

KBC Group in Bulgaria Report to society 2022



Towards a
sustainable economy
and society



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About the report

KBC Group in Bulgaria present to you the 2022 Report to society (the "Report"). It frames our approach to sustainability and the impact our business has on the economy, the environment and the people. The Report presents environmental, social and governance information for all KBC Group entities in Bulgaria for the year 2022. This Report also tracks the development of our sustainability strategy, which is an integral part of our organization's core principles.

We have drawn up this Report using input from business and sustainability experts in all our departments. KBC Group in Bulgaria aligns its sustainable and corporate performance according to the global approach of KBC Group, using the UN Sustainable Development Goals (SDGs) 2030.

The data in the Report are concerning United Bulgarian Bank AD except where specifically stated that the data presented includes or concerns KBC Bank Bulgaria AD.

Data and materials arrangement are based on the business activity of KBC Group in Bulgaria as bank-insurer company through all our entities. The Report has been reviewed by senior managers, discussed and approved by the CSR Committee. This Report has not been audited by an external party. KBC Group in Bulgaria sustainability development team is available to answer all your questions at ESG_team@ubb.bg

* We acknowledge that our parent company KBC Bank NV, Belgium participates in the UN Global Compact, and we support the Ten Principles and advancement of the Sustainable Development Goals. We consolidated our support for this initiative fully under parent's commitment.

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CEO Statement

Dear Reader,

2022 was another exceptional year as we celebrated the 30th anniversary of UBB, along with 15 years of KBC Group's presence in Bulgaria. In July we closed the acquisition of Raiffeisen Bank Bulgaria (re-branded to KBC Bank Bulgaria). At the time of publishing this report the legal merger of both banks is already a fact. With this transaction, which brings KBC's total investments in Bulgaria to over 2 billion EURO, our group further underlines its deep commitment to Bulgaria as a core country.

As the leading bank-insurance group in Bulgaria, with over 2.4 million customers, we make a major contribution to the financial and economic development in Bulgaria. With this comes also a responsibility to help find a path to make our economy and society more sustainable. This is undeniably one of the most pressing challenges of our time. It is therefore logical that this ambition is an integral part of our business strategy.

With this Report to Society we share with you how our Environmental, Social and Governance (ESG) strategy serves as a catalyst for innovation and collaboration. It leads us to create new products and services for our customers, to help them in their transition. To redesign our internal operations. To engage with stakeholders in wider society. To prepare, develop and engage our employees. To prepare the future.

While developing the aspects of our sustainability frame, we have always considered the Sustainable Development Goals and trusted the deep knowledge that comes from The Global Compact of UN and the SDGs of UN to form our thinking. We have carefully examined where we make a direct or indirect contribution, thanks to the findings from our own materiality assessment and the extent to which we're already in action to contribute positively to a certain goal. Although our business touches a majority of the SDGs, we're focusing our efforts on those that align with our ambitions in order to fulfil the most impactful contribution to sustainable society and to its people over the next decade.

The challenges we face are increasingly complex, they demand a collaborative and integrated approach of all stakeholders. At UBB, DZI and all the companies of the KBC Group in Bulgaria and worldwide, we are passionately committed to play our role. I thank all our customers, employees and partners for their trust and support in this endeavor.

Peter Roebben,
Country Manager of KBC Group in Bulgaria

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KBC Group at a glance

Who we are



KBC Group is the biggest investor in the Bulgarian economy. Over the last 15 years of being in Bulgaria, KBC has invested EUR 2.4 billion in the acquisition and development of some of the most significant local companies and projects, among which the consecutive acquisition of DZI, CIBANK, UBB, the Bulgarian operations of NN and of Raiffeisenbank International.

By means of a targeted policy for developing Bulgaria as their core market, both through acquisitions and in an organic way, the local bank of KBC has been constantly growing its market share, by rising from number 9 position in 2007 (CIBANK), going through number 3 position in 2017 (UBB and CIBANK) up to the forecasted number 1 position (after the forthcoming merger between UBB and KBC Bank Bulgaria). Under the management of KBC the company with the longest history in the insurance domain – DZI – has regained its leadership position on the market, by also climbing up in terms of market share from number 5 in 2007 up to number 1 to date. The leasing and asset management businesses of KBC Group in Bulgaria also occupy the leading positions.

The companies, part of KBC Group Bulgaria are United Bulgarian Bank, DZI, UBB Interlease, UBB Pension Insurance, UBB Asset Management, UBB Factoring, UBB Insurance Broker, KBC Bulgaria Branch.

At the moment of writing this report, the merger with Raiffeisenbank (Bulgaria) is complete. The activity of our group in Bulgaria encompasses a total of 14 companies in the banking, insurance, leasing, insurance intermediation, investments management, pension assurance and factoring domains.

In 2022 the new companies in KBC Group in Bulgaria received their names in the internationally recognizable brand KBC. As of July 2022, new name of Raiffeisenbank (Bulgaria) is KBC Bank Bulgaria; KBC Leasing is the new name of Raiffeisen Leasing; KBC Investment Management is the new name of Raiffeisen Asset Management, and KBC Insurance Broker is the new name of Raiffeisen Insurance Broker. It is expected that all of them are about to merge with the companies, bearing the name of UBB and performing identical activities – United Bulgarian Bank (UBB), UBB Interlease, UBB Asset Management and UBB Insurance Broker.

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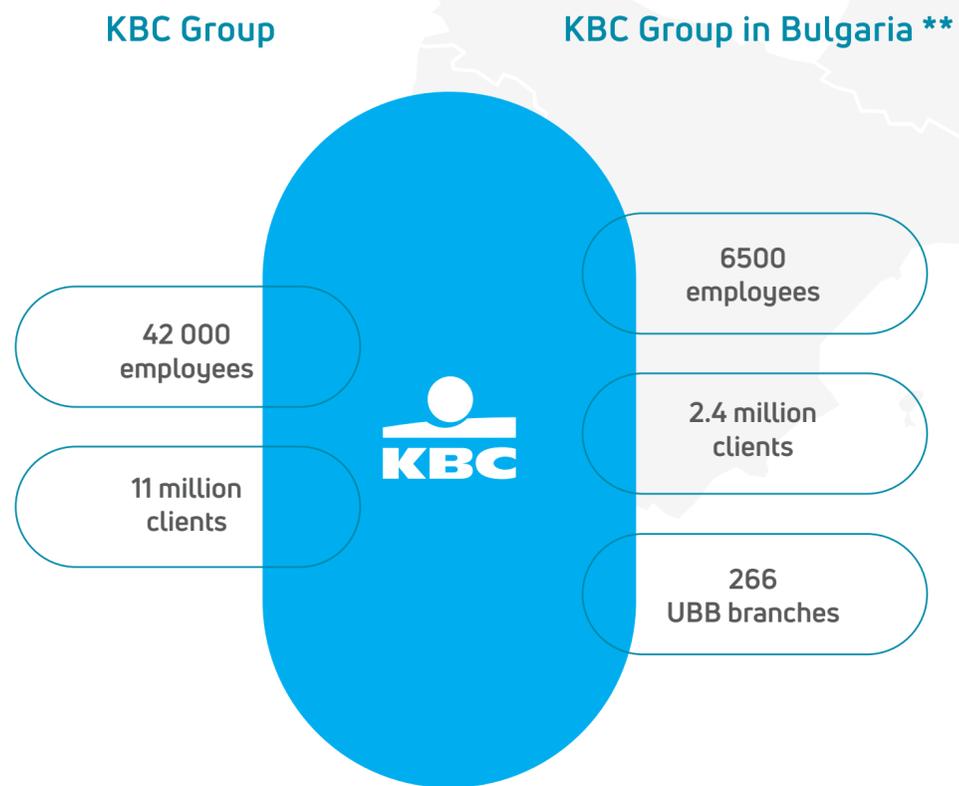
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KBC Group in Bulgaria

Who we are



Belgium
15 700 employees; 3.8 million clients

Czech Republic
11 200 employees; 4.3 million clients

Slovakia
3 300 employees; 0.8 million clients

Hungary
3 800 employees; 1.6 million clients

Fitch rating
Long-term IDR: A1*
Short-term IDR: F1
Outlooks: Stable

*the highest rating

A1

among banks in this country since 2017 onwards

Bank and insurer combined – why so?

We believe that our clients do not dream of a loan or insurance policy, but of a home, a car of their own, or a journey. We believe that they want to feel safe and sure about themselves, their loved ones and their property.

To make it happen they need financing and insurance. KBC's bank-assurance model, which is being successfully developed on the Bulgarian market by UBB and DZI, provides clients with exactly that advantage - thorough financial solutions, while saving time and sparing funds.

This advantage of ours is one-of-a-kind.

*READ MORE – [KBC Sustainability report](#)

** post merger between UBB and Raiffeisenbank (Bulgaria)

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Sustainability highlights 2022

Environment

- 
Climate target setting
 - We have set targets for 2030 and 2050 for the most carbon-intensive sectors in our loan portfolio and follow up on the emissions reductions annually
- 
Own footprint target setting
 - Our emissions reduction reached 81% compared to the base year 2015
 - By the end of 2025 we aim 70% of our car fleet to be of electric cars
- 
Sustainable business opportunity track
 - Over 71 projects in different areas of sustainable development, including energy efficiency, urban development, cultural heritage
- 
Customer engagement dialog
 - Sustainability related Advisory Hub providing collaboration with 24 business leaders sharing knowledge and expertise for sustainability practices as external partners
 - UBB Agro Carbon Emissions Calculator – unique digital tool to calculate the carbon footprint of agro producers and farmers



Social

- 
Health
 - 6 700 active users in the new DZI Kaksi app
 - 546 new bicycle parking places positioned at the metro stations
- 
Financial literacy
 - 10th anniversary edition of the Proud of my Parents' Work initiative by The UN Global Compact Bulgaria
 - 22 financial literacy workshops
 - Employee Benefits Guide – nation wide survey analyze the benefits provided by employers
- 
Entrepreneurship
 - Supporting the National Competition for Best Youth Startup 2022
 - Family Owned Business platform supporting second generation entrepreneurs
- 
Employee engagement
 - ESG Academy - investing in the professional advancement of our stakeholders on the topics of sustainable development
 - Above 70% of all employees in KBC Group in Bulgaria participated in trainings



Governance

- 
KBC Group in BG sustainability governance
 - Sustainability-related governance structure focusing on the implementation and monitoring the progress of group sustainability policy
- 
Responsible Behaviour
 - 95% of us strongly believe in the value of PEARL as confirmed by our Culture Survey
 - My Responsible Behaviour Compass - values and ethics that reinforce our engagement with customers and amongst colleagues



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SDG



The United Nations (UN) Sustainable Development Goals (SDGs) are of important role in informing our sustainability strategy and journey.

