employees (advertising items and the purchasing of products from work centers for the disabled). In 2017 we supported Modrý klíč with a donation of 200,000 crowns.

We participate in healthy-lifestyle programs/events such as Bike to Work and Schodyáda, and we support handicapped athletes via the non-profit organization Černí koně, which manufactures handcycles primarily for disabled children. In 2017 we supported Černí koně with a donation of 100,000 crowns.

We have long been cooperating with the KB Jistota Foundation, and last year we donated 100,000 crowns to them.

SG Equipment Finance  
Czech Republic s.r.o.

## 1. Client Satisfaction

As a subsidiary we share most of our clientele with KB, and thus our evaluations of client satisfaction are performed in line with those of the bank. Our approach for handling client complaints is anchored in the internal regulations for Société Générale Equipment Finance (SGEF), which are binding for all employees. Our records are checked and complaints are handled every quarter.

## 2. Ethics and Responsible Business

The SGEF internal Code of Ethics governs the rules for its employees' professional conduct as regards compliance with laws and generally accepted ethical principles. It includes the basic rules of conduct by which Société Générale employees abide; these are fleshed out in more detail in the Code of Conduct of the Société Générale Group. Its full text is available on the SG website and the SGEF intranet.

## 3. Responsible Employment

As one of the foremost financial institutions on the Czech and Slovak markets, SGEF dedicates appropriate care and attention to its employees. We demand superb professionalism on the one hand, but provide superb working conditions and personal-growth opportunities on the other. We emphasize work-life balance and thus offer flexible working hours and a variety of monthly hours—especially for parents returning from maternity or parental leave and for students. We also support our employees' sports activities and other free-time activities. We enable them to participate in the RunCzech running series and contribute to group activities of their own choice.

## 4. The Environment

The SGEF headquarters is located in the environmentally friendly Prague-Stodůlky KB building, which has acquired a BREEAM green certificate with a Very Good rating.

SGEF also contributes to environmental protection by financing public transport buses. In 2017 we lent 304 million crowns to support bus purchasing.

## 5. Societal Trends and Innovation

Client satisfaction is among SGEF's main goals. Last year we introduced two new products in reaction to client needs. The first is service-enhanced operating leasing, wherein lease payments also cover e.g. vehicle maintenance and repairs, the highway tax, the radio tax for the car radio, and insurance. The essence of our second innovation, Fronting Structure, is that the invoicing and collection of end-user payments both remain with the supplier until the assignment of claims, when the sub-leaser contacts SGEF.

SGEF is a time-tested partner for European financial institutions. We mediate clients' involvement in various subsidy programs, enabling them to obtain lower interest rates when financing their investments. The support of the European Investment Bank (EIB) is aimed primarily at small and medium business and medium corporations. Its supplementary program named the "Jobs for Youth Initiative" offers companies that employ young people extra interest reductions.

We cooperate with the Council of Europe Development Bank to support small and medium enterprises' investments into manufacturing facilities, thereby helping to create and preserve jobs. For municipalities, we have the "Improving Living Conditions in Urban and Rural Areas" program, within which they can finance their development of infrastructure and hygiene and culture facilities.

## 6. Sponsoring and Charity

SGEF has long been cooperating with the Jistota Foundation, to which we contribute significant finances each year. Our employees themselves also show their giving spirit by organizing their own collections of money or goods and deciding on their own where to direct their aid. We likewise take an active part in Komerční banka campaigns such as blood drives and the collecting of e-waste and used textiles. We are also regular participants in Bike to Work.

Every year, the Slovak SGEF takes advantage of the possibility to donate, as a legal entity, 1% of its income taxes to support the functioning of the non-profit sector. Branch employees themselves propose and select the end-recipients.

## ESSOX

### 1. Client Satisfaction

For ESSOX, client satisfaction is an important benchmark of success, and thus every year we run client surveys and adjust our product and process parameters based on them. When closing credit contracts, we especially emphasize services ensuring that our clients have all information needed for making wise decisions on financing their needs through consumer loans. We equally emphasize professionalism and training for our hotline operators, who handle 20,000 client calls per month and thereby form the backbone of our client-care system.

### 2. Ethics and Responsible Business

ESSOX abides by the six principles of Trustworthy Financing: evaluate loan requests with due care; say NO when necessary; protect clients with insurance; adapt to client requirements; be understandable; listen to our clients. We are a member of the Czech Leasing and Finance Association (Česká leasingová a finanční asociace) and abide by its Memorandum. We actively make use of the bank and non-bank client information registers (the BRKI and NRKI) maintained by the Czech Banking Credit Bureau. ESSOX is a founding member of SOLUS, an association working prevent overindebtedness. We also provide clients with the option of handling problematic situations with Komerční banka's Ombudsman.