In this report we highlight the activities of KBC Group in Bulgaria through which we believe in our greatest positive impact.

Overall on group level we have identified five high-impact areas and these SDGs are more specifically linked to our activities as a bank-insurer.



In Bulgaria we add several more goals to broaden our focus and commitment



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Strategy and values in a nutshell

At KBC Group, we aim to strike a fair balance between the expectations of all our stakeholders.

Our strategy aims to create long-term value for customers, shareholders, employees and society as a whole.

We keep a close eye on the world around us to ensure that we are in touch with the changing demands and remain resilient.

Our "F1rst" strategy provides the framework to achieve this ambition



The long time profitable market leader



- We seek a long-term leadership role in financial services in Bulgaria, based on sustainable and profitable growth, which ensures the stability of our business and provides the confidence that stakeholders expect from us
- We offer our customers the fully integrated banking and insurance services of our unique Bank-Insurance model
- We care for our clients and place them at the center of everything we do
- We leverage the full potential of new technologies to provide our customers with more convenient and personalized services, whilst ensuring that they always can benefit from a human-to-human advice when they so desire
- We take our responsibility towards the Bulgarian society seriously and take up our role in the journey towards a sustainable economy
- We conduct our business in line with our PEARL+ culture



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Model

- **Performance**
We aspire to top performance and we sign up to that.
- **Empowerment**
We give a chance to every employee to be creative and to develop his/her talent.
- **Accountability**
We preempt and readily respond to the questions, proposals contributions and efforts of our clients colleagues and managers.
- **Responsiveness**
We are personally responsible towards our clients colleagues stakeholders and the society.
- **Local embeddedness**
We treat the variety of our teams and our clients as power and we remain close to them.

Our values creation

We continuously work to ensure our behaviour reflects our corporate culture values imbedded in PEARL + : Performance, Empowerment, Accountability, Responsiveness, Local embeddedness and (+) adding value by working together and co-creating, locally and with other entities of the KBC Group across national borders.

Focused on People, Culture and Leadership

Our people are our greatest assets and our ambition is to continuously make UBB a preferred place to work. We believe that investing in growth opportunities of our staff, strengthening our organizational culture and building the 'Team Blue' spirit is the way to attract and retain talent and capture the full value of our employees.

Our highly engaged employees are our guarantee that we are progressing in the consistent delivery of our strategy. Over the next 2 years, we will invest in a systematic program for building best in class leadership as well as organizational excellence in 4 strategic competencies – Service Design, Agile Way of Work, Lean Management and ESG.



Stakeholders engagement

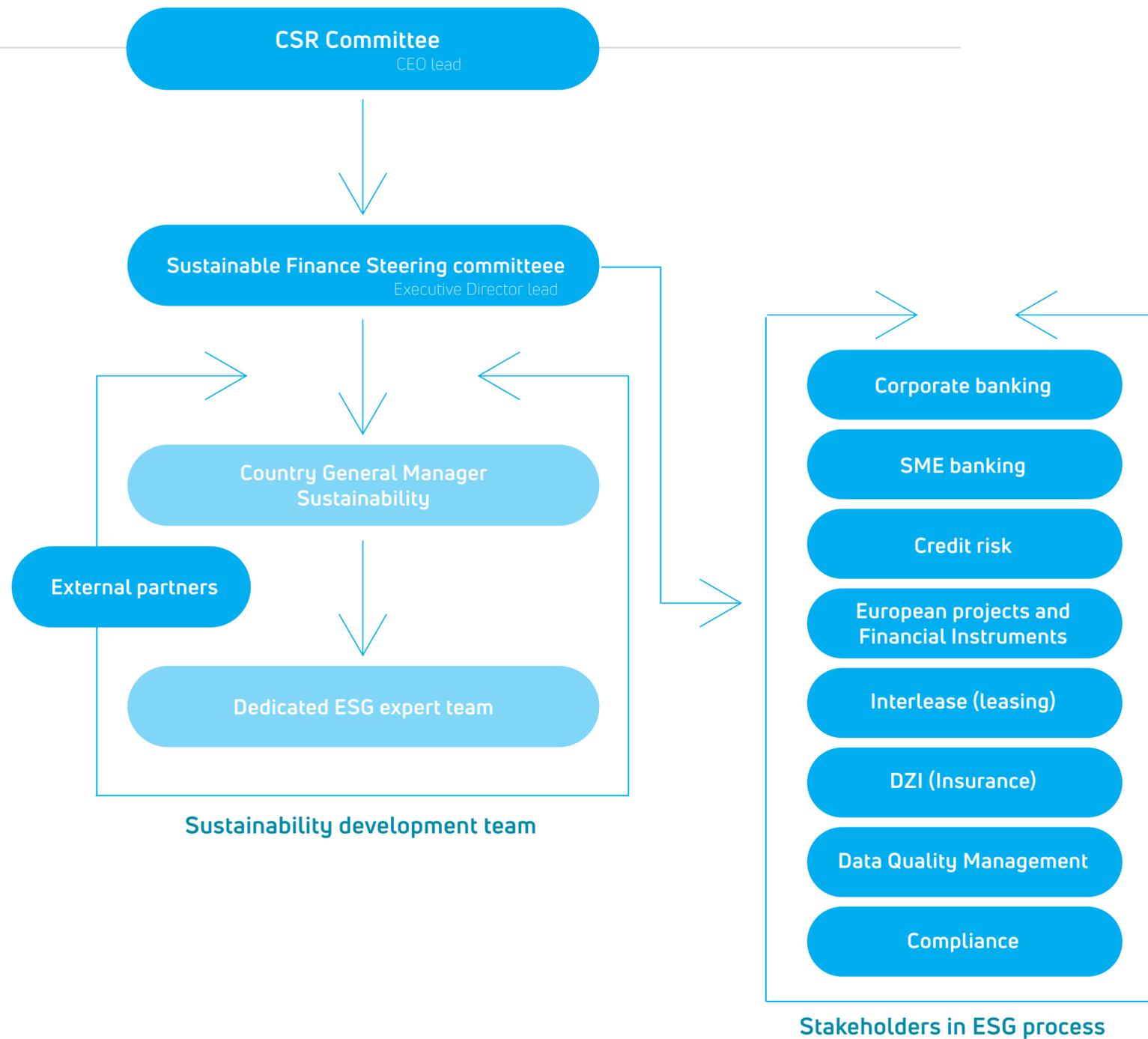
In KBC Group in Bulgaria we believe that active collaboration with all stakeholders is key to making a significant impact in addressing sustainability-related challenges. As part of KBC Group we have also signed up to various sustainability-related commitments, such as the Principles for Responsible Banking (PRB), the Principles on Responsible Investments (PRI) and the Principles for Sustainable Insurance (PSI).

We also cooperate with national banking, regulatory, NGO and academia on various ESG-related topics.

Sustainability governance within KBC Group in Bulgaria

We have embedded our sustainability strategy within every layer of our organisation and in all our core activities.

Thus we have set up our sustainability-related governance structure focusing on the implementation and monitoring the progress of group sustainability policy.



OUR PEOPLE

Our people as the driving
force of our organisation –
TEAM BLUE



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Our people in a nutshell

In 2022 we particularly focus on integration between UBB and newly acquired KBC Bank and building the human resources framework.

During this challenging year we are proud of dedication and engagement of our people.

Our focus is to create a safe working environment and to manage the psychological well-being of our people, keep an open dialogue with employees and employee representatives, support a life-long learning process and create opportunities for constant development of skills and knowledge.



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Health and well-being

Our employee's health and well-being truly matter. In 2022 we conduct several initiatives to improve both physical and mental well-being as we believe these benefits both employees and KBC Group Bulgaria.

Recognizing the early symptoms of stress and burn out is essential for taking immediate actions. This is the reason we organize online sessions to support managers to detect early signs of stress.

As of 2022 our health insurance package is extended via adding additional coverage for psychological support.



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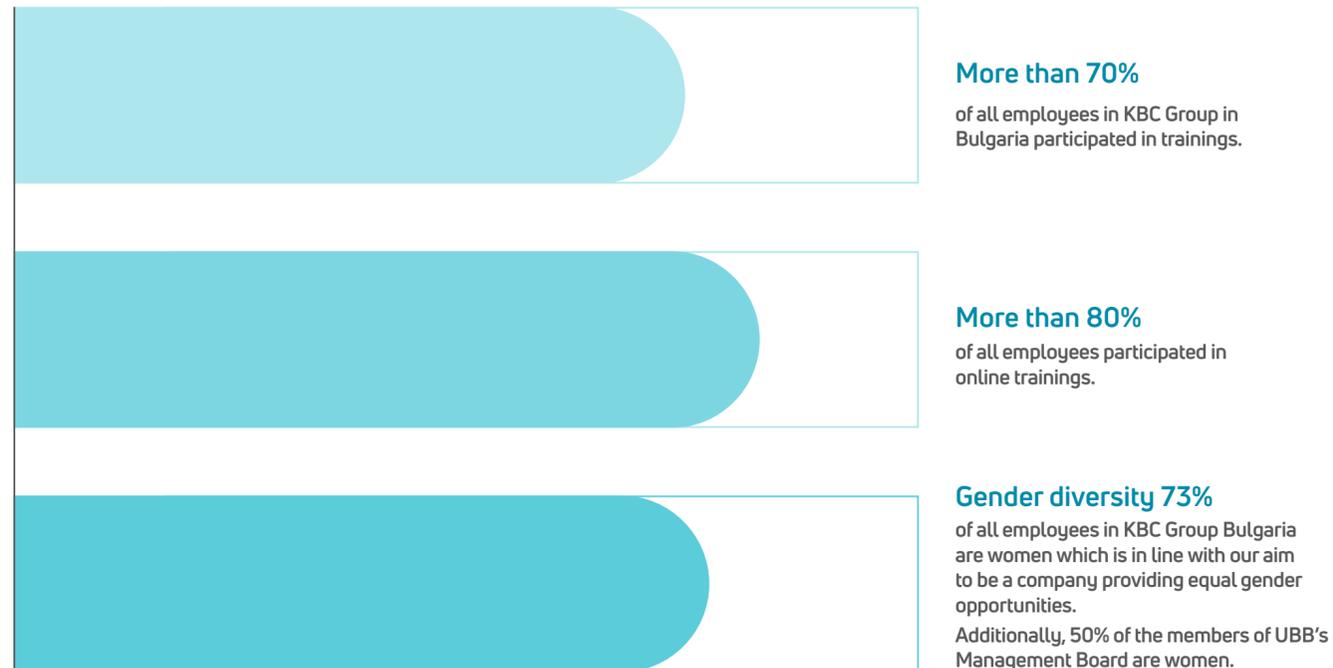
Training and education

We believe that each of our employees is a talent and that's the reason we try to provide them with different opportunities to further develop their knowledge and skills.

As environment and climate risks are priority topics that require commitment from both clients and employees - Sustainable Finance and Employee Engagement Programme were created.

In Bulgaria, we promote employee's engagement with topics related to corporate sustainability. After delivering regular trainings to all employees, results have shown that 90% of employees are familiar with the sustainable finance objectives at the core of our strategy.

In 2022 we continued to provide various learning opportunities, aiming at career development and upgrading the professional expertise of our employees:



IN THE SPOTLIGHT

Support for returning mothers:

Sessions with ladies on maternity leave, who are close to returning to job on 'Keeping the work-life balance'. Sub-onboarding program for mothers – part of the general onboarding with focus on new aspects that have changed in their jobs during their absences

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Surveys and Listening to our people

To hear our employees' opinion and to check the pulse of our organization we conduct Employee Engagement Survey (EES) twice per year.

In 2022 a Culture Survey is in place, exploring staff alignment with our PEARL+ framework and our 'F1rst' Strategy.

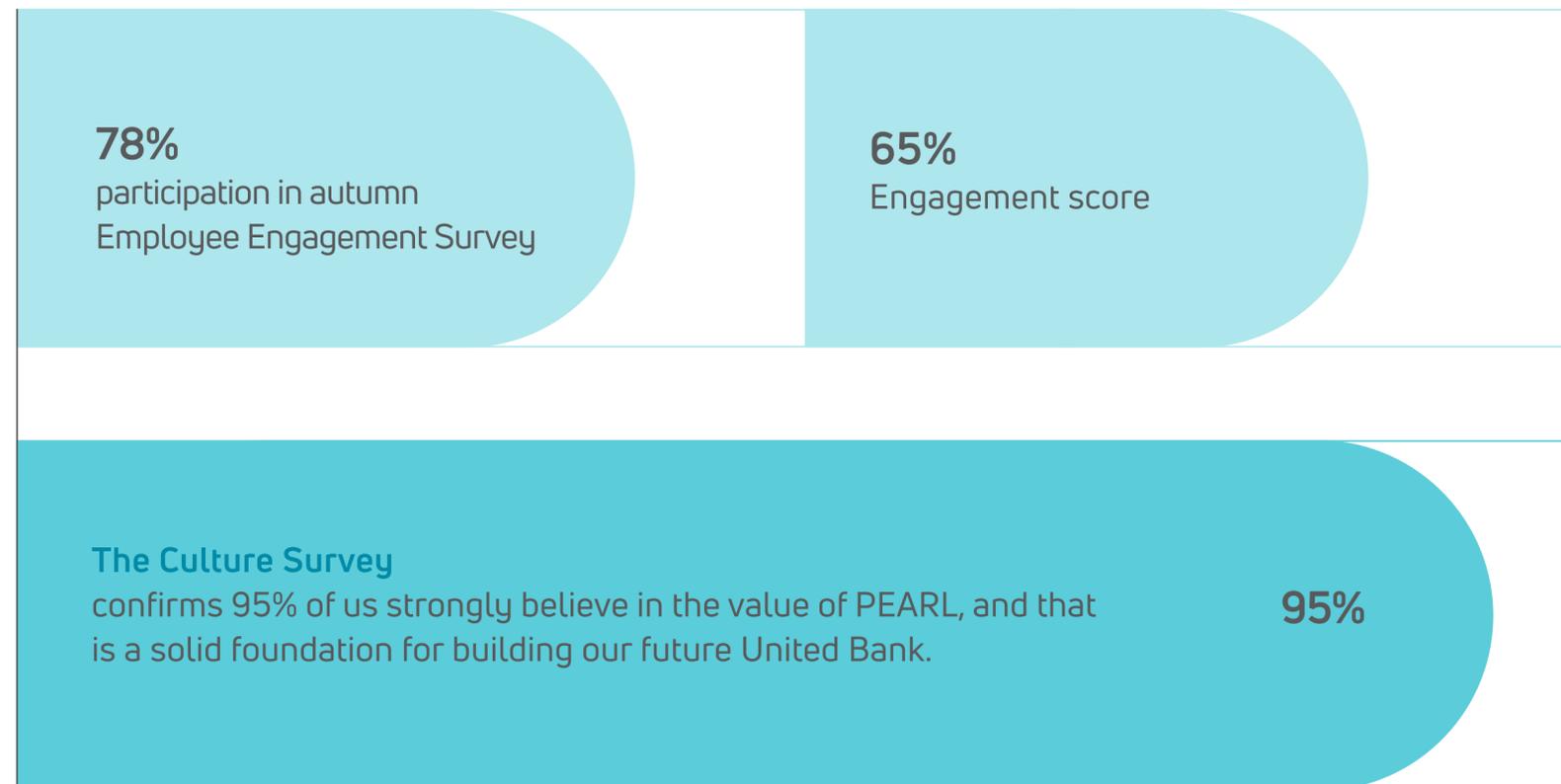
We are also keen to continue building constructive dialog with our formal employee representation group.

The stability and market leadership of our group, the strong values, the great colleagues and the ability to use our skills are the most appreciated features.

We note the concern about the remuneration in a context of high inflation, and the importance of a positive feedback culture, and the desire for more empowerment, creating the context for a learning organization.

Employee Engagement Survey

Despite the challenging period of integration 78% of all colleagues of KBC group in Bulgaria are participating in autumn Employee Engagement Survey with an Engagement score of 65%.



Social dialog

All employees of UBB have the opportunity to join the Trade Union of Banking Employees (non-profit organization established to regulate labor and social relations between employee and the bank as an employer). New Collective Labor Agreement signed in 2022.

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Charity and social investing

We held several charitable initiatives aiming to re-charge employees with a festive mood as at the same time give them the opportunity to donate for a specific cause.

Donation initiatives: drawing competitions, „Don't kill a Christmas Tree“, partnerships with universities/new hall in Technical University Varna /, Para Kids, Bofosiada, House for Green Ideas, charity bazaar for the Association of Children with onco-hematological diseases, bicycle stands etc.



We have provided to Sofia city residents and visitors 546 new bicycle parking places positioned at the metro stations. The project aims to stimulate alternative ways of moving in an urban environment.



We have mounted 67 stands, providing simultaneous locking for 546 bicycles. Based on 4 hours average use per day, more than 2 000 people per day can use this free-of-charge service.

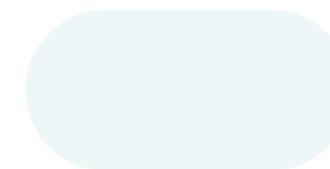


In April 2022, 40 employees from different departments left their green footprint by planting 800 trees on over 2 acres near Sofia. The initiative was in cooperation with the local State Forestry institutions.



Participation in the national-wide initiative of a non-financial organization with a mission to help children's, maternity, and neonatal wards with equipment via recycling plastic caps. Our employees had the opportunity to collect and hand over their plastic bottle caps together. In just four days, we collected more than 120 kg. or over 120,000 caps

ESG Academy



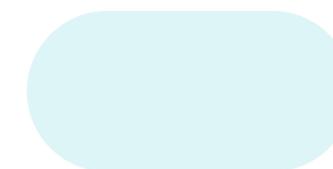
IN THE SPOTLIGHT

Via ESG Academy in Bulgaria we want to create a foundation and platform for the training and development of our employees.

In partnership with Economic Faculty of Sofia University, we invest in the professional advancement of colleagues, partners and students on the topics of sustainable development and ESG. As well as being attendees in the Academy, some of our colleagues are also involved as lecturers, sharing their knowledge and experience with the selected audience.

In July 2022, the first course was finalized with 30 participants – employees, partners, clients and students. Building on its success, in October 2022, the second edition was launched with significant interest from employees across the organisation.

The ESG Academy is planned to continue in 2023 extending the expertise and deeper knowledge of ESG matters throughout the KBC Bulgaria organisation.



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OUR ROLE

We believe that corporate resilience and responsibility is the true way of doing business. In this ever-changing world we aim to be the trigger for positive transformation in Bulgaria.

In order to position ourselves as a factor in social life and respond to new needs, expectations and desires of all our stakeholders, we should act in a purpose-driven manner while caring for and attending to society.

Resilience for us is not just part of a standalone strategy, but it is interwoven in our corporate vision, embedded in its five pillars and in our daily commercial activities. To us it means that we are capable of meeting the expectations of all stakeholders, not only today but with an outlook to the future.

We develop our role in society in 5 domains

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Health in a nutshell

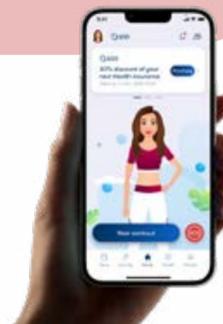
Part of the corporate social responsibility policy of KBC Group in Bulgaria is to promote healthy lifestyle by value propositions to employees, customers and society.

We develop Well-being programmes for our employees with focus on mental health, offering options for psychological support.

Our approach towards society is build upon already established and well-branded initiatives, with general partnership of the Bulgarian Cycling Federation, and new digital solutions - Health app by DZI.



Under different campaigns we support our clients to improve their health and life receiving valuable information and tips on how to be more active, how to take care of their mental health, especially after the Covid pandemic, and try to focus their attention to prevention but not only to treatment of disease.