### 3. Responsible Employment

ESSOX provides its employees with training that both enables them to work more efficiently and improves their qualifications on the labor market. ESSOX Group employees can also enjoy all the benefits provided within the KB and SG groups. In recent years we have been actively supporting remote work for all positions that enable this approach. Employees can enjoy other benefits as well: 5 extra days of vacation, 2 paid sick days, subsidies for their supplementary pension and life insurance payments, the Activepass sports and culture pass, rental of spaces for various sports activities, etc. Meanwhile we reward our employees' ideas and activities within our My Idea and Employee of the Year contests.

### 4. The Environment

ESSOX is situated within smart low-energy buildings in Prague-Stodůlky and České Budějovice. We try to use green energy and sort our waste (recycling toner cartridges, old cell phones, and laptops) as much as possible. We participate in the Bike to Work contest every year.

### 5. Societal Trends and Innovation

One key activity for ESSOX in 2018 will be DITOX: the digitalization of our internal processes and above all our acquisition tools. We are also currently working hard to integrate the GDPR into our activities.

### 6. Sponsoring and Charity

In 2017 we continued in our cooperation with the Jistota Foundation. We also became involved in Foundation Week, as a part of which our employees collected almost 24,000 crowns, and KB also significantly contributed to the clothing drive. We also contributed to the Jistota Foundation in the amount of 100,000 crowns to fund its further charitable activities. We regularly organize Health Days and take part in group-wide blood donations. For several years now we have been financially supporting Ovečka o.p.s., which integrates people with Down's Syndrome into society. We also support international and national charity events such as the nationwide Food Drive and the popular Movember. In 2018 we will launch our project for nationwide cooperation with volunteer firefighters, named Safe Together ("Společně bezpečně"). The aim of this family-focused activity is to improve road safety via awareness-raising at elementary schools.

## KB Penzijní společnost, a.s.

### 1. Client Satisfaction

We develop high-quality services for participants in pension-savings plans and for cooperating employers. In 2017, legislative changes brought increased tax deductions for both pension savers and contributing employers, and thus we could promote pension savings as the most advantageous employee benefit.

We are adjusting our internal processes and electronic communication channels to ease our clients' access to basic documents—annual statements and tax confirmations. The latest adjustments to our My Pension Account app help users gain their bearings easily and let them directly adjust their contracts.

### 2. Ethics and Responsible Business

Like the whole of the KB Group, we exert a maximum of efforts to keep our services from being abused for any purposes surrounding money laundering or the financing of terrorism. We apply rules, methods, and verification procedures in harmony with the corresponding legal regulations, norms, and requirements of the Société Générale financial group. We verify and update them periodically and train and test our employees. Our employees must also follow our code of conduct and ethical code. The obligations established comprise above all rules for protection against conflicts of interest, rules for the accepting of gifts, and rules for protection against abuses of one's position, or more precisely rules for protection against the abuse of confidential information.

### 3. Responsible Employment

In 2017 we broadened our employees' possibilities for remote work in positions that enable this model. Our employees enjoy flexible working hours. We offer support for long-term sick leave and provide employee benefits within the Cafeteria system. From the legal standpoint, our employees are also covered by all the legal conditions and norms that apply for any employer in the country. Our activities are monitored by the Czech National Bank, which can apply other regulatory measures as regards e.g. employee education or remuneration.

### 4. The Environment

We are situated within the environmentally friendly KB building in Prague-Stodůlky and make use of green energy. We sort waste and recycle toner cartridges and cell phones. We compete within the Bike to Work program every year. In Bike to Work 2017, we went so far as to submit two teams. Their performances put us in 18th and 23rd place out of thousands of firms, and they traveled a total of nearly 1,436 km.

### 5. Societal Trends and Innovation

We are significantly expanding the role played by digital communication with our current and potential clients and easing their access to contracts and important documents. We are currently devoting a maximum of efforts to implementing the GDPR.

In our investment of the funds entrusted to us, we deal with the hard-to-predict evolution of financial markets, which is influenced by the Czech National Bank's exchange-rate regime, interest-rate increases, and political developments domestically and abroad. Our main guideline remains constant: it is the managing of participants' funds at an acceptable level of risk and a corresponding yield. Pension savings are the most highly-regulated long-term investment product on the market. The restrictions brought about by this regulation are balanced out by the fact that we can offer the safest solution to the need for creating long-term reserves.

### 6. Sponsoring and Charity

In 2007 we cooperated with the KB Jistota Foundation to provide the organization Spokojený senior – KLAS z.s. with a check in the amount of 71,000 crowns to support their Memory Weightroom (Posilovna paměti) project, which helps to train the memory of Alzheimer's sufferers. Further support went to Centrum pro zdravotně postižené Moravskoslezského kraje o.p.s. This center for the disabled will use our 138,000 crowns of donations for personal assistance to seniors, who generally remain isolated in their homes. We are preparing to support similarly-focused projects this year as well.

Source: Modrá pyramida stavební spořitelna, a.s., SG Equipment Finance Czech Republic s.r.o., ESSOX s.r.o., KB Penzijní společnost, a.s.

# NON-FINANCIAL REPORT 2017

NA PARTNERSTVÍ ZÁLEŽÍ