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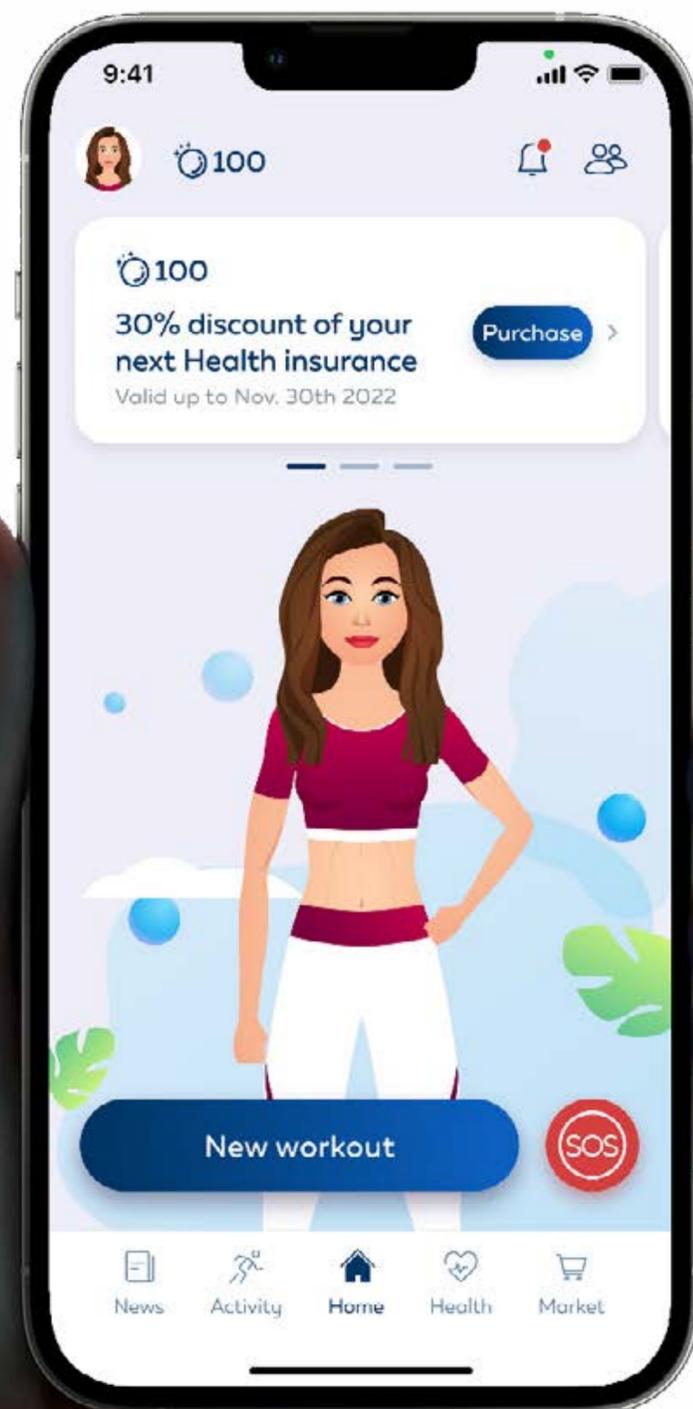
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Kak si health app

The Kaksi app is the main pillar of the Health eco-system DZI aims to develop – digital health solutions, better product services, unique for the Bulgarian insurance market gamification to increase the awareness, attract the prospect customer’s attention and engage him with daily interaction with DZI. The Kaksi app is provided free of charge and can be used by all registered users – both customers of DZI and noncustomers.

The Kaksi app provides services related to improving the health of the user through a smart algorithm for analysis of user’s activity, access to health advice and articles, providing special offers from DZI and other partners. Kaksi also gives access to the health insurance services of DZI through a digital health card, access to online portals for medical services.

The Kaksi app was launched officially in November 2022. Until 15th of March we have more than 14.5k downloads with 6.7k active users. The overall rating of Kaksi in App Store is 4.6 and 3.9 in Google play. Almost 6k users have already registered their health cards in the app decreasing the plastic cards issuance with more than 70% for the beginning of 2023.

The Kaksi app offers a digital marketplace where DZI earned pearls can be converted to real products and services with more than 250 thousand DZI pearls already used for purchase.

6.7K active users

3.9 Google Play rating

4.6 App Store rating

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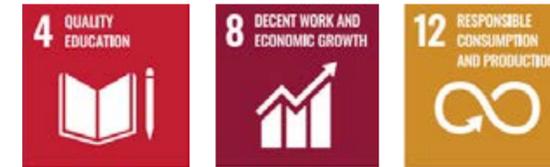
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Entrepreneurship in a nutshell

The following projects focused on entrepreneurship development were implemented with the active participation of UBB, UBB Interlease and DZI:

Family Owned Business

Family Owned Business is a platform focused on supporting the successful transition and preparing second generation entrepreneurs for the new challenges.

Support to AGRO Entrepreneurship

Support to AGRO Entrepreneurship are initiatives focused on the Agro business value added in UBB. As a result the access to finance related to direct agricultural subsidies was enhanced and facilitated for UBB clients with easy use and annual renewal. As a confirmation of the significance of the sector and acknowledging its challenges, UBB developed the Agro Calculator for CO2 emissions.

Insurance Agent Offices project

Insurance Agent Offices project is focused on encouragement of insurance professionals for establishment of private companies and selling DZI products purely commission based. DZI supports these agents in the long-term with renting an office, branding, e-equipment, access to the business service system, visibility on the website etc. For 2022 DZI helped the opening of 19 new offices.

Proven entrepreneurial programs

Proven entrepreneurial programs and initiatives involving our keynote speakers or employees as alumni.

“The KBC Group companies deem promoting of entrepreneurship, as we believe it is the true driver of growth and economies' forward motion”

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Entrepreneurial programs and initiatives

ABLE Activator

ABLE Activator - The project is a 6-weekend exclusive program which provides young entrepreneurs with knowledge, network and mentorship. UBB representatives were involved as mentors and jury in the programme. Through the programme 30 young entrepreneurs were mentored.

Entrepreneurship World Cup 2022

The active cooperation with various partners including academia was adding a real value. A representative of UBB was a jury at the National Final of the „Entrepreneurship World Cup 2022“.

The „Entrepreneurship World Cup“ is organized by Sofia University „St. Kliment Ohridski“ under the framework of the Global Entrepreneurship Network with a prize fund of 1 million dollars.

Best Youth Startup 2022

UBB also supported the National Competition for „Best Youth Startup 2022“, organized by Sofia University „St. Kliment Ohridski“ and FMFIB.



The partnership between FEBA and KBC group Bulgaria in different entrepreneurship domains - high-growth, youth and agro strengthens Bulgarian innovation and entrepreneurial ecosystem. FEBA and the Bank work on different levels - raise awareness and readiness to become entrepreneurs, coach senior internal managers through the MBA. UBB, being a learning organization shares its know-how through the Learning organization course.

Todor Yalamov
Deputy Dean of Research, Innovation and Projects,
Faculty of Economics and Business Administration,
Sofia University "St. Kliment Ohridski"

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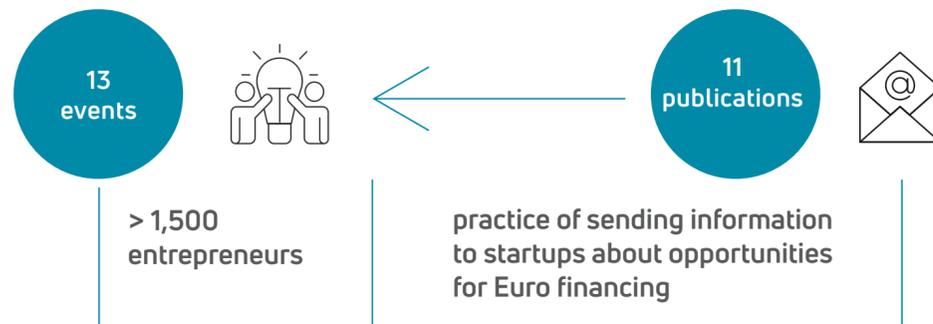
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In 2022, UBB participated with presentations in 13 events with over 1,500 entrepreneurs, to whom it presented the new opportunities under European programs for the development of entrepreneurship.

Moreover, there were 11 publications explaining the EU grants supporting entrepreneurship. In parallel with all these initiatives, UBB established a practice of sending information to startups about opportunities for Euro financing.

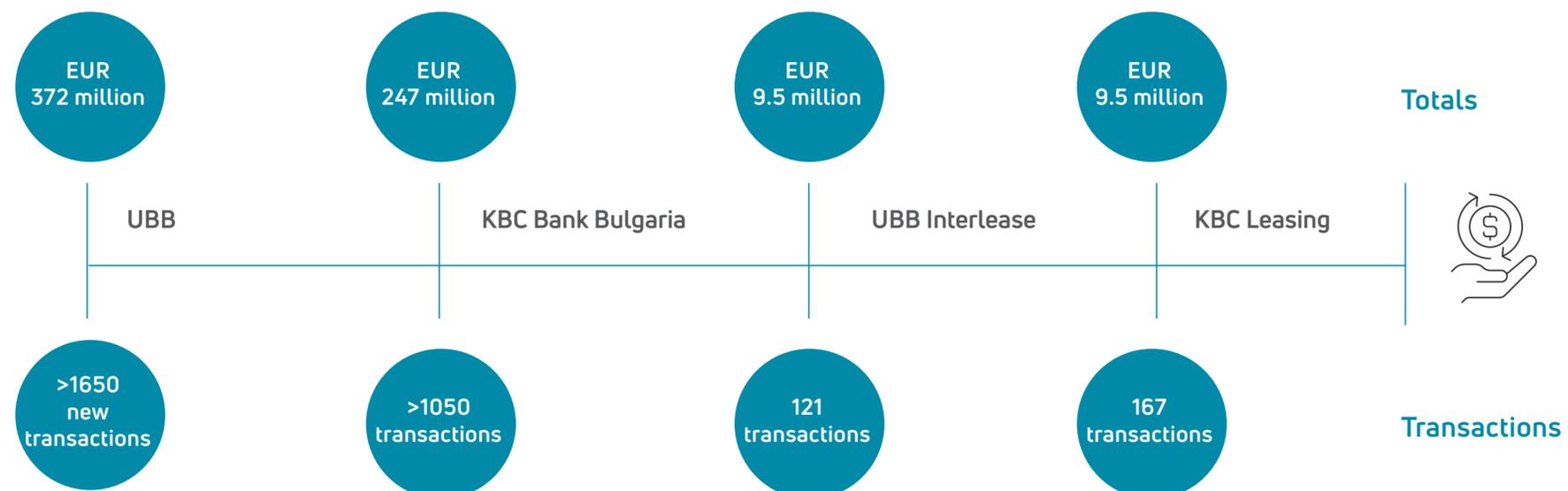
Thanks to successful partnerships with European and national financial institutions, UBB continued to support the development of SMEs in Bulgaria. Loans were successfully offered under the programs COSME, COSME COVID-19, COSME Digitalization Pilot, COSME-Start up, InnovFin, JEREMIE TF, FMFIB, EGF, NGF-7, BDB. UBB is the first bank to sign an agreement under InvestEU in Bulgaria.

In October 2022, PC ZORA, concluded a loan agreement in order to build its own photovoltaic power plant, whose power is 150 kW. In a conversation with UBB's team, a proposal for the use of the financial instrument COSME was discussed, which led to eased collateral for the loan - the power plant itself. The procedure for using the tool is simplified and without difficulty."

Rosen Koev
Chairman of the Management Board of Production Cooperative „Zora“, Trastenik village

For 2022, UBB has concluded over 1650 new transactions with financial instruments totaling EUR 372 million, while KBC Bank Bulgaria has entered into over 1050 transactions with financial instruments adding up to EUR 247 million. UBB Interlease concluded 121 new transactions with financial instruments for EUR 9.5 million while KBC Leasing concluded 167 transactions totaling EUR 7.2 million.

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Financial literacy in a nutshell



We proactively use our professional knowledge and expertise to the benefit of the society supporting the work of Financial Industry organizations; Professional associations, Government and regulator working groups focused on new legislation, codification of practices and digitalization in financial services.

Financial Literacy educational activities for schools and universities, teachers, high risk social groups;

Promote ESG knowledge and best practices as an important factor for public companies and organizations in attracting resources from institutional investors or public sources

We enhance the learning opportunities for our employees by constantly increasing the range of available trainings across all financial services segments.

Engage our employees and promote voluntary work in educational, academic and mentoring activities.

We help our clients understand, plan, navigate and control their financial present and future via organised webinars, tutorials on digital tools, coordinating researches regarding employee benefits programs, provide advisory services and educational materials

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Proud of my Parents' Work

In 2022 UBB participated in the 10th anniversary edition of the Proud of my Parents' Work initiative, organized by The Global Compact in Bulgaria.

This year KBC Bank Bulgaria took part at the event for the first time. The main purpose of the Proud of my Parents' Work initiative is to show to the children that the role of labour is of essential value and everyone can be necessary and useful to the society, regardless of the profession that he or she has. The annual collective project Proud of my Parents' Work aims at helping children understand the role of the labour and creativity as a basis of satisfaction, self-esteem, and fulfilment, by enabling them to follow through the labour process of their parents in the workplace.

During the special day on 1st November more than 100 kids between 5-13 years visited UBB's headquarters and nearly 70 kids visited the work places of their parents in KBC Bank's headquarters. The children participated in different educational and entertaining activities.

They had the chance to visit the UBB Gallery, to take part in interactive presentation of different topics, related to the finance sector (and not only) professions like IT security, HR, Innovations and Retail banking. The special day ended with a concert for all kids.



Manager for a day

The close contacts with junior profiles, potential interns or employees of the organization, continues to give a better understanding of the new generation and strengthen our position as one of their career choices.

With the cooperation of the Retail Banking and Digital Sales Directorate the UBB Bank participated in exclusive events with the leading universities in the country (Welcome Week for 1-st year students of Sofia University-Faculty of Economics, Career exhibition Career at UNWE, Career exhibitions at Sofia University "St. Kliment Ohridski" and Technical University of Sofia, Career Show Tech, as well as the Junior Achievement initiative „Manager for a day“.

For 2022 we had 10 participant for UBB, 3 DZI, 4 UBB PIC and 1 UBB Interlease.

The program included HR time to give an overview of all BG entities of KBC group and ice-breaking games. The young managers were welcomed by Bistra Vasileva, DZI RBM and had the opportunity to visit our unique Surf Studio. In the end of the day, the closing ceremony was to gather the feedback from the students and give them a Participation certificate.

As a result we received extremely positive reactions from both students and managers with filled request for the upcoming initiative in 2023.

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Employee Benefit Guide

In November 2022, three of KBC Group companies in Bulgaria (UBB, DZI and UBB PIC) conduct together a nation-wide survey on the benefits that employers provide to their employees. Target groups are HR and Finance managers of our corporate clients from different sectors.

The aim of the survey is to analyze the benefits provided by employers, as well as their views on the most desired benefits by the employees - starting from various banking products, health protection, pensions, insurance, non-financial products as well as benefits focused on improving quality of work or supporting work/life balance.

The survey also explored the priorities that companies set for themselves when introducing employee benefit programs – whether those include competitiveness in the labor market, employee retention, increased engagement, etc.

Based on the survey and analysis made in 2022, UBB, UBB PIC and DZI are putting together an “Employee Benefits Guide”, which will assist corporate managers and decision makers in designing such programs.



I participated in the online survey „Financial Solutions for Employees“, conducted among HR and finance managers of KBC Group’s corporate clients in Bulgaria. I am confident that the Employee Financial Solutions Guide will contain lots of useful information, and I look forward to its publication.

Fanny Vassileva
HR Department
Ericsson Telecommunities Bulgaria

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Web-portal Pensiopedia.bg

UBB Pension Insurance Company is committed to maintaining Pensiopedia.bg, a web portal on the benefits of the three-pillar pension system in Bulgaria. Our ambition is to help establish this website as a place for up-to-date and useful information, explaining in accessible language the way in which the three pillars of the country's pension system work.

In 2022, a comprehensive review of the website was carried out, and a number of sections "The pension system in Bulgaria", "Retirement conditions", "What happens to your pension money", "Library", "Frequently asked questions" were updated. The content of the website is further enhanced with analyses and publications of authoritative Bulgarian economists.

Financial Literacy Workshops

The companies in KBC Bulgaria are committed to helping various audiences understand, plan, navigate and control their financial present and future by enhancing their knowledge and financial literacy functional competence

In 2022, representatives of UBB, UBB PIC and UBB AM organized and conducted a total of 22 seminars and workshops for a number of different audiences: students in economic and non-economic universities; employees of corporate clients of UBB companies in Bulgaria; upper secondary school students;

general audiences which are interested in personal finance planning.

The seminars covered a wide range of topics, including: financial competences for adults; investment strategies for the future; Bulgarian pension system and the benefits of the second and third pillars; will there be a spike in property prices and loan rates?; what future is your money working for?, etc.



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Our responsibility in a nutshell

Winning and retaining our stakeholders' trust is the foundation of our "social license to operate" principle. We believe competence, open communication and individual integrity are the cornerstones of this trust we seek to establish. Especially the latter, complemented by sound risk awareness, forms the foundation of responsible behaviour.

In order to win and retain our stakeholders' trust we continuously demonstrate that:

- We know our business (professionalism and competence);
- We are transparent in our communications (we provide clear, fair and not misleading information);
- We do what we say (we keep our promises and act with integrity); and
- We aim for win-win relationships (we genuinely care about the interests of our customers).

KBC entities in Bulgaria are committed to being the reference of Responsible Behaviour. We develop and stimulate an environment of positive and continuous actions and ensure learning from experience.

This is our Blue Zone. We maintain a set of policies, processes, standards, and structures to enable and develop this culture of Responsible Behaviour. In doing so we call out a number of Red Lines, undesired behaviour that is not tolerated within the entities of KBC in Bulgaria.

Our mindset certainly goes beyond adhering to applicable regulations and corporate policies. We expect from our staff to continuously comply not only with the "letter of the rules", but with the "spirit of the rules".



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Accountability

Each employee is accountable for living up to the values on responsible behaviour. To this end, we have established a Responsible behaviour framework which covers the Red lines (unwanted behaviour) and the Blue zone (our high standards towards everything we do).

Additionally, senior management is responsible for nurturing the right behaviour in the organization, thereby actively shaping collective attitudes within KBC Group in Bulgaria.

IN THE SPOTLIGHT

My Responsible Behaviour Compass

We believe responsible behaviour cannot be defined in concrete terms and precise behavioural guidelines. Yet, we draw the outlines of a common sense, and the basic principles for creating the necessary awareness. These principles are identified in the "My Responsible Behaviour Compass" guidelines which are available to our people. There we set out expectations regarding the values that underpin our engagement with customers and amongst colleagues. We inspire all our employees to respect these principles in every decision and action they take in their professional and their private lives.

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Awareness training

Responsible behaviour is part of KBC Bulgaria entities culture. Different initiatives such as staff risk culture and awareness trainings, responsible behaviour topics included in the internal KBC Bulgaria newsletters, posters promoting our values, internal communication campaigns, etc., have taken place. As from 2020, there is an online training module available in which the KBC Group CEO and senior managers from different KBC Group entities emphasize the importance of responsible behaviour. Since then, the vast majority of our employees have completed this training course.

Responsible behaviour is an integral part of the onboarding programme for new employees. Follow-up sessions are held periodically with the aim to complement and enhance the understanding of the concept of responsible behaviour. We plan to launch further initiatives on responsible behaviour awareness in 2023.

Dilemma training

Every employee in the KBC entities in Bulgaria is encouraged to speak and point out any dilemma that he/she perceives. The requirements of society and our business are sometimes different now in comparison with a decision which was taken in good faith a few years ago. It is the core responsibility of senior managers to support employees in making the right choices for themselves and for their teams.

This is why KBC Group included the dilemma training session in the senior management development programme. In this session, managers learn how to discuss complex decisions or dilemmas with their staff.

To assist leaders and staff in considering dilemmas and making balanced decisions, the "Customer Interest Wheel" and dedicated practical guides were developed.

Now we are all shaping an environment in which all arguments are heard and assessed, providing space for alternative views, thus making sure a well-balanced decisions are taken.

IN THE SPOTLIGHT

From 21 to 27 March 2022 in several European countries including Bulgaria, new edition of the European Money Week, organized by the European Banking Federation, was held. Within the weekly initiative, various events and campaigns were carried out, mainly aimed at students, which took place online due to the COVID-19 pandemic. The European Money Week aims to introduce adolescents to the banking sphere and increase financial literacy. We at UBB also believe that the responsible attitude towards personal funds should be educated from an early age.

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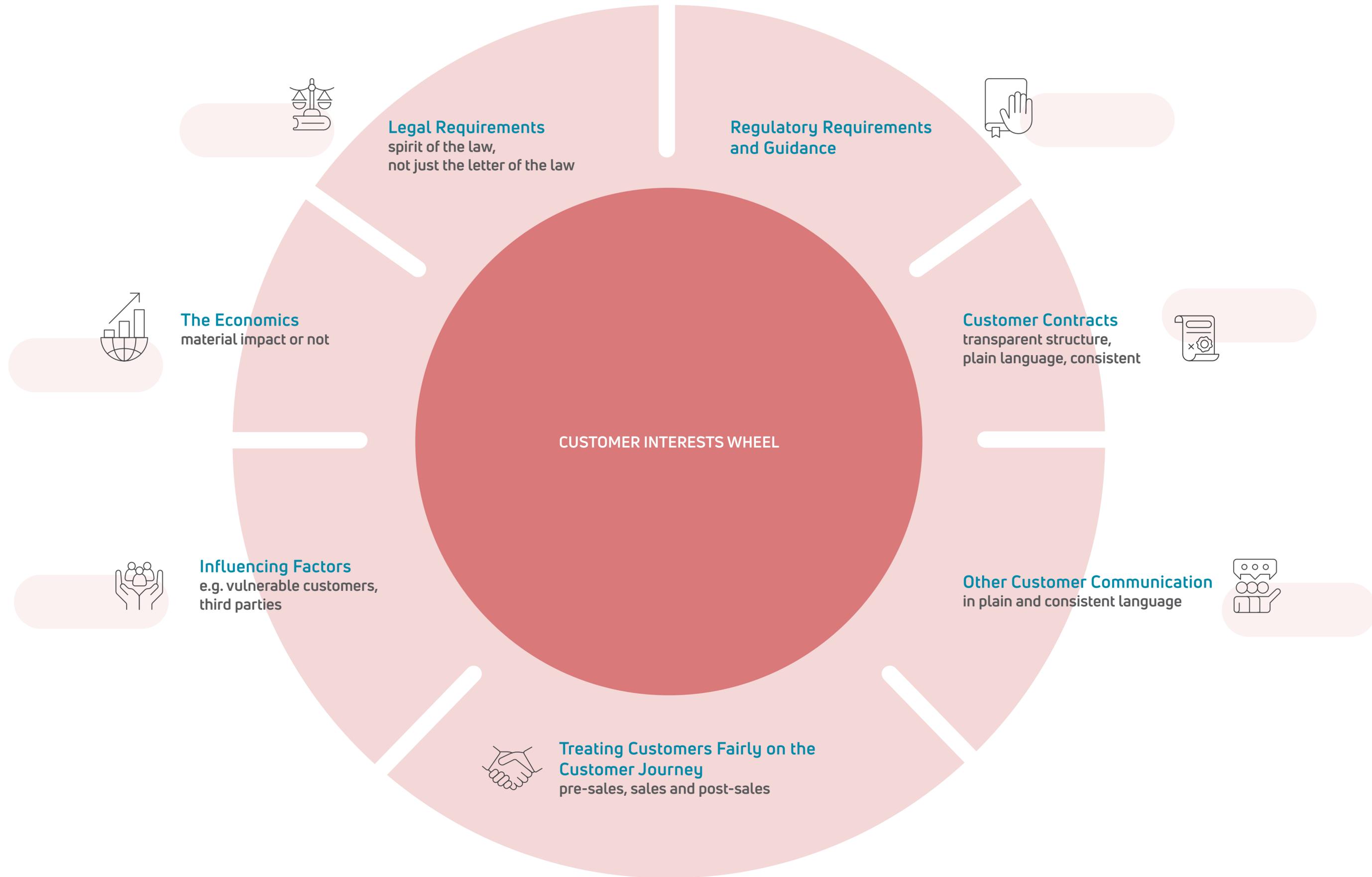
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Cyber security and risks

CYBER RISK AND INFORMATION SECURITY are one of the key components to provide quality, safe and cyber resilient services to our clients.

In current geopolitical situation there are a lot of challenges, especially when the clients and key services are exposed to Internet with different technologies used in a complex infrastructure.

The biggest threats are the organized hackers' groups, combining significant knowledge and motivation. Most of them are also with a solid financial support and backed up by nation states. In situations like this, our information security team strive to have very flexible organization, motivated and knowledgeable members and full support from the management board and all stakeholders.

The main focus is to protect our clients from malicious activities, using the combination of modern technologies and focus on awareness and continuous improvement.

On the other hand, all assets and processes that support client services are regularly evaluated, challenged and improved against existing and new threats. Using a risk-based approach, we are focusing our efforts with maximum efficiency and risk mitigation.

Security operations are also supported by group-wide Competence Centre for Information Risk Management. This approach guarantees the speed, flexibility and resources to manage all types of crisis related to cyber and security incidents.

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Data protection and privacy

Compliance with the General Data Protection Regulation (GDPR) and respecting the privacy of all stakeholders is an integral part of our profession as a bank-insurer. To maintain our stakeholders' trust, we process personal data in a lawful and transparent manner.

As our clients' portfolio and the use of digital technology increases, we process and protect large volumes of data every single day. To increase the quality and efficiency of our digital banking services, we use various data analysis technologies enabling us to proactively offer our clients the right solutions. We unre-

lendingly bring considerable efforts to bear to manage data in smart yet responsible ways. In doing so, we observe the GDPR guidelines and our own privacy rules. We ensure that we follow these rules with every new service we launch.

We recognise that the right to privacy and protection of personal data is a human right. In the handling of data, we therefore guard against any infringement of fundamental human rights.

All parties whose personal data we process can rest safe in the knowledge that all associated pro-

cedures are governed by our strict privacy policy. This policy is publicly available on our communication channels such as our websites. (Section: Personal data protection).

Some aspects of privacy and data protection are matters of personal choice as defined in the EU and national laws. For this reason, we allow our clients themselves to choose what we can do with their data.

We transparently communicate to our clients by way of an unambiguous privacy overview in which they can adjust their choices at any time.

As set out in our privacy policy, we are committed to:

- Keeping personal data accurate and up to date (accuracy principle)
- Securing the data against unauthorised access, loss or damage (integrity and confidentiality principle)
- Destroying the data once they are no longer needed (storage limitation).

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Regulation compliance and business ethics

Anti-money laundering and other financial crimes

Money laundering is a problem which financial institutions are tackling across the globe. We have a regulatory obligation to report suspicious behaviour linked with money laundering which imposes large fines for non-compliance.

To fulfil our role as a trustworthy bank-insurer, we set up a general framework entitled 'Anti-Money Laundering policy' to counteract money laundering and the funding of terrorism.

A new AI platform for monitoring that was developed in-house is on track to be implemented soon.

Our senior managers and employees receive training on their duties with respect to anti-money laundering such as face-to-face and regular online training sessions exploring real case studies.

Whistleblowing and speaking up

We have a global whistleblowing policy and procedures in place. We encourage employees to 'speak up' and report actual or potential misconduct (via the channels described in our Whistleblowing policy, available also on our website).

To mitigate the potential risk of misconduct, our employees are also encouraged to report products or processes that appear unethical, unfair or contradictory to our values. All whistleblowing signals are being investigated in an independent and impartial manner, considering incriminating as well as exculpatory elements.

The compliance function also reports to local and group management on the number and nature of these reports. In 2023, as part of a group-wide initiative, we are set to launch a new reporting tool in observance of the requirements of the new legislation on the protection of whistleblowers.

This tool will allow employees to report all forms of misconduct, including discrimination and retaliation against employees.

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Sustainable Finance Programme in a nutshell



In our sustainability financial programme we follow strict guiding principles to form our business activities.

We apply clear sustainability policies to our activities with respect to environment, climate and biodiversity, human rights, business ethics and societal issues.

We review and update our sustainability policies regularly to ensure they continue to address the concerns and meet the expectations of society.

We aim to build sustainable relationships with individuals, small and medium-sized enterprises and large corporate clients in Bulgaria.

Responsiveness is very important to us. This means that we know and understand our clients better, that we effectively identify their signals and react promptly and adequately, as well as offer products and services tailored to their specific needs. We focus our efforts on the sustainable development of the different communities in which we operate.

We encourage our employees to be responsive, responsible and result-oriented while keeping an eye on the process of how this culture is embedded in our employees and their everyday tasks. In addition to our culture and our values, we stand out from our competitors in several specific ways.

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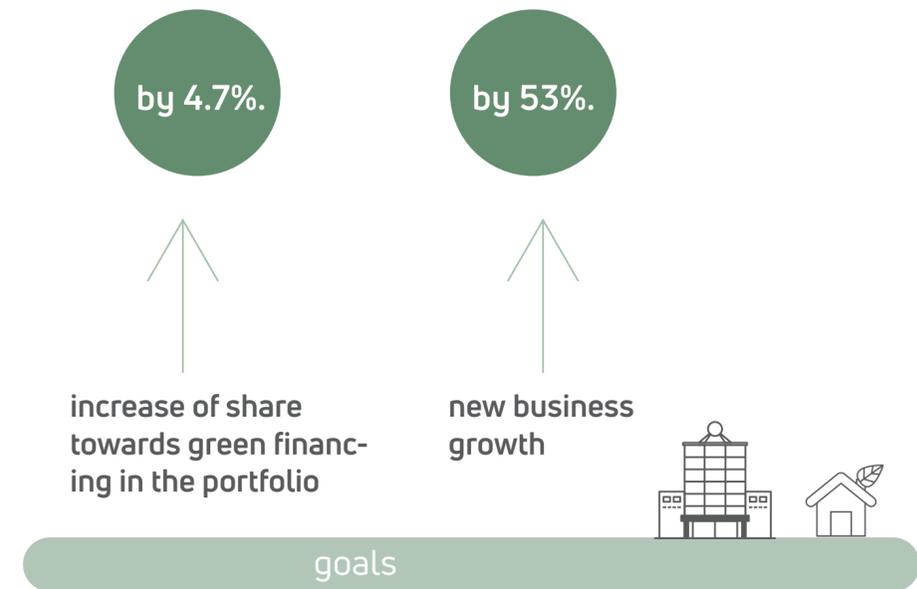
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As part of KBC group, we have calculated the financed emissions (i.e. KBC's Scope 3) for a large part of its loan portfolio (including leasing), using the PCAF Global Standard.

We have set targets for 2030 and 2050 for a subset of our White Paper sectors and follow up on the emissions reductions annually.

KBC Group in Bulgaria has set clear and transparent indicators that will facilitate the achievement of our targets through dedicated solutions.

Sustainability portfolio



Real estate

As a leading lender in terms of residential and non-residential financing we are focused on supporting the improvement of the energy efficiency of the financed assets.

Most of the existing building stock in Europe is energy inefficient, so the potential savings are huge. For residential and non-residential real estate we will aim our average growth of share of towards green financing in the portfolio to increase

by 4.7% and new business growth - by 53%. UBB will employ our mortgage offer for energy efficient home to drive relevant portfolio growth.

By 2030 the measures will result in 46% decrease of GHG emission intensity (CO2e/mln. EUR exposure) for the respective portfolio.

Energy

KBC Group contributes to the decarbonisation of the energy sector by increasingly limiting its exposure to fossil fuels. The direct coal exposure in our loan portfolio was reduced to zero as early as 2021, in line with our commitments.

From 2021, KBC also stopped financing the exploration and extraction of all new oil and gasfields. In addition, vertically integrated energy companies that operate in the field of oil and gas extraction are subjected to additional requirements.

For our energy portfolio in Bulgaria the Bank has set a target of 75% share of new business for renewables employing our dedicated product for photovoltaics as well as large projects financing.

To support the transformation of the energy mix UBB provides also value added services to our clients through the Advisory Hub with specialised advisors in the field of energy.

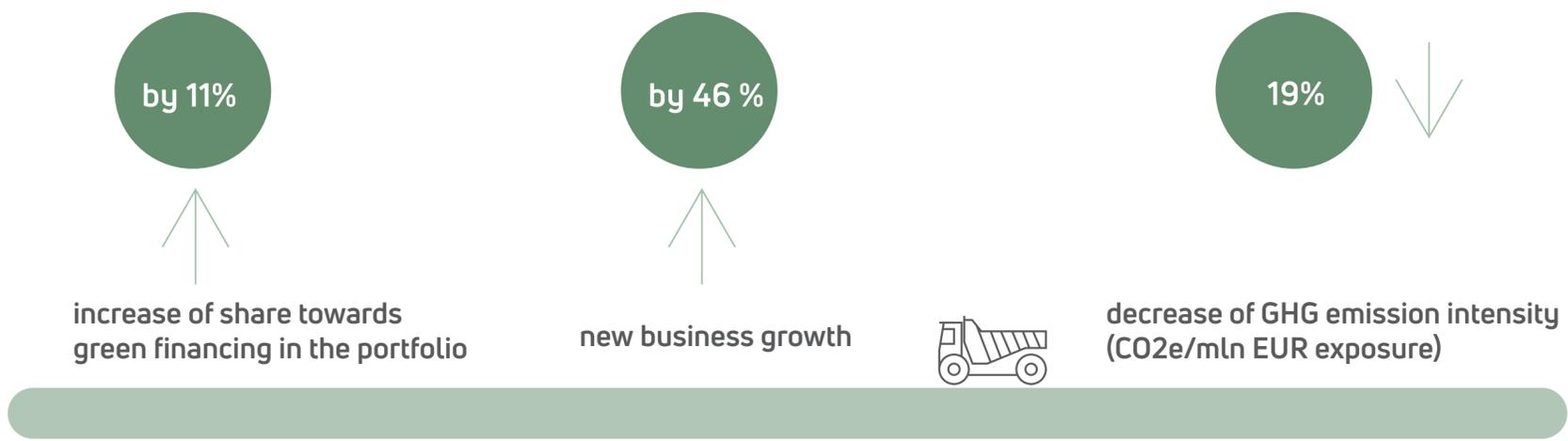


Transport

Transport is responsible for a quarter of the EU’s greenhouse gas emissions, with road transport being the largest share. Road transport emissions are still primarily driven by an increasing demand for transportation. In Bulgaria demand has risen to pre-pandemic levels. For the transport sector the group in Bulgaria targets average growth of share of towards

green financing in the portfolio to increase by 11% and new business growth - by 46 %.

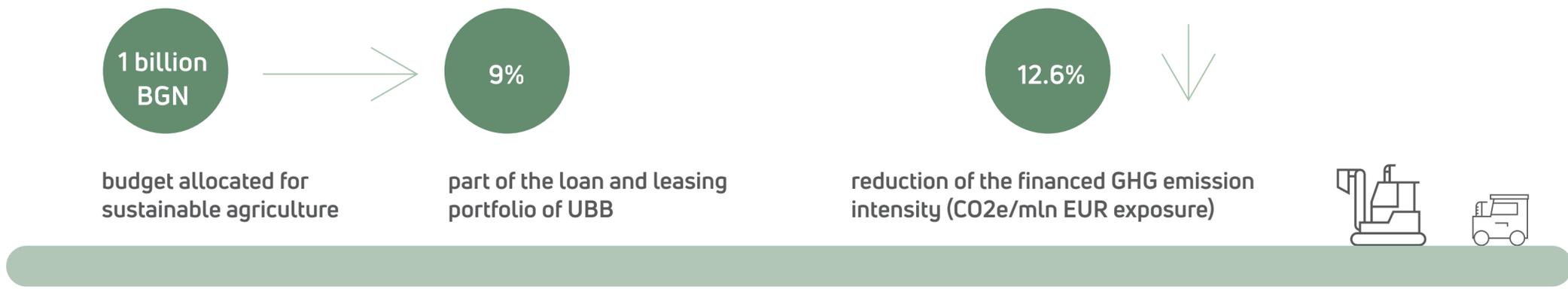
By 2030 the measures will result in 19% decrease of GHG emission intensity (CO2e/mln EUR exposure) for the respective portfolio.



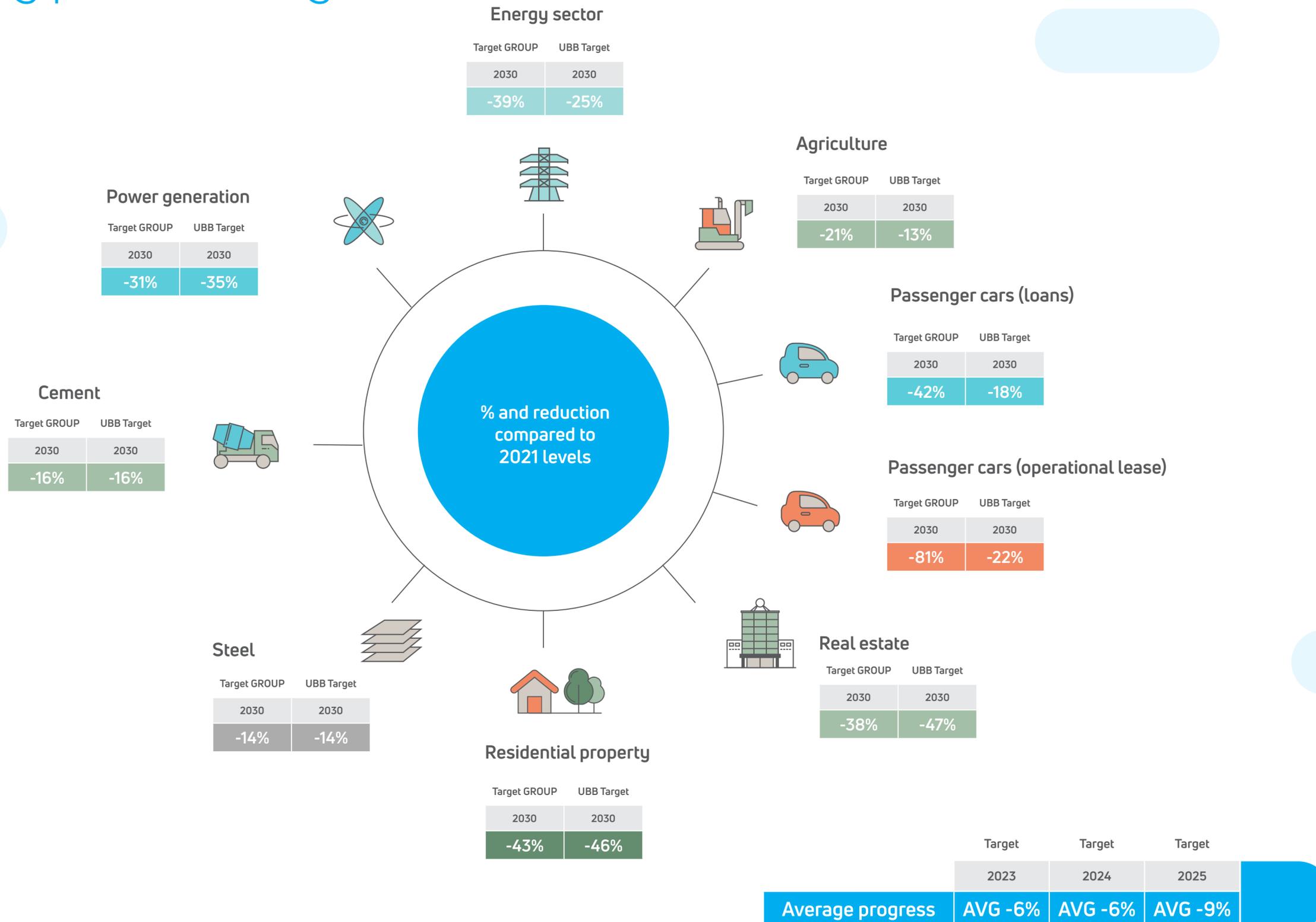
Agriculture

With regard to agriculture, it is a priority sector both on national and European level with a budget of close to 1 billion BGN allocated for sustainable agriculture from the Recovery and Sustainability Mechanism, national and private co-financing the sector comprises important part of the loan and

leasing portfolio of UBB, close to 9%. Through dedicated products, innovations and advisory UBB aims reduction of the financed GHG emission intensity (CO2e/mln EUR exposure) with 12.6% by 2030.



Sustainability portfolio targets



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As of 2022 the total carbon emissions for KBC Group Bulgaria are 5 078 tonnes CO2.

This is a significant emissions reduction of 81% compared to the base year 2015.

total carbon emissions for KBC Group Bulgaria - 5 078 tonnes CO2

81% reduction

Our own footprint

1.

The share of the green electricity consumption for KBC Group in Bulgaria continues to grow. In 2020 we managed to achieve 100% usage of green electricity for UBB, DZI and KBC Global Services in Bulgaria.

2.

The two PV plant at LC Orlandovtzi in Sofia and DZI BC Varna work normally and very efficiently. For the last 12 months the energy covered by the PV plant at Sofia was 29% and the energy covered by the PV plant at Varna was 31%.

3.

UBB Interlease became the third entity part of KBC Group in Bulgaria which received ISO 14001 certification. For short period of time Interlease developed its environmental management system and successfully went through an external audit for certification. and One more entity was certified with ISO 14001 for Interlease.

4.

CarFleet Strategy - In 2022 KBC Group in Bulgaria adopted general approach towards replacement of the old car fleet with new electric and hybrid cars for the period till 2025. The target is at least 70% of the car fleet to be of electric cars. There is an on-going project for placing charging stations in strategic locations through the whole country to ensure the charging of electric and hybrid cars for employees and customers.

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White Papers

As a bank-insurance group we are committed to reduce our negative and increase our positive impact on the environment, and this focus is consistently expanding. Within the framework of our Sustainable Finance Programme, we are preparing strategic assessments of sectors from our portfolio, which we've identified as being ones with the largest climate impact because of the nature of their activities (i.e. carbon-intensive industrial sectors), and based on the size of our exposure to that sectors.

All of these assessments are compiled in expert documents called 'White Paper'. The White Papers include all climate-relevant information for the specific sector or product line concerned: the trends we observe, the risks we identify and expect, the technological changes and innovations to be faced, all relevant European and local regulations, targets we should set to align our portfolios with relevant climate scenarios.

All White Paper analyses focus on our credit business, advisory services and insurance activities.

In 2022 we widened our focus to cover even more environmental objectives such as sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, as well as the protection and restoration of biodiversity and ecosystems.

The White Papers are regularly updated in order to include important developments in the sectors and to take timely action. The governing bodies of the KBC Group on local and group level closely monitor and approve actions and targets determined in the White Papers.

White Paper sectors

Energy

Real Estate

Transport

Agriculture, food and beverages

Building and construction, commercial real estate and Residential Real estate

Metals

Chemicals



As part of our White Paper approach, we also strive to identified opportunities to guide us in a positive direction.

For example:

- transition to alternative and affordable energy sources;



- use of Green hydrogen for energy production and long-haul transport;



- Bioenergy and chemical production from agri-food waste resources



- Bio-based and carbon-negative building materials



- Extraction of rare earth metals and lithium from the electric batteries



- Increase in plastic recycling rate by implementing mechanical and chemical recycling techniques.



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Advisory services

Sustainability-related Advisory Hub

It is well acknowledged what important role banks are playing in the transition to sustainable economy. To turn commitment into actions they will need to reach carbon neutrality by 2050 in their own footprint, and including GHG emissions that occur in the value chain financed.

Customer engagement is essential part of our values and we stand next to our clients when they need support to start their journey toward sustainability.

We have realized that this transition will be recognized and not consider as a burden, when the know-how is

delivered by businesses who have advanced or completed their journey and could share expertise and non-financial support, bringing useful analysis, insights and networks as external partners.

Therefore we have created our Sustainability related Advisory Hub – collaboration with business leaders who could give supplementary knowledge & expertise to less experienced clients.

As a result, we're helping companies to invest in sustainability enabling economic growth.



Green initiatives and digital solutions



30 000 new trees were planted in partnership with Gorata.bg

In 2022, 30 000 new trees were planted in partnership with Gorata.bg – one of the most popular Bulgarian NGOs in terms of eco and other ESG initiatives.

The campaign “Your green footprint” is related to each bank’s digitally opened account as well as mortgage loan, under the following mechanics: KBC Bank planted a tree for every 10 m² new home with mortgage loan, and customers received a certificate for his green impact.

IN THE SPOTLIGHT

In mid-2022 UBB has launched one of the most innovative projects under the Sustainability Finance Program of the Bank – the UBB Agro Carbon Emissions Calculator. The development represents a unique for Bulgaria digital tool to support the Agricultural sector in taking decisions for more sustainable business and investments.

The calculator is directly accessible on the Bank’s website and is a fully digital solution, utterly free-of-charge for all users. For the first three months of its public announcement about 1000 footprints are calculated in the tool.

Through several easy steps the innovative service enables both agri clients and non-clients of the financial institution to calculate the carbon footprint of their farms and to directly download report on the business activities where certain improvements could directly lower their carbon footprint . For further advisory services, the calculator is combined with the UBB Advisory Hub – companies providing services in the areas of precision agriculture and farming.

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Green initiatives and digital solutions

The green transition is happening as we speak

KBC Group in Bulgaria was first on the market to fully replace the vinyl used for its billboards within out-of-home marketing campaigns. In fact, it was namely KBC Group in Bulgaria, together with our partners from Billboard Bulgaria, a leader on the market and one of the first prepress studios in Bulgaria with nearly 20 years of expertise, that imported the so-called green banners or eco vinyls. Eco vinyls are 100% recyclable billboard skins that maintains the high quality of traditional PVC billboards whilst remaining completely eco-friendly. Unlike traditional PVC materials, Eco vinyl can be recy-

clad into park benches, decking, bollards, fence posts and other high-grade recycled polymer products.

It was in 2022 that KBC Group Bulgaria first used such vinyls for its outdoor campaign for UBB Asset Management and has so far replaced its whole billboard network, promoting products and services of 7 companies, part of KBC Group in Bulgaria, through the means of out-of-home advertising, such as billboards, mega-boards, meshes, etc.



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Sustainability Instruments

Sustainable Cities Fund

UBB is managing the Sustainable Cities Fund instrument, a programme that enables the active financing of public and private entities whose projects aim to further the sustainable development in cities across Sofia and South Bulgaria.

UBB has already financed over 71 projects totaling almost BGN 329 million in different areas of sustainable development, including energy efficiency, urban development, cultural heritage and others.

The program also includes a specific retail product aimed at financing energy efficiency for private households

InvestEU – Sustainability

UBB is the first bank in Bulgaria to sign an agreement under InvestEU for EUR 150 million (December 2022).

One of the main pillars of the new flagman instrument of the European Investment Fund is the Sustainability guarantee which shall offer opportunities for green financing at premium parameters for various types of transactions including renewable energy, energy efficiency, electric vehicles, circular economy, agriculture and others.



Thanks to the financial instrument for urban development, managed by the Sustainable Cities Fund, the Burgas municipality has been able to introduce energy efficiency measures and renovate a landmark building for our community- the cultural house of Burgas.

After its renovation, the building retook its place of pride in the landscape of the city as the biggest and most modern cultural center in the municipality, which offers concert and theatre venues, as well as festivals, business forums and conferences. The building also offers spaces for activities aimed at youth engagements.

Vesna Baltina
deputy mayor of Burgas

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PR Prize
I Prize
 Imagemaking, Peter Roebben

III Prize
 Special event, DZI, Friday the 13th

Banker of the Year
 Peter Roebben

Bank of the year
I Prize
 Efficiency category

Best ESG strategy in the financial sector
 -
 PWC 2022 first ESG awards in Bulgaria;

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Insurer of the Year 2022

I Prize, Employer Branding PR Campaign, KBC Group in Bulgaria, CyberStudy

I Prize, Creative Thinking, KBC Group in Bulgaria, KBC Christmas

III Prize, Employer Branding Idea (in Pandemic Times), KBC Group in Bulgaria, Corona, kush-kush

bCause
 Golden mark for charity at work

Best Trade finance Provider in BG for 2022
 (for the 4th time)

Glossary

Abbreviation	Name
AI	Artificial intelligence
APP	Application
BDB	Bulgarian development Bank
BGN	Bulgarian lev
CCCA	Collective Commitment to Climate Actions
CEO	Chief Executive Officer
CO2	Carbon dioxide
CO2e	Carbon dioxide equivalent
Commercial real estate	Commercial real estate finance relates to the development of or investment in real estate assets (or a portfolio of such assets) by property developers or investors, which are subsequently sold or let to third parties.
COSME	EUROPEAN PROGRAMME FOR THE COMPETITIVENESS OF ENTERPRISES AND SMALL AND MEDIUM-SIZED ENTERPRISES
EES	Employee Engagement Survey
EGF	The European Guarantee Fund
ESG	Environmental, Social and Governance
EU	European Union
EUR	Euro
FEBA	Faculty of economics and Business Administration
FMFIB	Fund Manager of Financial Instruments in Bulgaria EAD - is a company fully owned by Bulgarian State which is represented by the Minister for Innovation and Growth. The FMFIB operates as a Fund of Funds (FoF). Its function is to allocate targeted public funds from EU programmes and national co-financing by implementing special financing schemes (financial instruments).
GDPR	General Data Protection Regulation - A regulation in EU law on data protection and privacy.
GHG	Greenhouse Gas
HR	Human Resources
IDR	Issuer Default Rating
InvestEU	InvestEU Programme - supports sustainable investment, innovation and job creation in Europe. It aims to trigger more than €372 billion in additional investment over the period 2021-27.
ISO 14001	ISO 14001 is a basic standard for management systems with regulated specific requirements or the formulation and maintenance of an Environmental Management System (EMS). This helps you control your environmental aspects, reduce their impact and ensure regulatory compliance.
IT	Information Technology
K	Thousand
kW	Kilowatt
MBA	Master Business Administration
mIn.	Million
NGF	National Guarantee Fund
NGO	Non-Governmental Organisations
PCAF	Partnership for Carbon Accounting Financials
PEARL+	Performance, Empowerment, Accountability, Responsiveness, Local Embeddedness Plus
PRB	Principles for Responsible Banking
PRI	Principles on Responsible Investments
PV plant	Photovoltaic plant
PWC	Price Waterhouse Cooper
RSI	Principles for Sustainable Insurance
SDG	Sustainable Development Goal
SME	Small and Medium-sized enterprise
UBB AM	UBB Asset management
UBB PIC	UBB Pension Insurance Company
UN	United Nations
UNWE	University of National and World Economy

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The image features a teal background with a white circle on the left side. Inside the circle, the words "THANK YOU" are written in white, uppercase, sans-serif font. The right side of the image shows a white, fluffy cloud against a lighter teal background.

THANK YOU